



**AGENCY:** City Council  
**MEETING DATE:** July 24, 2023  
**DEPARTMENT:** Community Development  
**PRESENTED BY:** L. Peterson  
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## AGENDA ITEM SUMMARY

**TITLE:**

**RECEIVE REPORT, CONDUCT PUBLIC HEARING, AND PROVIDE DIRECTION TO STAFF REGARDING 2023 COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM APPLICATIONS**

**ISSUE:**

Every year, the California Department of Housing and Community Development (HCD) releases a funding opportunity under the Community Development Block Grant (CDBG) program. Funds for the program are made available to HCD from the United States Department of Housing and Urban Development (HUD). As a non-entitlement jurisdiction, the City is eligible to apply for grants through the CDBG program.

The 2023 Notice of Funding Availability (NOFA) is expected to be released near the end of July. In order to be eligible to receive CDBG funding, the City must hold at least two public hearings to solicit public input: one during the design phase and one before submitting an application to HCD. The purpose of this design phase public hearing is to ensure that the public may give input regarding potential projects and programs under the 2023 NOFA. After considering the information received from the public, City Council may direct staff regarding application preparation for the 2023 NOFA.

**ANALYSIS:**

**CDBG Background**

The primary federal objective of the CDBG program is to develop viable urban communities by providing decent housing and a suitable living environment and through expanding economic opportunities for persons of low- and moderate-income. "Persons of low and moderate income" are defined as families, households, and individuals whose incomes do not exceed 80 percent of the county median income, adjusted for family or household size. CDBG partners with rural cities and counties to improve the lives of their low- and moderate-income residents by creating and expanding community and economic development opportunities in support of livable communities.

CDBG funds are provided as grants for a wide range of activities directed toward Economic Development (ED), improvement of community facilities and infrastructure, neighborhood revitalization, and public services. All CDBG activities must meet one of the following National Objectives:

- Benefit low- and moderate-income persons;
- Aid in the prevention or elimination of slums and blight; or
- Meet certain urgent community needs.

Depending on the type of project or program, benefits can be provided directly to low-moderate-income persons, or to a predominantly low-moderate income area.

HCD assigns Matrix Codes to eligible activities used in the application process. A list of eligible activities entitled Matrix Code Definitions and a table linking Matrix codes to allowable National

**AGENDA ITEM NO.**

Objective Codes are attached herein. These tools from the 2022 NOFA cycle may be helpful in determining how a proposed project or program fits into the CDBG program.

Below are HCD’s current CDBG household income limits, effective 6/15/2023 and updated annually.

Persons in Household	1	2	3	4	5	6	7	8
Extremely Low 30%	\$17,850	\$20,400	\$22,950	\$25,500	\$27,550	\$29,600	\$31,650	\$33,700
Low 50%	\$29,750	\$34,000	\$38,250	\$42,500	\$45,900	\$49,300	\$52,700	\$56,100
60% Limit	\$35,700	\$40,800	\$45,900	\$51,000	\$55,080	\$59,160	\$63,240	\$67,320
Moderate 80%	\$47,600	\$54,400	\$61,200	\$68,000	\$73,450	\$78,900	\$84,350	\$89,800

Current City Awards

The City has several active awards:

- Code Enforcement Program
- Business Assistance Loan Program
- Microenterprise Financial Assistance Program
- Fire Station Planning
- Water Meter Replacement Project

NOFA Updates

Staff has been attending bi-weekly virtual Office Hours sessions held by HCD’s CDBG staff, during which a preview of the upcoming NOFA has been provided. There is no anticipated change to the CDBG 2022 Amended 2019 Final Guidelines, attached herein for reference. Based on the information provided at HCD’s Office Hours, the following changes will be made from the 2022 NOFA, also attached herein for reference:

