

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF FEDERAL FINANCIAL ASSISTANCE**

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November 15, 2023

MEMORANDUM FOR: Recipients of CDBG Coronavirus (CDBG-CV) Funding

FROM: Sasha Hauswald, Deputy Director
Division of Federal Financial Assistance

SUBJECT: CDBG CARES Act Allocation of Remaining Funding

The California Department of Housing and Community Development (HCD) has a small amount of Community Development Block Grant Coronavirus (CDBG-CV) funding remaining available to encumber in existing construction projects that have experienced unanticipated cost increases. HCD will make this funding available pursuant to this memo as a means to expend funds by its regulatory and statutory deadline for all CDBG-CV expenditures of June 25, 2026.

HCD issued a Notice of Funding Availability (NOFA) for CDBG-CV Rounds 2 and 3 on December 18, 2020. In Section VII: *Funding Limits (B) CDBG-CV Unclaimed Funds* of that NOFA, HCD stated that the priority for additional funding would be for *“jurisdictions that are meeting all of their performance goals on schedule and that have clearly indicated in their quarterly reporting that they have the need and capacity to utilize additional funding in a timely manner.”* Due to pandemic-related issues with materials and labor shortages and supply chain disruptions, HCD recognizes that construction schedules may have been delayed resulting in failure to meet certain construction-related milestones. HCD expects that all grantees are completing required quarterly reporting.

The unclaimed funds section of the NOFA referenced above, and AP-30 of the State of California 2019-2020 Annual Action Plan 5th Substantial Amendment lay out the priorities and method of distribution for any disencumbered or unclaimed funds:

“Any disencumbered CDBG-CV funds and any allocations that are not claimed by the respective jurisdiction at the end of the application and award period will be tabulated and at the Department’s discretion, used as they become available, in the order listed below:

- *Fund any eligible activities that applied for the CDBG-CV2/3 Tribal Set-Aside but were not able to be funded by the original set-aside amount.*
- *In an amount not to exceed \$17 million among the three tranches of CDBG-CV funds, be awarded to activities waitlisted under the CDBG-CV2 Homekey Set-Aside Fund, and*

waitlisted 2019-2020 Over-the-Counter activities that the Department determines demonstrate a sufficient COVID-19 nexus to qualify for CDBG-CV funding

- *Increase awarded allocations of CDBG-CV1 and CDBG-CV2/3 funds to grantees that demonstrate fast spending and a need for additional resources. This will not require issuance of a separate Notice of Funding Availability but may have a supplementary application.*
- *Fund other eligible activities for which applications were submitted to the State for funding that provide the ability to spend funds by regulatory expenditure deadlines.”*

Pursuant to the CDBG-CV2-3 NOFA and AP-30 of the 2019-2020 AAP 5th Substantial Amendment, this Memo clarifies that *Unclaimed Funds* are any CDBG-CV funds that are either already uncommitted; returned to HCD at the time of Standard Agreement Closeout; or are funding from Standard Agreements that have been cancelled by the grantee (meaning no program was offered and the grantee is declining the award). *Unclaimed Funds* will be reallocated to active CDBG-CV Standard Agreements for qualifying CDBG-CV funded construction projects.

Grantees with active CDBG-CV Standard Agreements that are not in default may qualify for Unclaimed Funds under the following circumstances:

1. The funded activity is a construction project.
2. The funded activity experienced unanticipated cost increases that can be substantiated and documented. Acceptable work-order/change-order cost increases include, but are not limited to:
 - increased costs of supplies and materials,
 - increased costs of environmental mitigation or compliance,
 - increased labor costs, etc.
3. The grantee can certify that the CDBG-CV award plus other funds shown in the application budget, do not provide sufficient funding to construct the project and the grantee lacks access to any other available sources of funding for the construction activity.

Unclaimed funds will be reallocated to construction projects where applicants/grantees have up-to-date quarterly reporting and have clearly indicated in that reporting that they have the need and capacity to utilize additional funding in a timely manner. Grantees meeting this requirement will be considered for funding in the following order of priority:

1. Tribal awards for construction projects including CDBG-CV 2/3 Tribal Set-Aside and Homekey awards made to Tribes with documented increased project costs and demonstrated financial gap;

2. Non-Tribal Homekey construction projects with documented increased project cost and demonstrated financial gap;
3. All other CDBG-CV construction projects with documented increased project cost and demonstrated financial gap.

Grantees with qualifying CDBG-CV construction projects may request up to a 25 percent increase to their award resulting in a maximum award of 125 percent of their original application¹.

To submit a request, grantee must:

1. Complete the CDBG-CV Request for Additional Funds form with the following attachments:
 - a. Original submitted Duplication of Benefits Tracker or detailed budget as included in original funding application to document original project cost.
 - b. Revised Duplication of Benefits tracker or detailed budget documenting new, increased project cost, any new funding sources other than CDBG funds that have been committed, and the gap CDBG-CV funding that is being requested.
 - c. Supporting documentation of cost increases such as contractors' bid documents, engineer's estimates, bid responses, material cost invoices, etc.
 - d. If applicable, revised NEPA Environmental Review Record to reflect new Not-to-Exceed award amount (as applicable). Additional funds are contingent on successful completion of the environmental review process.
 - e. If applicable, resolution by local jurisdiction to increase the amount of CDBG-CV and/or Program Income request. To determine if this is needed, grantee must review the original authorizing resolution to determine if it provided sufficient authority for the newly requested amount. If not, use the HCD provided resolution template to go to the governing body to request additional authority.

The submitted documentation will be evaluated to identify the amount of the project cost increase and the remaining unmet need amount requested, and to assist HCD in documenting that increased costs are reasonable, necessary, and are for CDBG- eligible purposes.

Grantees may submit an amendment request through the eCivis Grants Network Portal for these additional funds, by uploading the CDBG-CV Request for Additional Funds and applicable attachments, following the procedures outlined in Exhibit 1.

¹ In extenuating circumstances HCD may allow more than the 125 percent maximum award when substantiated by documented need and approved by HCD leadership.

Requests will be reviewed and processed in the priority order listed above. Requests for additional funding **must be received by January 15, 2024**, for consideration. Grantees awarded additional CDBG-CV funds pursuant to this Memorandum will be required to execute and deliver to HCD a written amendment to their existing Standard Agreement, together with a resolution authorizing the same.

If funds are not fully allocated following the January 15, 2024, deadline or if additional funds become available, HCD will open up the opportunity again with a new deadline and this reallocation policy and prioritization will be used until all CDBG-CV funds have been expended.

Applicants that are currently in default under the terms of any of their existing Standard Agreement(s) with HCD are not eligible to receive additional CDBG CV2-3 funding.

Please contact your HCD Grant Administrator if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Sasha Hauswald', written in a cursive style.

Sasha Hauswald, Deputy Director
Division of Federal Financial Assistance
California Department of Housing Community Development