

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
BOARD ACTION SUMMARY

DEPT: Planning And Community Development BOARD AGENDA #: * D-1

AGENDA DATE: March 28, 2017

SUBJECT:

Approval to Prioritize the Allocation of Community Development Block Grant Funds to Unincorporated Stanislaus County Low-Income Neighborhoods for Sewer Infrastructure Improvements

BOARD ACTION AS FOLLOWS:

No. 2017-142

On motion of Supervisor Withrow, Seconded by Supervisor Olsen
and approved by the following vote,

Ayes: Supervisors: Olsen, Withrow, Monteith, DeMartini, and Chairman Chiesa

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None


1) Approved as recommended

2) Denied

3) Approved as amended

4) Other:

MOTION:


PAM VILLARREAL, Assistant Clerk

ATTEST:

File No.

**THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
AGENDA ITEM**

DEPT: Planning And Community Development

BOARD AGENDA #: * D-1

Urgent Routine

AGENDA DATE: March 28, 2017

AF

CEO CONCURRENCE: _____

4/5 Vote Required: Yes No

SUBJECT:

Approval to Prioritize the Allocation of Community Development Block Grant Funds to Unincorporated Stanislaus County Low-Income Neighborhoods for Sewer Infrastructure Improvements

STAFF RECOMMENDATIONS:

1. Approve prioritizing the use of Community Development Block Grant (CDBG) funds allocated to unincorporated Stanislaus County Low-Income Areas for sewer infrastructure projects.

DISCUSSION:

Stanislaus County, along with the cities of Ceres, Hughson, Newman, Oakdale, Patterson and Waterford, form what is known as the Stanislaus County Community Development Block Grant (CDBG) Urban County (hereafter referred to as the "Urban County") for the purpose of receiving federal Housing and Urban Development (HUD) CDBG funding. Federal regulations require the preparation and adoption of a Consolidated Plan (Con Plan), which covers a five year period and identifies housing and community needs, priorities, goals, and strategies for the Urban County. The Con Plan is carried out through the Board of Supervisors approved Annual Action Plans (AAP), and evaluated annually through Consolidated Annual Performance and Evaluation Reports (CAPER).

The first listed goal of the Fiscal Year 2015-2020 Con Plan is to "improve infrastructure in low-income neighborhoods." For unincorporated areas, the Con Plan recognizes the Board of Supervisors adopted (August 23, 2011) Residential Neighborhood Infrastructure Project Ranking Criteria to be used in determining the priority of future infrastructure spending projects, beyond those already programmed and reflected in past AAP's and in Implementation Plans of Stanislaus County's former redevelopment agency.

The ranking criteria consist of the following factors:

- a. Health and safety needs of the program/project and how those needs compare with the needs of other programs/projects (e.g.: high per capita septic system failures).
- b. The willingness and ability of the local community to assess itself for purposes of contributing toward project costs and costs of ongoing maintenance and operation of improvements inclusive of support of the program/project by the area's municipal

Approval to Prioritize the Allocation of Community Development Block Grant Funds to Unincorporated Stanislaus County Low-Income Neighborhoods for Sewer Infrastructure Improvements

advisory council or an organized community group (if no council exists to represent the area).

- c. Identified and available funding sources for the specific program/project (the ability to leverage local agency dollars with outside funding sources are critical to ensuring a successful program/project).
- d. A project's geographical and fiscal equity in terms of equitable distribution throughout the various communities, service to income-qualified residents, and, when needed, proximity to needed infrastructure connects.

Prior to the 2012 dissolution of redevelopment agencies in California, the County's CDBG infrastructure funds were leveraged with infrastructure funding from the Stanislaus County Redevelopment Agency. At the time of dissolution, there were three outstanding priority infrastructure projects. The following is a summary update of those projects:

