



DATE: November 18, 2020

TO: Community Services Commission

FROM: Community Services Manager

SUBJECT: Community Development Block Grant (CDBG) COVID-19 Emergency-Related Funding: Review and Discuss Staff Recommendations for Allocating CARES Act Round 3 CDBG Funding

RECOMMENDATION

That the Community Services Commission review staff's recommendation for allocating \$1,191,514 in CARES Act CDBG funding and \$392,913 in uncommitted CDBG entitlement funding to services to prevent, prepare for, and respond to COVID-19.

SUMMARY

The federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act), passed in March 2020, 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 (i.e. CDBG-CV) for grants to prevent, prepare for, and respond to coronavirus. 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 the U.S. Department of Housing and Urban Development (HUD) to grant waivers and alternative requirements. Through the CARES Act, the City of Hayward has received two separate allocations of CDBG-CV funding:

- Round 1: \$902,238 awarded in April 2020
- Round 3: \$1,191,514 awarded in September 2020¹

Council allocated Round 1 funding based on guidance from the Community Services Commission (CSC) provided during the Fiscal Year 2020-2021 Community Agency Funding Process. Recognizing the impending challenges of COVID-19 in early March, the CSC recommended that staff prioritize the use of any additional CDBG funds to prevent

¹ Round 2 funding from the CARES Act went directly to states; therefore, the City of Hayward has only received funding for Rounds 1 and 3.

homelessness and protect basic needs, like food security. On April 28, 2020, Hayward City Council approved the allocation of the Round 1 funds, along with the reallocation of existing uncommitted CDBG entitlement funds.² For a full description of the allocation, see the staff report from the CDBG-CV COVID-19 response funding update provided to Council on June 23, 2020.³

Round 3 CARES Act funding was awarded in September 2020 for entitlement grantees to “focus funds toward places with households facing higher risk of eviction,” specifically targeting communities with high proportions of job loss, risk of virus transmission, and risk of eviction.⁴ Staff is returning to the CSC for their feedback on the allocation of the \$1,191,514 Round 3 CARES Act award, along with \$392,913 in unspent or uncommitted CDBG entitlement funds from Fiscal Years 2018-2019 and 2019-2020. Based on guidance from HUD and feedback from community agencies following the first round of CARES Act funding, staff recommends allocating these funds as follows:

- **Housing Displacement Prevention:** Increase the City’s contribution to its new Tenant Rent Relief program and create a homeowner loan program to link low-income homeowners financially impacted by COVID-19 and at high risk of foreclosure with an attorney to help re-negotiate mortgages and provide loans to bridge the gap between what homeowners owe and can pay to reduce the risk of foreclosure (Proposed Amount: **\$1,065,327**)
- **Economic Development:** Increase the City’s contribution to the Economic Development Division’s Small Business Assistance program, providing additional grants to small businesses to respond to and prevent COVID-19 (Proposed Amount: **\$100,000**)
- **Health Facilities Support:** Allocate funds to St. Rose Hospital Foundation for medical equipment purchases to respond to COVID-19 (Proposed Amount: **\$300,000**)
- **Permanent Supportive Housing:** Set aside administrative funds for necessary first steps to explore the potential conversion of a local hotel into permanent supportive housing for individuals experiencing homelessness, thus reducing their risk of contracting COVID-19 (Proposed Amount: **\$100,000**)
- **Administration:** Set aside a small portion of the Round 3 allocation (less than 2%) for the increased administrative costs of staff managing CARES Act funds along with the regular CDBG entitlement program (Proposed Amount: **\$19,100**)

² April 28, 2020 City Council Meeting Staff Report and Attachments:
<https://hayward.legistar.com/LegislationDetail.aspx?ID=4427306&GUID=C0CAA4D0-EB75-475A-B2B0-A167DB2B2CE9&Options=&Search=>

³ June 23, 2020 City Council Meeting Staff Report and Attachments:
<https://hayward.legistar.com/LegislationDetail.aspx?ID=4576644&GUID=7D9A237D-8934-4D4A-94FA-CFF24B9589CA&Options=&Search=>

