



**DATE:** April 28, 2020

**TO:** Mayor and City Council

**FROM:** Deputy City Manager

**SUBJECT:** Community Development Block Grant (CDBG) COVID-19 Emergency-Related Funding: Adopt a Resolution Authorizing the City Manager to Implement a Contingency Plan for Allocation and Expenditure of Up to \$1.47 Million in Available CDBG Funds for COVID-19 Emergency Expenditures; and Approving a Substantial Amendment to the CDBG FY 2020 Annual Action Plan

## **RECOMMENDATION**

That the City Council adopts a resolution (Attachment II):

1. Authorizing the City Manager to implement a plan to allocate and expend up to \$1.47 million in available CDBG funds for COVID-19 emergency expenditures; and
2. Approving a Substantial Amendment to the CDBG FY 2020 Annual Action Plan.

## **SUMMARY**

Since 1975, the City of Hayward has administered Community Development Block Grant (CDBG) funds received from the U.S. Department of Housing and Urban Development (HUD). The City submits an Annual Action Plan to HUD to detail the City's funding strategy for the CDBG Program. The City's Citizenship Participation Plan specifies that any changes to the year's funding allocations requires a Substantial Amendment.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) allocates over two trillion in funds to respond to the COVID-19 pandemic at the federal, state, and local levels. In doing so, it makes available \$5 billion in supplemental CDBG funding for grants to prevent, prepare for, and respond to coronavirus (i.e. CDBG-CV). Additionally, the CARES Act provides CDBG grantees with flexibilities that make it easier to use CDBG-CV grants as well as FY 2020 and FY 2021 CDBG funds for coronavirus response and authorizes HUD to grant waivers and alternative requirements. Through the CARES Act, the City of Hayward is receiving an additional \$902,238 to address the COVID-19 crisis. Additionally, staff is proposing to amend the FY 2020 Action Plan to reallocate \$570,000 in non-committed funds from FY 2020, along with allocating the additional \$900,000 in CARES Act CDBG-CV funds for a total of \$1.47 million to address the COVID-19 crisis. The proposed allocations are as follows:

**TABLE 1: SUMMARY OF CDBG FUNDS**

CDBG PROJECT CATEGORY	CURRENT FUNDING	PROPOSED CDBG COVID-19 FUNDING	TOTAL SUBSTANTIAL AMENDMENT FUNDING AMOUNT
Administration & Planning	\$300,427		\$300,427
Acquisition, Disposition, Clearance & Relocation	\$571,365		\$0
Economic Development	\$339,999	\$50,000	\$389,999
Housing	\$300,000		\$300,000
Public Facilities & Infrastructure Improvements	\$440,000		\$440,000
Public Services	\$253,551		\$1,677,154
<i>CDBG-CV CARES Act funds</i>	<i>N/A</i>	\$902,238	\$902,238
<i>Uncommitted CDBG funds</i>	<i>N/A</i>	\$521,365	\$521,365
<b>Total</b>	<b>\$2,205,342</b>	<b>\$1,473,603</b>	<b>\$3,107,580</b>

Staff is not proposing to remove funding from any existing activities funded through the FY 2020 community agency funding process, or any proposed activities through the FY 2021 community agency funding process. Staff will be returning to Council on May 26, 2020 for a work session to discuss the FY 2021 community agency funding process.

## BACKGROUND

Since 1975, the City of Hayward has administered CDBG funds received from HUD. The CDBG program annually provides formula “entitlement” grants to states and local governments with populations greater than 50,000, including Hayward.

On March 27, 2020, the President signed into law the CARES Act, allocating over \$2 trillion in relief to respond to the COVID-19 pandemic at the federal, state, and local levels. The CARES Act included additional CDBG-CV funds for CDBG entitlement communities and waived the 15% Public Services spending cap for FY 2020 and FY 2021 CDBG awards. Through the CARES Act, the City of Hayward is receiving an additional \$902,238 to address the COVID-19 crisis.

On March 31, 2020, HUD’s Office of Community Planning and Development (CPD) released a memorandum detailing the availability of waivers of CPD grant program and Consolidated Plan requirements to prevent the spread of COVID-19 and to mitigate the economic impacts of COVID-19. Through this guidance, HUD waived the 30-day public comment requirement for comments on substantial amendments to the Consolidated Plan, allowing jurisdictions to implement a five-day public comment period. HUD also waived the requirement that jurisdictions follow their Citizen Participation Plan and any extended comment periods they may contain.

Given the guidance from HUD and the waiver of public comment and participation requirements, the City of Hayward will notice a public comment period of two weeks, with a remote public hearing occurring in the middle of the comment period to access the additional CARES Act funds.