- Airport Neighborhood Sewer Project – The design and engineering of the entire project was funded by a State Water Board Clean Water State Revolving Fund (CWSRF) grant. Phase 1 construction, serving 48 residential lots along Kerr Avenue, was completed in Fiscal Year 2014-2015 using CDBG funds. A contract for construction of the remainder of the project, to be funded by both CDBG and CWSRF funding has been awarded and the project will be completed by Fall of 2017. When completed, the project will provide a total of 362 lots with access to sewer service.
- Empire Storm Drain Infrastructure Project – On October 25, 2016, the Board of Supervisors approved a Substantial Amendment to the Con Plan and Fiscal Year 2016-2017 AAP, cancelling the Empire Storm Drain Infrastructure Project and reallocating CDBG funds to the Airport Neighborhood Sewer Project. Planning staff is working through project close-out with HUD. Close-out activities include a discussion involving \$87,649 in design and engineering costs undertaken for the construction of the projects Phase 1B, which HUD may not allow as an eligible cost if construction of the project does not occur within a reasonable time frame. Construction is no longer financially feasible due to the loss of redevelopment funds and no alternative funding being available to leverage project costs. If HUD determines that the \$87,649 is an ineligible cost, a separate item will be presented to the Board of Supervisors requesting authorization for the appropriate action to finalize project close-out. Phase 1A of the project was constructed in 2010, serving 80 parcels, using both CDBG and redevelopment funds.
- Parklawn Neighborhood Sewer Project – Project construction was completed in 2015. Design and engineering of the entire project was funded by a CWSRF grant and construction of the project was funded by CDBG and CWSRF funding. The project provides sewer service to 326 lots and 41% of the neighborhood has either hooked up or started the process to hook up to the City of Modesto sanitary sewer.

Approval to Prioritize the Allocation of Community Development Block Grant Funds to Unincorporated Stanislaus County Low-Income Neighborhoods for Sewer Infrastructure Improvements

Prioritization Study

In preparation of the Fiscal Year 2017-2018 AAP, the Department of Public Works has developed a sewer project prioritization study using the following methodology:

- Need – Does the neighborhood have a high rate of septic failures?
- Income Eligibility – Is the neighborhood economically disadvantaged or severely economically disadvantaged?
- Cost effectiveness – What is the cost estimate to bring sewer to the neighborhood?

As a result of the County's success in obtaining CWSRF funding for both the Airport and Parklawn Neighborhood Sewer Projects, the highest weight has been given to projects with the greatest opportunity to receive state funding, second to need, and third to cost effectiveness. The results of the prioritization study are summarized in the table below.

TABLE 1 – PRIORITIZATION STUDY SUMMARY BY RANK ORDER

Neighborhood	County Area Number	# of Lots	Estimated Cost	Rank Order
W. Modesto	7 – Spencer/Marshall	144	\$1,591,000	1
W. Modesto	21 – Beverly/Waverly	465	\$7,371,000	2
W. Modesto	9 – Rouse/Colorado	333	\$5,610,000	3
S. Modesto	12 – Airport	410	\$6,276,884*	4
W. Modesto	8 – California/MLK	19	\$500,000	5
W. Modesto	15 – Seybold/Briggs	44	\$670,000	6
W. Modesto	6 – Elm/Emerald	114	\$1,470,000	7
N. Ceres	C2 – Bystrum	245	\$3,833,000	8
S. Modesto	23 - Olivero	74	\$1,092,000	9
S. Modesto	27 - Riverdale Tract	197	\$4,252,000	10

*Estimated cost based on the January 10, 2017 Board of Supervisors approval to adopt plans and specifications and award the construction contract for the Airport Neighborhood Sewer Improvement Project.

A map illustrating the top ten ranked unincorporated County pocket areas, by County area number, is included as Attachment 1. The results identify three neighborhood areas that most demonstrated a need for sewer service; they are generally described as West Modesto, South Modesto, and North Ceres. All three areas have medium household incomes (MHI) qualifying them for consideration as disadvantaged or severely disadvantaged communities.

Some of the top ten ranked neighborhoods are larger than others and might need to be constructed in multiple phases as funding becomes available. An example of this is Area 21, which has a construction budget of approximately \$7 million. Smaller neighborhoods, such as Areas 8 and 15, might be combined to create economies of scale.

Modeling the strategy utilized to complete the Airport and Parklawn Neighborhood Sewer Projects, CDBG funds will be used as match to leverage CWSRF funding to provide the designing, engineering, and construction of sewer projects identified in the prioritization study discussed above. It is anticipated that approximately two neighborhoods will be under design and engineering at any one time utilizing CDBG funds with the goal of obtaining CWSRF funding for project construction. The goal is to deliver approximately one sewer project every

Approval to Prioritize the Allocation of Community Development Block Grant Funds to Unincorporated Stanislaus County Low-Income Neighborhoods for Sewer Infrastructure Improvements

other year. However, to ensure CDBG timeliness requirements are met, projects will be designed to allow for phased construction in order to mitigate any risk if CWSRF funding is delayed or not received. Use of CDBG funds for design without construction occurring is a liability to the County which may require repayment of funds. As such, construction progress must be balanced with design and engineering work.

