

# Capitola City Council

## Agenda Report



**Meeting:** February 22, 2024

**From:** Community Development Department

**Subject:** 2023/2024 CDBG Grant Application

---

**Recommended Action:** Adopt a resolution authorizing staff to prepare and submit an application under the 2023/2024 Community Development Block Grant Program for the Jade Street Community Center.

**Background:** 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 metropolitan cities and urban counties are entitled to receive annual grants under the "entitlement" program direct from HUD. The City falls within the "non-entitlement" program which is administered by the State Department of Housing and Community Development (HCD) and where the City can apply for funding under a competitive application process.

The City is required to conduct public outreach regarding potential CDBG-eligible projects that could be considered for an application, including holding a public hearing to discuss potential application(s) and allow for public input. On August 9, 2023, in anticipation of the Notice of Funding Availability (NOFA) release, staff held a public meeting to seek public input regarding the overall CDBG program and potential projects the community might be interested in seeking.

However, HCD did not release the NOFA as originally planned. Instead, only jurisdictions whose projects were applied for in 2020, but not yet funded due to insufficient funding, were eligible to apply for 2023 funding in October 2023. On January 31, 2024, HCD released an amendment that allows a jurisdiction to apply for up to one project that has been designed and is ready to construct to apply for funding, up to a maximum of \$3.3 million. A total of \$19 million is available for the entire State. Jurisdictions are not eligible to request funds for "programs". Therefore, only one project is being considered for this round of funding.

**Discussion:** In order to be considered eligible, a suggested project/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 that poses 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 benefit individually qualified households (i.e., each household is income-certified). Fifty-three percent of the City's households qualify as low- or moderate-income households, based on the 2015 American Community Survey.

In addition to meeting one of the three National Objectives, the project must also fall under one of the categories listed below.

- **Public Improvements:** Project must be located in and serve a predominantly residential area within the city. Examples include water and sewer facilities, flood and drainage facilities, accessibility-related street improvements (i.e., curb ramps), and utilities.

- Public Facility: Examples include the acquisition, rehabilitation, or new construction of buildings used for public purposes such as training, health services, education, senior and recreation centers, nutrition, shelter, daycare, temporary housing, and fire protection.
- Housing Project:
  - Multi-Family (five or more units at a specific site) Housing Rental Rehabilitation Project (with or without acquisition): loan for repairs and improvements of renter-occupied units for sites where the majority of the tenants qualify as low- or moderate-income households.
  - Acquisition of Real Property for Multi-Family (five or more units at a specific site) Projects: acquisition of a site where the majority of the tenants qualify as low- or moderate-income households.
  - Public Improvement Project in Support of New Housing: Examples include water and sewer facilities necessary to serve new housing developments designated for low- and moderate-income households.

In order to provide the City Council with a list of potential projects, staff reviewed City Council-adopted policies, the City's Capital Improvement Program, and potential projects that fit into the category of "shovel ready". To best meet the CDBG criteria for this NOFA, staff is recommending the following project:

Public Facility: Jade Street Community Center Rehabilitation. The City of Capitola is proposing to renovate the Jade Street Community Center located at 4400 Jade Street. The entire building will be upgraded, including the interior layout, exterior finishes, and landscape. No additions to the building are proposed. The project is divided into two distinct phases. Interior improvements in Phase A, proposed to be funded by the CDBG grant, include updated layout, mechanical, ADA improvements, and finishes. Exterior improvements in Phase B, anticipated to be primarily funded by the pending \$1.0M in the state budget, include an updated entryway, new siding, a new roof, and updated landscaping and flatwork.

Fiscal Impact: If successful, the \$3.3 million requested would be 100% grant-funded. Adams Ashby Group, the City CDBG consultant, will be preparing the application for \$7,500. The costs associated with the preparation of the application are an eligible expenditure under the existing CDBG grants that the City currently has with HCD.

Attachments:

1. Resolution

Report Prepared By: Katie Herlihy, Community Development Director

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

Approved By: Jamie Goldstein, City Manager