In light of the waived 15% spending cap on Public Services, staff is proposing to re-organize the projects as reported in the FY 2020 Annual Action Plan to allocate non-committed funds from the FY 2020 Acquisition, Disposition, Clearance, and Relocation project into the Public Services project. Re-organizing in this way creates a larger pool of funds to allocate toward Public Services, which will increase the City's ability to address the substantial need for supportive services, such as additional resources for homeless outreach and shelter providers, increased local pop-up food banks, and counseling and financial assistance for renters and homeowners hit the hardest by COVID-19. To further support these efforts, staff is proposing to allocate all the additional CDBG-CV funds made available in the CARES Act to the Public Services and Economic Development projects. Thus, in total, \$1.5 million will be allocated to local community agencies, City-operated shelters, and small businesses to respond to the COVID-19 crisis in a thoughtful, coordinated, and timely manner.

### **FY 2021 Community Agency Funding Process and Annual Action Plan**

Annually, the City funds approximately \$1.5 million in social programs that serve the most vulnerable populations within the City through a combination of federally awarded CDBG funds and allocations from the City's General Fund. As the advisory body to the Hayward City Council on community service issues, the Community Services Commissions (CSC) makes recommendations to Council regarding the distribution of CDBG and General Fund social services.

In January, the Chair of the CSC appointed CSC members to three Application Review Committees (ARCs) that reviewed and interviewed applicants for CDBG and General Fund funds. The ARCs reviewed the following three funding categories: Infrastructure and Economic Development (CDBG); Arts & Music (General Fund); and Public/Social Services (CDBG/General Fund).

On February 19, 2020<sup>1</sup>, the CSC met and reviewed the preliminary draft recommendations made by each ARC. The CSC heard public comment and initiated a 30-day public comment period for community members to submit feedback on the recommendations to the City and CSC. The CSC met again on March 18, 2020<sup>2</sup>, two days after the Governor's first shelter in place order for six Bay Area counties, including Alameda County. Through their teleconference, the CSC discussed the need to ensure that agencies serving those who are most at-risk of contracting COVID-19, particularly homeless individuals and families, are

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<sup>1</sup> February 19, 2020, Staff Report and Attachments:

<https://hayward.legistar.com/MeetingDetail.aspx?ID=763056&GUID=915D9BA1-DB7A-4F6B-96CA-3F2E473FEDBA&Options=info&Search=>

<sup>2</sup> March 18, 2020, Staff Report and Attachments:

<https://hayward.legistar.com/MeetingDetail.aspx?ID=769058&GUID=27E7F955-2F92-4C1D-A32C-BD460460FA55&Options=&Search=>

given adequate funds to meet increased service demand. They directed staff to focus any additional allocation of funds beyond their existing recommendations on services that promote food security and support those who are unstably housed or homeless, which is reflected in staff's recommended allocation of the CDBG-CV funds.

Each year, staff aligns the Community Agency Funding Process with the Annual Action Plan development process. This year, the City is required to create a five-year Consolidated Plan for FY 2021-2025 in addition to the Annual Action Plan, which will be the first action plan of the new five-year period. As the City is also part of the Alameda County HOME Consortium, staff mirrors the development of the City's plans with the County's plans and timeline. The County has opted to apply the CPD waiver of the 30-day public comment period and will be implementing the minimum five-day comment period; therefore, the originally scheduled agenda items in April were adjusted to the following dates:

- Work Session: May 26, 2020
- Public Hearing: June 23, 2020

At those sessions, staff will bring more information on the updated five-year plan and the CSC's recommended funding allocations as part of the regular Community Agency Funding process. The current item addresses the allocation of the separate emergency relief funding, which staff recommends allocating in line with recommendations made by the CSC on March 18, 2020.

## **DISCUSSION**

### **Available CDBG Funds for Responding to COVID-19**

This item focuses on allocating the following available funds:

1. **FY 2020 Uncommitted CDBG funds:** The FY 2020 Annual Action Plan includes \$571,365 for the Acquisition, Disposition, Clearance, and Relocation project. As of April 1, 2020, these funds are not yet committed to any specific activities. As the recent CPD guidance has waived the 15% spending cap on public services, these funds can now be reallocated to the Public Services project for new activities in response to the COVID-19 pandemic.
2. **CARES Act CDBG-CV funds:** The CARES Act allocates \$5 billion to states and CDBG grantees. Of those \$5 billion, \$2 billion have been allocated to current recipients. Hayward received \$902,238 to allocate to new activities. These funds are also exempt from the 15% spending cap on public services. Staff recommends spending these funds on the Public Services and Economic Development projects.

New Public Services and Economic Development activities will include: increasing the capacity of local food banks; providing counseling and financial assistance to renters and homeowners; increasing homeless outreach and shelter services; providing childcare services for essential employees whose children are not in school; increasing referral and

information services; providing legal assistance for vulnerable residents; and providing grants to micro-enterprises to help recover from the economic impacts of COVID-19.

