



AGENCY: City Council
MEETING DATE: February 26, 2024
DEPARTMENT: Community Development
PRESENTED BY: L. Peterson
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AGENDA ITEM SUMMARY

TITLE:

RECEIVE REPORT CONDUCT PUBLIC HEARING, AND CONSIDER ADOPTION OF CITY COUNCIL RESOLUTION APPROVING AN APPLICATION FOR FUNDING AND THE EXECUTION OF A GRANT AGREEMENT AND ANY AMENDMENTS THERETO FROM THE 2023 AND/OR 2024 FUNDING YEAR OF THE STATE CDBG PROGRAM

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 City held a design phase hearing during a regular meeting of the City Council on July 24, 2023, in order to give the public an opportunity to comment regarding potential projects and programs for CDBG applications. At this meeting, Council gave direction to staff regarding potential activities for the expected 2023 Notice of Funding Availability (NOFA). On August 14, 2023, staff reported out at a Council meeting that a NOFA for waitlisted projects only would be released in 2023 and that a NOFA for new projects and programs would be released in January 2024; as the City did not have a waitlisted project, the City would not be eligible to apply until the funding for new activities was released. At that time, CDBG staff had indicated that unused 2023 funding and 2024 funding would be made available in a combined NOFA to be released in January 2024. However, the remaining 2023 funding has been made available for projects only through an Amendment to the 2023 NOFA, and the 2024 funding is expected to be made available for projects and programs under a separate NOFA later in 2024.

On February 12, 2024, staff reported to Council regarding the updated funding release schedule and the change to the 2023 funding, which allowed only shovel-ready projects and not programs under the January NOFA Amendment #1, and brought forward two potential projects for Council consideration. At that meeting, Council directed staff to prepare an application for a Broadband Infrastructure project in the amount of \$3.3 million and to schedule a public hearing to receive input from the community regarding the potential application.

The application portal will be open from March 1, 2024 through April 30, 2024. A public hearing must be held before submittal of an application, to allow the public an opportunity to provide feedback regarding the proposed application. Following the public hearing, Council may consider adopting a resolution approving the application and authorizing the City Manager to execute the contract and any amendments thereto.

ANALYSIS:

As staff began preparing an application for the Broadband Infrastructure Project, we found that the staff interpretation of shovel-ready and the CDBG interpretation of shovel-ready were not aligned. Although the project would be ready to go out to bid within 90 days of contract execution as required by CDBG, not all funding sources have been secured. CDBG guidance to staff is that all other funding

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sources should already be secured, and that a letter of commitment must be presented at the time of application. An application for \$10 million has been submitted for the California Public Utilities Commission (CPUC) Federal Funding Account grant program and staff is awaiting notification of award. As described by Special Projects Manager McCormick during the verbal report for item 8C at the February 12, 2024 Council meeting, the funding sources for broadband infrastructure are on a very compressed timeline, making securing project funding complicated and time-sensitive (many of these broadband-specific funds must be committed by end of 2025 and expended by end of 2026). Securing CDBG funding would open up the possibility of applying for EDA funding, using the CDBG funds as a match. Staff inquired of CDBG staff how we might show that CDBG funding would be used to fill a funding gap if CPUC funding is secured, and that the project would still be feasible without the CPUC funding (staff will be pursuing additional infrastructure grants, and will pursue loan programs or debt financing as a last resort). With the compressed timeline of expending the federal funds associated with broadband construction, there would be no concern with completing the project within the two-year, nine-month expenditure period for CDBG. However, securing letters of commitment before the CDBG deadline is not feasible. This issue illustrates the complexities of leveraging multiple funding sources for a large project.

CDBG staff have indicated that the lack of commitment from other funders will disqualify the project from meeting threshold requirements under this solicitation. For this reason, rather than preparing an application for the Broadband Infrastructure Project as directed, staff have instead prepared an application for the Streets Rehabilitation Project. This project meets all threshold requirements; as CDBG will be filling the gap in funding to fully complete the project, no other funding sources are required.

Streets Rehabilitation Project Detail

The intent of the streets rehabilitation project is to remove and replace full-depth asphalt for two cul-de-sacs (Azalea Circle & Penitenti Way); Rehabilitation of these residential streets will add value to the lives of the neighborhood households by improving the infrastructure surrounding their residences. This project an eligible activity under CDBG matrix code 03Z: Other Public Improvements, and meets the Low-Moderate Income Area (LMA) National Objective.

Streets Rehabilitation Project Budget

The detailed CDBG budget is provided in the chart below:

Funding Category	Amount
Activity (Construction)	\$408,328.94
Activity Delivery (22% of total Activity budget)	\$89,832.37
General Administration (7% of total budget)	\$34,871.29
Total	\$533,032.60

Timeline

The 2023 NOFA Amendment #1 schedule is as follows:

NOFA Amendment #1 Release	January 31, 2024
Application Portal Opens	March 1, 2024
Application Portal Closes	April 30, 2024
Executed Standard Agreements	By October 2024

RECOMMENDED ACTION:

Conduct the Public Hearing and adopt a City Council resolution approving an application for funding and the execution of a grant agreement and any amendments thereto from the 2023 and/or 2024 funding year of the State CDBG program.

ALTERNATIVE ACTION(S):

Conduct the Public Hearing and direct staff not to prepare an application for 2023 CDBG program 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 significant commitment of staff time, but CDBG provides funding for administrative activities that is generally adequate to service the program.

CONSISTENCY:

The State CDBG mission is to improve the lives of low-and moderate-income residents through the creation and expansion of community and economic development opportunities, which supports 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, after holding the Public Hearing, Council adopts the proposed resolution, staff will submit an application for 2023 CDBG funding as soon as possible following the opening of the application portal on March 1, 2024. Projects awarded under this NOFA will have an expenditure period of two years and nine months from contract execution. If the City is awarded funding, a contract will likely be executed by October 2024.

ATTACHMENTS:

1. 2023 Community Development Block Grant Program Notice of Funding Availability – Amendment #1.
2. Proposed Resolution Approving Application Submittal
3. Exhibit A - Proposed Resolution Approving Application Submittal – CDBG Required Format
4. Public Hearing Notice for Application Submittal (English)
5. Public Hearing Notice for Application Submittal (Spanish)

NOTIFICATION:

1. CDBG "Notify Me" Subscribers