⁴ Department of Housing and Urban Development. (September 11, 2020). *Methodology for CDBG-CV3 (Part A) allocation*. Retrieved from: <https://www.hud.gov/sites/dfiles/CPD/documents/Methodology-for-CDBG-CARES-Act-Final-Allocation-CV-3-Part-A-9-11-2020.pdf>

To allocate these funds, HUD requires that the City of Hayward amend its 2019 Annual Action plan. Staff proposes the following total allocations to the categories in that plan (see Table 2 for a detailed description of these changes):

- Administration & Planning: \$419,527
- Acquisition, Disposition, Clearance, & Relocation: \$0
- Economic Development: \$489,999
- Housing: \$218,711
- Public Facilities & Infrastructure: \$140,000
- Public Services: \$3,042,481

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 and specific reporting requirements for economic development activities. Through the CARES Act, the City of Hayward received \$902,238 in March 2020 and another allocation of \$1,191,514 in September 2020 to prevent, prepare for, and respond to the coronavirus.⁵ In order to allocate and spend these funds, the City of Hayward must complete a Substantial Amendment to the FY 2019-2020 Annual Action Plan. Council approved the first Substantial Amendment in April 2020 and, once the CSC provides their feedback on the proposed allocation of the second CARES Act award, staff will draft another Substantial Amendment for Public Hearing and Council approval in early December.

DISCUSSION

This report for CSC discussion focuses on allocating the following available funds:

- 1. FY 2019 and FY 2020 Unspent CDBG funds:** Due to earlier City staffing transitions, there were delays completing environmental reviews required for each home rehabilitation project in FY 2020. As such, Habitat for Humanity was unable to spend down their full allocation for FY 2020. With internal processes now in place to expedite these reviews moving forward, Habitat for Humanity will be able to spend down its FY 2021 allocation in a timely manner. The unspent funds, in addition to small unspent home rehabilitation amounts from Habitat for Humanity and Rebuilding Together Oakland’s FY 2019 agreements, total \$92,913. Additionally, funds were previously set aside for public

⁵ Department of Housing and Urban Development. (August 2020). Notice of Program Rules, Waivers, and Alternative Requirements Under the CARES Act for Community Development Block Grant Program Coronavirus Response Grants, Fiscal Year 2019 and 2020 Community Development Block Grants, and for Other Formula Programs. Retrieved from <https://www.hudexchange.info/resource/6113/fr-6218-n-01-notice-of-program-rules-waivers-alt-requirements-under-cares-act-cdbg/>

facilities projects that did not happen as planned. Staff has determined that \$300,000 of these funds can be reallocated along with the \$92,913 in unspent home rehabilitation program funds to activities to prevent, prepare for, and respond to COVID-19.

2. **CARES Act CDBG-CV Round 3 funds:** As a CDBG entitlement grantee, Hayward received \$1,191,514 to allocate to activities that prevent, prepare for, and respond to COVID-19. Like the first round of CARES Act CDBG funding (CDBG-CV), these funds are also exempt from the 15% spending cap on public services. HUD allocated funds using a methodology that prioritizes regions with high proportions of job loss and risk of eviction; therefore, staff recommend spending these funds on eviction prevention and economic development activities to prevent, prepare for, and respond to COVID-19.

Staff proposes allocating these as described in **Table 1** below.

Table 1. Proposed CARES Act Round 3 Funding Allocation

Activity	Description	Proposed Funding
Housing Displacement Prevention	Funds for the City's Tenant Rent Relief program and a new homeowner support program to prevent foreclosure for low-income homeowners	\$1,065,327
Economic Development Grants	Additional funding to the Economic Development Division's Small Business Assistance program to provide grants to small businesses	\$100,000
St. Rose Hospital Equipment Purchase	Funds to support purchase of ventilators to reduce the hospital's reliance on borrowed equipment from the County	\$300,000
Administration and Planning	Funds to support administration of all CARES Act-funded programs, as well as to cover planning expenses for potential hotel conversions to permanent supportive housing	\$119,000

To allocate and spend these funds, the City must complete a Substantial Amendment to the FY 2019-2020 Annual Action Plan. **Table 2** on the following page summarizes the proposed changes that staff recommend including in the Amendment. The Action Plan categorizes FY 2019-2020 funding into six projects. The Substantial Amendment will adjust the funding for these categories to allocate the new CARES Act funds and to ensure there are enough monies in the Administration and Planning, Public Services, and Economic Development projects to fund the activities listed in **Table 1** above.

