

Capitola City Council

Agenda Report



Meeting: October 23, 2025

From: Community and Economic Development Department

Subject: 2025 Community Development Block Grant Program

Recommended Action: Receive staff report, conduct public hearing, and discuss. No action is required.

Background: The purpose of this meeting is to provide a general overview of the CDBG program and 2025 Notice of Funding Availability (NOFA) and give residents the opportunity to ask questions and provide feedback on potential applications.

The U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) program authorizes the use of funds to assist low- and moderate-income families or aid in the prevention or elimination of slums or blight. There are two types of CDBG programs: "entitlement" and "non-entitlement". Large cities and urban counties are entitled to receive annual grants under the "entitlement" program direct from HUD, essentially annual payments that are made based on a specific formula. Capitola is in the "non-entitlement" program, administered by the State Department of Housing and Community Development (HCD), where the City can apply for funding under a competitive application process.

On September 30, 2025, HCD released its annual NOFA for approximately \$27 million in federal funds for the CDBG Program. The NOFA acts as a "call for applications", which outlines applications allowed, amounts, scoring, timelines, etc. Staff has reviewed the NOFA and is now presenting a general overview of the 2025 CDBG application process.

The City has been applying to the CDBG Program for many years and has been quite successful in the most recent NOFAs. Below provides a summary of funds received in the past 5 years and the projects/programs they served:

21-CDBG-NH-20008: Grey Bears	\$56,656
21-CDBG-NH-20009: Community Bridges	\$320,700
21-CDBG-NH-20010: Second Harvest	\$119,840
23A-CDBG-20002: Community Center	\$3,300,000
24-CDBG-10001: Jade Street Park, Grey Bears and Second Harvest	\$3,600,000
CDBG-CV Funding (COVID 19)	\$491,404
TOTAL	\$7,888,600

Discussion: Jurisdictions are eligible to apply for up to \$3.6 million with requests for up to three activities. The following activities are eligible under the 2025 CDBG grant:

1. Public Services:

- a. Maximum amount: \$300,000
 - b. Maximum number of public services: 2
 - c. Eligible public services include: food distribution, Meals on Wheels, homeless services, recreational services, health services, crime prevention, and public safety.
2. Projects include Public Improvement / Public Facilities
 - a. Maximum amount: \$3.3 Million
 - b. Maximum number of projects: 1
 - c. Eligible projects include: streets, sidewalks, storm drains, parks, senior centers, etc.
 - d. Projects must demonstrate readiness at time of application, i.e. NEPA, cost estimate, bid-ready plans and specifications.
3. Programs
 - a. Maximum amount: \$1.5 million
 - b. Maximum number of programs: 1
 - c. Programs include:
 1. Housing Programs: Owner occupied rehabilitation program, homeownership assistance, code enforcement, housing counseling, etc.
 2. Economic Development Programs: Direct financial assistance to for-profit business, microenterprise assistance, and technical assistance.
4. Planning:
 - a. Maximum amount: \$300,000
 - b. Maximum number of planning projects: 2
 - c. Examples include:
 1. Comprehensive Plans
 2. Capital Improvement Plans
 3. Functional Plans for housing, land use, transportation, open space, and recreation.
 4. Feasibility studies for future improvements
 5. Water/sewer/storm drainage master plans

In order to be considered eligible, a suggested activity must meet one or more of the three National Objectives listed in CDBG Federal Statutes:

- Benefit to low- and moderate-income persons;
- Prevention or elimination of slums and blight; or
- Meeting an urgent community need which pose an immediate threat to the health and welfare of the community (State designates when the “urgent need” objective is allowed for a NOFA).

The benefit to low- and moderate-income persons is the most predominately used National Objective. In order to benefit low- or moderate-income persons, the project must either benefit an area that is comprised of at least 51% low- or moderate-income households, or benefits individually qualified households (i.e., each household is income certified). Based on current census data, the City no longer qualifies as a “whole” to meet the 51% benchmark, thus it is required to find projects whose service area fall in specific block groups that meet that minimum (map included as Attachment 1).

For the 2025 NOFA, HCD eliminated the Over the Counter (OTC) component which the City has utilized successfully in the last two years. These applications will no longer be awarded on a first come first served basis but will be competitively ranked and rated on a scoring matrix. The scoring matrix focuses on the following areas: census data, poverty score, capacity, past history, reporting compliance, application completeness, etc. In addition, this year’s NOFA will include a set-aside of money for applicants who haven’t been awarded CDBG funds in the past five NOFA cycles. This set-aside will reduce the available amount of funds that the City can compete for as they have been awarded numerous times in the last five years.

As previously mentioned, the purpose of this meeting is to provide an overview of the CDBG program and 2025 NOFA and give residents the opportunity to provide feedback on potential applications. In addition, staff will be holding another public meeting next month to solicit further community feedback and engagement. Staff will return to Council with a summary on the public input received and project options for Council consideration consistent with CDBG requirements.

Fiscal Impact: CDBG funds are 100% grant funds. Adams Ashby Group, the City CDBG consultant, will be preparing the application for \$10,000. Costs associated with the preparation of the application are an eligible expenditure under the existing CDBG grants that the City currently has with HCD. The City's application for grant funds under this NOFA will not incur any impact to the General Fund.

Attachments:

1. Census Map

Report Prepared By: Katie Herlihy, Community and Economic Development Director

Reviewed By: Julia Gautho, City Clerk and Samantha Zutler, City Attorney

Approved By: Jamie Goldstein, City Manager