RECOMMENDATION
Staff recommends that the City Council approve the attached resolution supporting the critical role that the Community Development Block Grant (CDBG) Program has played in the City of Palo Alto and requesting that Congress continue the current funding formula for 2006 CDBG grants and continue to maintain the CDBG Program as a separate program.

BACKGROUND
The President’s FY2006 budget proposes the creation of a “Strengthening America’s Communities Initiative” which combines 18 existing direct grant programs, including CDBG, into one with a total program budget that is nearly $1 billion less than the current CDBG Program alone. As a result of this pending legislation, mayors, city council members, and non-profit service providers across the nation are contacting their Congressional delegations informing them of just how severe these proposed cuts, if enacted, would be to their communities. The Mayor of Palo Alto has already sent letters to Senators Feinstein and Boxer and Congresswoman Eshoo regarding this proposal.

DISCUSSION
The CDBG Program in Palo Alto has played a critical role in community and economic development in the City by providing funds to address a variety of housing and community development needs for the past thirty years. In the past ten years Palo Alto has used over $6 million in CDBG funds to help build and revitalize over 600 rental-housing units and over $500,000 to rehabilitate community centers, senior center and homeless centers. Recently, over $1.2 million in CDBG funding was used for the Opportunity Center, a mixed-use project which will provide 89 units of affordable housing and critical supportive services for the homeless and those at risk of becoming homeless.

CDBG funds are essential to support fragile members of the Palo Alto community, such as low-income elderly and homeless families and individuals. With the proposed elimination of the program, the City will no longer be able to fund such services as the Urban Ministry drop-in center, the Clara-Mateo Alliance shelter, the Catholic Charities long term care ombudsman
program, and the Palo Alto Housing Corporation’s SRO resident support services program. These programs provide services to over 8,000 Palo Alto residents on an annual basis.

**RESOURCE IMPACT**
The City will also be forced to lay off 1.5 employees that currently administer the program in the City. The elimination of the program will also affect contractors and businesses that service the program, resulting in an overall economic loss to our community. If the CDBG Program is modified as currently proposed by the President it could mean the elimination of the Program as it currently exists in Palo Alto and a loss in grant funding of up to $900,000 annually.

**POLICY IMPLICATION**
The recommendation in this staff report is consistent with HUD policies and does not represent any change to City policies.

PREPARED BY: _______________________________________________________

JULIE CAPORGNO, ADVANCE PLANNING MANAGER

APPROVED BY: _______________________________________________________

STEVE EMSLIE, DIRECTOR OF PLANNING AND COMMUNITY ENVIRONMENT

CITY MANAGER APPROVAL: ___________________________________________

EMILY HARRISON, ASSISTANT CITY MANAGER

Attachment:
A – Resolution in Support of the Community Development Block Grant (CDBG) Program