

Eric Sunada
805 East Pine St.
Alhambra, CA 91801

September 22, 2010

Jessica Keating
Assistant to the City Manager
City of Alhambra
111 S. First Street
Alhambra, CA 91801

Ms. Keating:

Herein, please find my comments to the draft 2009-2010 Consolidated Annual Performance and Evaluation Report (CAPER).

1. A significant portion of CDBG funds is dedicated, through Section 108 loans, to subsidizing retail development. In fact, the largest line item of the CDBG budget is repayment of these loans. And with a proposed amendment to the city's Annual Action Plan, the city proposes to commit an additional \$4.9M of CDBG funds to subsidize the retail development of The Shops at The Alhambra as well as the Alhambra Place shopping centers.

Please explain how this serves the primary objectives of CDBG funds, which is to assist lower income groups and to help remove blight. The retail centers which are being subsidized are far from being considered blighted. If the rationale for the use of these grant monies is the creation of jobs, the report should support these claims with actual data. Such data should include the actual number of jobs created; how many of those jobs went to lower income, Alhambra residents; how do you enforce that such jobs continue to be held by such groups (i.e., what prevents businesses from immediately replacing such employees with non-residents); requirements for full time, or are you only requiring full-time equivalent whereby a full-time position is occupied by multiple people such that they do not have benefits.

2. Because of the concerns outlined in item 1 above, a break-down of the amount of funding that went to subsidize business development over the last 25 years and the name and

location of these projects should be made available to the public in a concise summary that is readable by the general lay-person.

3. The majority of the CDBG budget is dedicated to repayment of Section 108 loans (subsidized business development), administration costs (overhead), and code enforcement (operations and maintenance). This leaves the minority of funds for direct assistance to low income groups, removing blight, and providing affordable housing – the main purpose of such funds.

How does the city justify the use of funding in this manner as it runs counter to the spirit of the intent of the CDBG program? Again, if the justification is that jobs will be created, please provide backup data for how this “trickle-down” economic paradigm actually helps those in need in Alhambra.

4. CDBG funds support “two full-time code enforcement officers, one-half of a code enforcement manager, and one-half of a clerical assistant.”

What percentage of the code enforcement staff is supported by CDBG funds and how does this compare with other cities?

5. The Housing Rehabilitation Program Exterior Grant Project is helpful to households. But the overhead rate appears to be relatively high: of the \$196K of funding expended, \$116K of that was spent on administration leaving only \$80K for actual grants to households.

The City should justify why the overhead rate is so high. Why do only 40% of the funds expended actually reach the households?

6. In Section II: Community Development Block Grant Requirements, the highest priority objective listed by the city is “Affordable Housing: for lower- and moderate-income households, particularly for seniors.”

Justify why seniors are singled out for affordable housing, especially when economic demographics do not support such discrimination. Indeed, the objective runs counter to Action 2.1 of this document.

I look forward to receiving responses to my questions.

Thank you,

A handwritten signature in black ink, appearing to read "Eric Sunada". The signature is fluid and cursive, with a prominent loop at the end.

Eric Sunada
Alhambra Resident

City of Alhambra

Office of the City Manager

September 28, 2010

Mr. Eric Sunada
805 East Pine Street
Alhambra, CA 91801

Dear Mr. Sunada,

The City of Alhambra appreciates the comments you submitted on September 23, 2010 with regard to the 2009-2010 Consolidated Annual Performance and Evaluation Report. In an attempt to best address each concern, I formatted them according to your original letter.

1. A significant portion of CDBG funds is dedicated, through Section 108 loans, to subsidizing retail development. Please explain how this serves the primary objectives of CDBG funds, which is to assist lower income groups and to help remove blight.

City's Response: The CDBG program is a flexible program with three national objectives (decent housing; suitable living environment; and expand economic opportunities), 15 specific objectives, and numerous eligible activities. As long as the activities meet these objectives and eligibility, HUD does not prescribe the funding allocation for the City.

The City utilized Section 108 loans for the development of the Fremont Plaza project and rehabilitation of existing properties along Main Street. These projects were completed by 2000 and have improved the business environment in the area and created and retained many jobs for Alhambra residents. The businesses assisted with Section 108 loans were subject to recruitment requirements that advertised the availability of jobs in the vicinity of the project sites. The accomplishments (full- and part-time jobs created) of these existing loans were reported years ago when the projects were undertaken. Records for the projects were required to be maintained for five years. Thus, the record-keeping requirement has expired. The City is only repaying the loans at this time, which is amortized over a 20-year period.