- All applications must establish a nexus to Housing or Economic Development.
- Over-the-Counter (OTC) applications will be allowed. These will be awarded on a first-come, first-served basis, as long as the application meets threshold requirements. In order to fund down waitlisted projects from the 2019-2020 solicitation, HCD will be offering a 30-day priority period to current waitlisted projects. New OTC applications will be reviewed after the 30-day period. The City does not have a waitlisted project, and HCD will not be implementing a waitlist for future solicitations.
- Most projects and programs will be considered OTC, including Housing, Public Facilities, Infrastructure Projects, and Housing and Economic Development Programs.
- A combination program of Code Enforcement with a housing nexus and Housing Rehabilitation will be allowed as one application.
- Public Services and Planning will be considered competitive. Competitive applications will be scored and ranked, and awarded accordingly.
- Entities will be allowed to submit a maximum of two applications. Only one OTC application may be submitted, while any combination of Planning and Public Services may be submitted.

- The total limit per jurisdiction will be \$3.25 million.

**City Eligibility**

A grantee must expend at least 50% of an existing award in order to be eligible to apply for a similar project or program under the NOFA. The City will be eligible to apply for OTC projects and Public Services projects. The City will be ineligible for Planning projects, as the Fire Station Rehabilitation award 20-CDBG-12029 will likely not meet the 50% expenditure requirement by the application deadline.

**Funding limits per project type:**

OTC Applications	Funding Limit
Public Facilities and Infrastructure	\$3.25 Million*
Housing Programs (can include Code Enforcement, Homebuyer, and Rehab)	\$1.5 million
ED Programs (can include Microenterprise and For-Profit)	\$1.5 million

Competitive Applications	Funding Limit
Planning	\$250,000
Public Services	\$250,000

\*Note: as the jurisdiction is limited to \$3.25 million total, the OTC amount will need to be reduced by the Competitive amount if applying for Public Facilities and Infrastructure in addition to a Competitive application.

**Potential application combinations** (amounts listed are maximums, and may vary depending on project type):

	Application 1		Application 2	
A	OTC	\$3 million	Planning	\$250,000
B	OTC	\$3 million	Public Services	\$250,000
C	Public Services	\$250,000	Public Services	\$250,000
D	Planning	\$250,000	Public Services	\$250,000
E	Planning	\$250,000	Planning	\$250,000
F	OTC	\$3.25 million	X	X
G	Planning	\$250,000	X	X
H	Public Services	\$250,000	X	X

Note: The City will likely be ineligible to apply for combinations A, D, E, and G.

**RECOMMENDED ACTION:**

Consider public input and provide staff direction regarding City Council’s priorities for activities to be included in the 2023 CDBG application or applications.

**ALTERNATIVE ACTION(S):**

No action. Under this alternative, the City would not submit any applications for 2023 CDBG funding.

**FISCAL IMPACT:**

CDBG funds allow the City to conduct activities and complete projects to benefit the community, in particular the City's low- and moderate-income residents, for which funding would otherwise be unavailable. CDBG activities also create job opportunities in the community. CDBG grant administration requires a significant commitment of staff time, but CDBG provides funding for administrative activities that are generally adequate to service the program.

**CONSISTENCY:**

The State CDBG mission is to improve the lives of low- and moderate-income residents by creating and expanding community and economic development opportunities, which support livable communities for all residents. This mission is consistent with City Priority Areas established in City Council's April 2019 Goal Setting process including Priority Area "Jobs/Industry" (Economic Development loans and grants, Business Assistance Program); Priority Area "Quality of Life" (public improvements projects); and Priority Area "Infrastructure" (community development capital projects).

**IMPLEMENTATION/TIMEFRAMES:**

If City Council provides direction to submit a 2023 CDBG application or applications, another public hearing must be held and a resolution must be approved prior to application submittal. The application portal will likely open in late August and close in late October. In order to have the greatest chance of an OTC award, staff should be prepared to submit OTC applications as soon as the portal opens. For this reason, the required resolution and second public hearing should be completed in early August. Competitive applications may be submitted at any time during the application window.

**ATTACHMENTS:**

1. Public Hearing Notice
2. Matrix Code Definitions
3. Matrix Code-National Objective Table
4. CDBG 2019 Final Guidelines Amended 3.23.2022
5. CDBG NOFA 2022 Amendment 2

**NOTIFICATION:**

1. CDBG "Notify Me" Subscribers