



COUNCIL AGENDA: 9-29-09
ITEM: 2.8

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Leslye Krutko
Jennifer A. Maguire

SUBJECT: SEE BELOW

DATE: September 08, 2009

Approved

Date

9-15-09

COUNCIL DISTRICT: Citywide
SNI AREA: N/A

SUBJECT: FUNDING COMMITMENT OF \$150,000 COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS TO LEGAL AID SOCIETY OF SANTA CLARA COUNTY FOR THE FAIR HOUSING PROGRAM AND APPROPRIATION OF THESE FUNDS FOR THE 2009-10 FISCAL YEAR

RECOMMENDATION

It is recommended that the City Council adopt a resolution authorizing:

1. A funding commitment of Community Development Block Grant (CDBG) funds in the amount of \$150,000 to Legal Aid Society of Santa Clara County (Legal Aid);
2. Approval of a Substantial Amendment to City's FY 2009-2010 Consolidated Annual Action Plan (ConPlan);
3. The Housing Director to negotiate and execute a CDBG grant agreement not to exceed \$150,000; and
4. Approval of the following Appropriation Ordinance amendments in the Community Development Block Grant Fund (441) for 2009-2010:
 - a. Decrease the CDBG Program Development and Monitoring appropriation by \$150,000;
 - b. Establish an appropriation for Legal Aid Fair Housing Program in the amount of \$150,000.

OUTCOME

Approval of the recommended actions will result in the preservation of fair housing services to approximately 200 low- and moderate-income individuals as provided by Legal Aid. These actions will maintain current fair housing services, including conciliation services, fair housing complaint investigation, legal representation, education, and information and referral services for low and moderate income individuals.

BACKGROUND

Over the years, the Community Development Block Grant (CDBG) Program has historically awarded approximately \$350,000 annually for fair housing counseling services to two agencies, including the Legal Aid Society of Santa Clara County (Legal Aid), for the provision of free, fair housing information, education and legal services to low- and moderate-income individuals. During the FY 2009-10 application process, Legal Aid submitted an application for the Fair Housing Program for \$150,000. On May 5, 2009, and through the Consolidated Plan-Annual Action Plan approval process, Legal Aid's Fair Housing proposal was not recommended for funding due to a low evaluation score.

The City Council directed staff to review the impact the reduction of funding would have on the services provided to the low- and moderate-income community, and to further evaluate the agency's financial health, provide additional technical assistance, and refer the agency to other resources available such as the QLBS Nonprofit Assessment tool.

The City Council recommended and approved a three-month extension to the Fair Housing program, not to exceed \$50,000, to allow the agency to develop a sustainability plan and to address the following contingencies:

1. Engage SCORE, a business development nonprofit agency, in the development of a business plan and steps to correct fiscal concerns
2. Develop aggressive fundraising plan to diversify the agency's revenue portfolio, which is currently 99% government funded
3. Investigate a possible merger or collaboration with other legal nonprofit providing similar services
4. Participate in QLBS, a nonprofit assessment tool

Staff immediately began working with Legal Aid management, which has demonstrated a high degree of cooperation in addressing these concerns and implementation of the corrective actions.

ANALYSIS

During the past three months, Legal Aid has taken aggressive steps to correct both agency and program deficiencies. These efforts include a July 22 engagement of SCORE to begin development of a business sustainability plan and steps to correct fiscal concerns including developing and implementing an aggressive fundraising plan to diversify revenues. The agency has also opened discussions with Bay Area Legal Aid on a possible merger and collaboration to more efficiently provide services to mutual clients.

On August 13, Legal Aid completed a four-hour QLBS assessment to identify its strengths and weaknesses. A preliminary review of the assessment identified Legal Aid's strengths as staff's understanding of the organization processes, its culture, and its social purpose. Additional strengths were the understanding of the organization's business environment and the staff's commitment to the organization. The primary weakness identified was lack of financial resources. This has led to other areas deemed critical such as low operating cash balances, a

decline in revenues, and a negative debt-to-equity ratio with debt exceeding eight times the net assets. Negative working capital and high debt is likely to have an adverse impact on Legal Aid's funding attractiveness.

With the results of the QLBS assessment as the blueprint, Legal Aid and SCORE will focus on the most critical areas and begin the development of a business sustainability plan designed to address short and long-term goals. This plan will include efforts to generate additional revenue, lease vacant space in an agency-owned office building, collaborate with other nonprofits providing similar services to increase service efficiencies and eliminate duplication, and preparing for re-negotiation of a \$4 million annual contract with Contra Costa County.

Through these efforts, Legal Aid has demonstrated its commitment to strengthen the organization and address the contingencies established in the May 5 council action. Further, staff has determined that the need for the services provided by Legal Aid is significant and the loss of the services would negatively impact the low- and moderate-income community. As a result, staff recommends approval of Legal Aid's Fair Housing Counseling Program funding request of \$150,000 for FY 2009-10.

EVALUATION AND FOLLOW-UP

CDBG staff will continue to monitor the performance of Legal Aid's Fair Housing program on a monthly basis. Legal Aid will continue to provide all supporting documentation prior to receiving reimbursement. CDBG program management will continue to work closely with the Legal Aid's Executive Director and monitor the progress of the business plan.

COORDINATION

This memorandum was coordinated with the City Manager's Office and the Office of the City Attorney.

COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT: \$150,000
2. COST ELEMENTS OF AGREEMENT/CONTRACT:

| | |
|--------------------|-----------|
| Direct Staff Costs | \$138,109 |
| Benefits | \$11,891 |
| Other | \$0 |
| Total Costs | \$150,000 |

3. SOURCE OF FUNDING: The funding source will be the CDBG 20% Administration cost category. As defined by federal regulation, Fair Housing is an eligible activity under this category. The total administration, planning and fair housing activities cannot exceed

the 20% maximum of the FY 2009-10 entitlement, plus 20% of anticipated program income.

4. FISCAL IMPACT: Reduction of the CDBG allocated Program Development and Monitoring budget from \$1,524,735 to \$1,374,735.

BUDGET REFERENCE

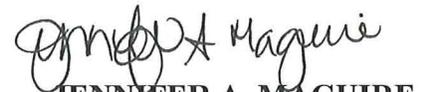
| Fund # | Appn # | Appn. Name | Total Appn | Amount for Agreement | 2009-2010 Proposed Operating Budget (Page)* | Last Budget Action (Date, Ord. No.) |
|--------|--------|---|-------------|----------------------|---|-------------------------------------|
| 441 | 2246 | CDBG Program Development and Monitoring | \$1,524,735 | \$150,000 | X-9 | 6/23/2009, 28593 |

* The 2009-2010 Proposed Operating Budget was adopted by the City Council on June 23, 2009.

CEQA

Not a project.


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Director of Housing


JENNIFER A. MAGUIRE
Budget Director

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