**TABLE 2: PROPOSED ALLOCATION OF AVAILABLE CDBG FUNDS**

CDBG PROJECT CATEGORY	CURRENT FUNDING	PROPOSED CDBG COVID-19 FUNDING	TOTAL SUBSTANTIAL AMENDMENT FUNDING AMOUNT
Administration & Planning	\$300,427		\$300,427
Acquisition, Disposition, Clearance & Relocation	\$571,365		\$0
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### Community Services Commission Input

Using the CSC's guidance to emphasize services that provide resources for homeless and unstably housed residents and promote food security, staff recommends allocating up to \$1.5 million in available unobligated CDBG funds toward a number of potentially CDBG-eligible projects, broadly described in Table 3.

The proposed activities align with CSC guidance to focus on services that support individuals and families who are homeless or unstably housed and promote food security. Planned activities include: a \$50,000 allocation to a local non-profit to provide meals to home bound seniors; \$600,000 to another local non-profit to provide up to \$2,500 in one-time rental assistance to low-income residents through direct payments to landlords on behalf of the City for its Rental Relief Program; and \$135,000 to local shelters and/or the City of Hayward-operated shelter services for increased outreach and service provision. Staff are in the process of evaluating ways to expend the remaining flexible funds, including support to the City's Navigation Center, and providing additional support to the Winter Warming Shelter.

**TABLE 3: PROPOSED CDBG FUNDING ALLOCATION BY PLANNED ACTIVITY**

<b>No.</b>	<b>PROJECT</b>	<b>PLANNED ACTIVITIES</b>	<b>SUBSTANTIAL AMENDMENT FUNDING</b>
1	Public Services	Local food banks for low-income and senior Hayward residents	\$180,000
2	Public Services	Counseling and financial assistance to renters and homeowners	\$675,000
3	Public Services	Homeless outreach and shelter services	\$475,000
4	Public Services	Childcare services for essential employees	\$40,000
5	Public Services	Referral and information services	\$25,000
6	Public Services	Legal assistance for vulnerable residents	\$25,000
7	Economic Development	Grants to micro-enterprises to promote economic recovery from COVID-19	\$50,000
<b>Total</b>			<b>\$1,470,00</b>

### **Timeliness**

On an annual basis, CDBG grantees must demonstrate that they are carrying out their funded programs in a timely manner. Sixty days prior to the end of the program year, the grantee must have a CDBG credit balance no greater than one and one-half (1.5) the grantee's remaining line of credit. The City of Hayward's program year aligns with the City's fiscal year; therefore, Hayward's timeliness test occurs on May 2, 2020. As of April 1, 2020, Hayward's timeliness ratio is 1.37, meeting the criterion for timely expenditure of funds. While the increased allocation from the CARES Act will increase this ratio, staff expects the funds to arrive after the 60-day timeliness test mark so the test will not be impacted.

### **ECONOMIC IMPACT**

There will be positive economic impacts on the low-income communities served by the planned activities specified above.

### **STRATEGIC ROADMAP**

This agenda item supports the Strategic Priorities of Preserve, Protect, and Produce Housing; Grow the Economy; and Support Quality of Life. It is not specifically related to a project identified in the Strategic Roadmap. Staff is bringing forth this item in response to the federal government's recent allocation of additional CDBG funds through the CARES Act in response to the COVID-19 pandemic. Staff will include this item in the next bi-annual update to Council on the Strategic Roadmap.

### **FISCAL IMPACT**

The City has contacted HUD and is making an effort to have funds advanced for this program. If HUD is unwilling to advance the funds, the City plans to advance \$250,000 from the General Fund that will be reimbursed once the CDBG funds are received from HUD. Either option will have no negative impact on the General Fund.

## **PUBLIC CONTACT**

Staff published a draft Substantial Amendment on April 21, 2020 and opened a fourteen-day public comment period lasting through May 5, 2020. Staff received direction on how to allocate additional community agency funding at the Community Services Commission held on March 18, 2020. Staff welcomes additional public comment by May 5, 2020 and will incorporate any comments received into the final draft of the Substantial Amendment.

## **NEXT STEPS**

Staff will incorporate any comments received from the public hearing as well as from the public comment period into the final draft of the Substantial Amendment and will submit the amendment to HUD no later than May 11, 2020. Staff will report back to City Council in June 2020 on the status of the City's CDBG funds.

*Prepared by:* Amy Cole-Bloom, Management Analyst  
Monica Davis, Community Services Manager

*Recommended by:* Jennifer Ott, Deputy City Manager

*Approved by:*

A handwritten signature in dark ink, appearing to read 'K. McAdoo', is written over a horizontal line.

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Kelly McAdoo, City Manager