The CWSRF funds can fund up to 100% of project costs in Severely Disadvantaged Communities (SDAC) and 75% of costs in Disadvantaged Communities (DAC). CDBG funds can fund 100% of project costs in areas that meet HUD approved income requirements as documented through a neighborhood income survey. To meet the income eligibility threshold, the identified area must have an overall income level of 80% or below of Area Medium Income (AMI). As of 2015, the majority of the Urban County is no longer income eligible based only on US Census Tracts. Where census tracts do not illustrate income eligibility, HUD requires income surveys be conducted in order to determine a projects income eligibility. All of the top ten ranked neighborhoods identified in the County's sewer prioritization study will need to undergo an income survey.

Because of the need to maintain a balance in completing projects and the need to conduct income surveys for use of CDBG funding, a specific order for project delivery is not being proposed as part of this item and will be assessed in the AAP's presented to the Board of Supervisors for approval. For the Fiscal Year 2017-2018 AAP, the Planning Department will be proposing to allocate funding for the top three ranked West Modesto sewer improvement projects with implementation dependent on the results of income surveys and community engagement to assure there is interest in ultimate sewer hook-up. The cost of income surveys will be covered by CDBG administrative funds in order to avoid any repayment issues resulting from a failed survey. Separate items requesting authorizing the award contracts for design, engineering, and construction will be presented to the Board of Supervisors once the income surveys are completed.

CDBG timeliness requirements restrict the Urban County's unspent allocation to 1.5 times the yearly allocation. In order to better regulate the timely expenditure of CDBG funds, which can fluctuate based on federal allocation levels and the unpredictable receipt of program income (from the repayment of housing rehabilitation and down payment assistance loans), AAP's will also integrate smaller sidewalk projects, in association with current and past sewer projects. The smaller projects provide flexibility in managing the timely expenditure of funds, if the need arises.

POLICY ISSUE:

Prioritizing the allocation of CDBG funds for sewer infrastructure improvements is consistent with the Board's adopted Residential Neighborhood Infrastructure Project Ranking Criteria for determining the priority of future infrastructure spending projects, while supporting the Urban County's Con Plan's first goal to improve infrastructure to low-income neighborhoods. The prioritization of future infrastructure projects is needed in order to identify which unincorporated Stanislaus County infrastructure projects will be funded in the AAP cycle.

Approval to Prioritize the Allocation of Community Development Block Grant Funds to Unincorporated Stanislaus County Low-Income Neighborhoods for Sewer Infrastructure Improvements

FISCAL IMPACT:

The exact amount of annual funding available for the implementation of sewer infrastructure improvements is unknown. An annual allocation of \$500,000 of CDBG funds, based on current allocation levels, is projected for the next five upcoming fiscal years. CWSRF funding will vary dependent on project area income levels and other state defined criteria. The implementation of sewer infrastructure projects will be subject to Board of Supervisors approval of AAP's for the expenditure of CDBG funds, approvals to accept CWSRF funding, and authorization to award contracts for project design, engineering, and construction. These subsequent actions required for project implementation will include a fiscal impact assessment. Necessary appropriations will also be requested as part of the County's annual budget process.

BOARD OF SUPERVISORS' PRIORITY:

The recommended actions are consistent with the Board's Priorities of A Safe Community, A Well Planned Infrastructure System, Efficient Delivery of Public Services, and A Healthy Community by providing a sewer system that County residents can connect to in response to health and safety concerns of failing septic systems.

STAFFING IMPACT:

Implementation of sewer infrastructure improvement projects will be overseen by existing staff from both the Planning and Community Development Department and Public Works Department.

CONTACT PERSON:

Angela Freitas, Planning and Community Development Director
Telephone: (209) 525-6330

Miguel Galvez, Planning and Community Development Deputy Director
Telephone: (209) 525-6330

ATTACHMENT(S):

1. Map of Unincorporated County Pocket Areas: West Modesto, South Modesto, and North Ceres

