

Capitola City Council

Agenda Report



Meeting: January 30, 2025

From: Community Development Department

Subject: CDBG Program Income Funds

Recommended Action: 1) Conduct a public hearing and receive public comment regarding Program Income and its eligible uses; 2) adopt a resolution allocating \$160,240.62 of Program Income for the Community Center Rehabilitation Project; and 3) adopt a resolution amending the FY 2024-25 budget.

Background: The City of Capitola has successfully completed several Community Development Block Grant (CDBG) funded programs and projects over the past several years, some of which generate Program Income. Program Income is defined as the gross income that is directly generated from CDBG funded activity, such as homebuyer loans, housing rehabilitation loans, etc. When these monies are loaned out and then repaid to the City, they take the form of Program Income. Program Income is regulated by the State Department of Housing and Community Development (HCD) and the City's Program Income must be obligated to a project before any grant funds are drawn from a grant or must be paid back to the State. These monies keep the same federal ties so long as they are Program Income.

Discussion: At the end of December 2024, staff received a loan payoff from a prior housing rehabilitation loan in the amount of \$160,240.62. The loan originated from a 2014 CDBG grant, thus the funds that have now been deposited are considered CDBG Program Income.

On January 16th, staff opened bids for the Community Center Rehabilitation Project that will primarily be funded with CDBG funds (State contract 23A-CDBG-20002). Based on the bids received, staff has determined that a budget shortfall exists. Staff is now seeking Council authorization to allocate the \$160,240.62 of Program Income to this project. Upon authorization, staff would work with HCD to amend the current contract to include these monies. Not only would this satisfy HCD's Program Income requirements of obligating these funds before any grant funds are drawn down but would also close the budget gap that currently exists for this project. Staff believes this is the best and most efficient way to utilize these extra dollars.

Fiscal Impact: The \$160,240.62 in Program Income is all grant funds. The City's grant administrator, Adams Ashby Group, will coordinate the amendment efforts through their existing contract which utilizes grant funds from the contract cited above. No general funds or fiscal impact should be incurred by the City.

Attachments:

1. CDBG Resolution
2. Public Hearing Notice
3. Budget Amendment Resolution
4. Budget Amendment

Report Prepared By: Katie Herlihy, Community Development Director

Reviewed By: Julia Gautho, City Clerk; Jim Malberg, Finance Director; Sam Zutler, City Attorney

Approved By: Jamie Goldstein, City Manager