

Capitola City Council

Agenda Report



Meeting: October 13, 2022

From: Community Development Department

Subject: Community Development Block Grant COVID-19 Response Funding

Recommended Action: Adopt three proposed resolutions authorizing the City Manager to amend the current Community Development Block Grant Coronavirus Response (CDBG-CV) which will re-allocate CDBG-CV funding from rental assistance and business assistance to 1) Grey Bears and 2) Community Bridges, and 3) allocate Program Income to Second Harvest Food Bank.

Background: On March 27, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to support preparation for and response to the community impacts of the COVID-19 pandemic. The state of California received approximately \$90 million in CARES Act funds that will be distributed in multiple rounds by the California Department of Housing and Community Development (HCD) Community Development Block Grant (CDBG) Program.

In the first round of CDBG-CV, Capitola was allocated \$88,010 in CARES Act funding. The City also utilized \$80,632.35 of CDBG Program Income funds toward coronavirus relief. During the first round, applicants could provide aid for three federally-defined “activities” and one additional activity for the program income funds. The City funded four entities all of which fit into the “public service” activity – these were: Community Action Board, Second Harvest Food Bank, Community Bridges and Grey Bears.

On December 18, 2020, the HCD published the Notice of Funding Availability (NOFA) for round two and three of CARES Act funding which released approximately \$44 million. The HCD modified the process to combine the second and third rounds into one review. The City of Capitola will receive a total of \$320,261 total in rounds two and three (CDBG-CV2/CV3).

On January 28, 2021, City Council held a public hearing to discuss the funding opportunity and receive public input. Public comment was made by representatives of Grey Bears, Second Harvest Food Bank, and Community Bridges. City Council directed staff to allocate \$15,000 to each of the food distribution programs funded in the first round and utilize the remaining funds to support local businesses with forgivable economic development loans for rent and utilities.

Discussion: Most of the funding has been expended over the previous 18 months. HCD is allowing for amendments to CDBG-CV contracts until the end of October should changes be needed to ensure all funding is expended by 2023. Below is a table outlining amounts that have been originally allocated, expenditures to date and balances that remain:

	CV1	CV2/3	Expended	Balance
Grey Bears	\$15,000	\$15,000	\$30,000	\$0.00
Second Harvest	\$37,298	\$15,000	\$37,298	\$15,000
Community Bridges	\$66,925	\$15,000	\$81,925	\$0.00
CAB	\$20,000	\$0.00	\$0.00	\$20,000
Business Assistance	\$0.00	\$269,745	\$165,000	\$104,745
TOTALS	\$139,223	\$314,745	\$314,223	\$139,745

Based on feedback from Second Harvest, we are confident they will fully expend their remaining balance. Staff is proposing to re-allocate the grant balances that remain for CAB and the business assistance program.

The business assistance program was overseen and implemented by the Santa Cruz Small Business Development Center (SBDC). The SBDC and city staff worked extensively on this program with hopes of expending all funding. Ten businesses eventually “qualified” for funding and each received \$15,000. The program demands are quite extensive and at this point it is not feasible to continue operating the program.

When staff first applied for these funds, it was assumed that a large amount of money would need to be utilized for rental assistance as many households were out of work during COVID. However, the State passed a multi-billion-dollar aid package with much of those monies being earmarked towards the Emergency Rental Assistance Program (ERAP). While the ERAP program was operating, HCD did not allow grantees to access their own CDBG rental assistance money as to ensure no duplication of benefits occurs. Staff has stayed in close contact with CAB to determine if additional funding would be needed to aid households with rent/mortgage expenses related to Covid-19. At this point, city staff and CAB have determined that it would be appropriate to re-allocated these funds to food services thereby avoiding risk associated with duplication of benefits.

An additional \$44,200 in program income (loan repayments) has been received by the City that needs to be spent prior to grant funds being expended.

Staff recommends the following re-allocations from available funding:

Agency	Re-Allocation
Grey Bears	\$49,024.78
Second Harvest	\$44,200 (Program Income)
Community Bridges	\$75,720.22

Upon approval, staff will work with HCD to amend these contracts to re-allocate the monies and work with the sub-recipients to ensure these dollars are spent efficiently in the community. We anticipate expending all funding by mid-2023.

Fiscal Impact: All funding from CDBG-CV is 100% grant. The only impact may be for administrative charges incurred by our consultant (Adams Ashby Group) to complete the amendment process. These charges will be covered by the administration dollars that are available within the grant awards.

Attachments:

1. Resolution allocating money to Grey Bears & Community Bridges
2. Resolution allocating money to Grey Bears for food
3. Resolution allocating money to continue programs

Report Prepared By: Katie Herlihy, Community Development Director

Reviewed By: Chloé Woodmansee, Assistant to the City Manager; Samantha Zutler, City Attorney

Approved By: Jamie Goldstein, City Manager