Table 2. Proposed Substantial Amendment Funding Changes to Allocate Round 3 CARES Act Fund

CDBG Project Categories	Current FY 2020 Funding	Previous Unspent Funds	Proposed Changes	Total Funding Recommendations	Proposed Changes
Administration & Planning	\$300,427	N/A	+ \$119,100	\$419,527	<ul style="list-style-type: none"> • Increase from Round 3 CARES Act funds: Cover increased administrative costs of implementation for both CARES Act allocations (no Round 1 funds were used to address increased administrative expense). • Increase from Round 3 CARES Act funds: Cover costs of planning related to potential hotel conversion to provide additional permanent supportive housing for Hayward residents experiencing homelessness due to COVID-19.
Acquisition, Disposition, Clearance, & Relocation	\$0	N/A	N/A	\$0	<ul style="list-style-type: none"> • No changes proposed
Economic Development	\$389,999	N/A	+ \$100,000	\$489,999	<ul style="list-style-type: none"> • Increase from Round 3 CARES Act funds: Increase available small business assistance grants to prevent business and job loss due to COVID-19
Housing	\$300,000	\$11,624 ⁶	- \$11,624 (FY 19) - \$81,289 (FY 20)	\$218,711 (FY 20)	<ul style="list-style-type: none"> • Reallocate unspent funds to Public Services: Move unspent FY 2020 and FY 2019 Housing funds to support COVID-19 homelessness prevention efforts
Public Facilities & Infrastructure	\$440,000	N/A	- \$300,000	\$140,000	<ul style="list-style-type: none"> • Reallocate unallocated funds to Public Services: Move unallocated funds to support health facilities respond to COVID-19
Public Services	\$1,677,154	N/A	+ \$1,365,327	\$3,042,481	<ul style="list-style-type: none"> • Reallocate Unspent Housing Funds: Move unspent FY 2019 and FY 2020 Housing funds to Public Services • Increase from Round 3 CARES Act funds: Allocate remainder of CARES Act award
TOTAL	\$3,107,580	\$11,624	+ \$1,191,514	\$4,310,718	<ul style="list-style-type: none"> • Allocate New Funds: Add \$1,191,514 from CARES Act • Move Unspent Funds to Public Services: Add \$300,000 from Public Facilities, \$81,289 from FY 2020 Housing, and \$11,624 from FY 2019 Housing

⁶ Two agencies underspent their allocations for Housing activities in FY 2018-2019. The City of Hayward is reallocating those unspent funds to the FY 2019-2020 Public Services project. They are included in the Public Services Total Funding Recommendations value in Table 2.

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.

FISCAL IMPACT

All funds allocated in this item are from federal sources (HUD) and will not impact the City's General Fund.

PUBLIC CONTACT

Following community and CSC feedback, staff will publish a draft Substantial Amendment on November 23, 2020, and open a fourteen-day public comment period lasting through December 4, 2020. Public comment will also be encouraged at the City Council Public Hearing on Tuesday, December 1, 2020. All public comment will be integrated into the Substantial Amendment before submission to HUD the week of Monday, December 7, 2020.

NEXT STEPS

Following CSC discussion and feedback, staff will make any necessary revisions to the plan for allocating the Round 3 CARES Act funds. The plan will then be published for public comment on November 23, 2020, in anticipation of a Public Hearing on Tuesday, December 1, 2020. 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 December 12, 2020. Staff will report back to City Council in Spring 2020 on the status of the City's CDBG-CV funds as part of the FY 2021-2022 Community Agency Funding Process.

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Approved by:

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