Economic development – job creation and retention – is also an important objective of CDBG funds. The proposed Section 108 loan will help retail development of The Shops at The Alhambra and the Alhambra Place, providing job opportunities to lower and moderate income persons in Alhambra. As previously stated, the developer(s) will be subject to recruitment requirements and record-keeping requirements. For every \$35,000 in CDBG funds, one full-time equivalent job for lower income and moderate persons must be created. HUD measures jobs created in full-time equivalent but does not require the jobs be held by lower and moderate income persons for any specific period of time.

2. Because of the concerns outlined in item 1 above, a break-down of the amount of funding that went to subsidize business development over the last 25 years and the name and location of these projects should be made available to the public.



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City's Response: Records are required by HUD to be maintained for the current fiscal year plus the previous four years. Information within that time period is available to the public upon request but is not published in this report.

3. The majority of the CDBG budget is dedicated to repayment of Section 108 loans, administration costs, and code enforcement. How does the City justify the use of funding in this manner as it runs counter to the spirit of the intent of the CDBG program?

City's Response: Code enforcement activities within the CDBG-eligible neighborhoods are tracked in order to justify CDBG funding. Such activities help improve the housing and neighborhood conditions for persons of lower and moderate incomes.

As discussed before, the Section 108 loans met the national objective of creating jobs for lower and moderate income persons. The accomplishments were reported when the projects were undertaken.

Pursuant to HUD regulations, up to 20 percent of the CDBG funds can be used for planning and general administration of the CDBG programs. The CDBG program has planning, reporting, and program delivery requirements that the City must comply with in order to continue to receive such funding.

All of these activities are consistent national objectives and program requirements for CDBG, as well as the HUD-approved Consolidated Plan. Such backup data on trickle-down economic impact is not required by HUD and is not tracked.

4. What percentage of the Code Enforcement staff is supported by CDBG funds and how does this compare with other cities?

City's Response: Overall, 41 percent of the City's Code Enforcement budget is supported by CDBG funds. The City allocates its CDBG funds according to the City's needs and priorities, as well as effectiveness of the programs. When preparing the Consolidated Plan and Annual Action Plans, through the public outreach process, the City establishes its priorities and funding allocation for the next few years. Comparison with other jurisdictions is irrelevant as each jurisdiction has a different proportion of its city that falls within the CDBG eligible areas, a different level of housing/code enforcement issues, and a different local budget structure and funding sources.

5. The Housing Rehabilitation Program Exterior Grant Project is helpful to households. But the overhead rate appears to be relatively high. The City should justify why the overhead rate is so high. Why do only 40% of the funds expended actually reach the households?

City's Response: The City must maintain project staff to administer the program regardless of the year-to-year fluctuations of participants. The comparatively small amount of expenditures in 2009 may be due to lack of interest from homeowners and low interest rates available in the market. However, the City staff continues to market the program, review applications, respond to resident inquires, and implement rehabilitation projects throughout the fiscal year.

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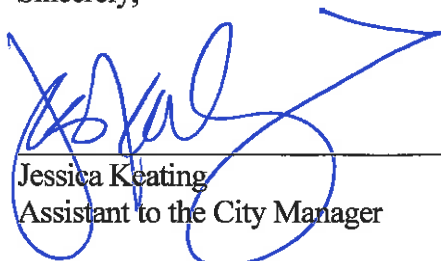
6. In Section II, Community Development Block Grant Requirements, the highest priority objective listed by the City is "Affordable housing for lower- and moderate-income households, particularly for seniors." Justify why seniors are singled out, especially when economic demographics do not support such discrimination.

City's Response: This CAPER implements the 2005-2010 Consolidated Plan when the City established the objectives of providing affordable housing for lower and moderate income households. According to HUD, close to 3,000 lower and moderate income senior households are located in the City. All of the City's senior affordable housing projects are fully occupied with waiting lists that exceed the life expectancy of many on the waiting lists. Seniors are defined in state and federal housing laws as a special needs group requiring housing assistance. Senior homeowners may be asset-rich but income-poor, but senior renters typically have no assets and limited income. Addressing the housing needs of seniors is a requirement of both state and federal housing laws.

The City has other programs that benefit primarily family households – First-Time Homebuyer program and Housing Rehabilitation Program. In addition, in the 2010-2015 Consolidated Plan, the City has established an objective to provide affordable housing to lower and moderate income families as well. Recent acquisition/rehabilitation projects and the proposed amendment to the Action Plan to assist the development of affordable housing on Howard Street benefit primarily family households by creating larger three-bedroom units in order to appeal to families. Furthermore, the City augments the CDBG funds with redevelopment housing set aside funds, which are expended primarily on assisting family households. This focus was created as a result of public interest in creating stable living environment for larger families.

Again, thank you for your comments. They will be incorporated into the final CAPER before it is submitted to HUD. Additionally, the City will take them into consideration when evaluating our CDBG program in the future. If you have any further questions, please feel free to contact me at (626) 570-5011.

Sincerely,



Jessica Keating
Assistant to the City Manager