

11) **Authorization to Apply for Additional Unclaimed Funds Under the Community Development Block Grant (CDBG) Set Aside Funds for Project Homekey Projects**

Adopt A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE, CALIFORNIA, APPROVING AN AMENDMENT TO THE STANDARD AGREEMENT ISSUED UNDER THE 2020 COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM CORONAVIRUS RESPONSE (CDBG-CV).



REPORT TO CITY COUNCIL

To: Honorable Mayor and Members of the City Council

From: Jason Simpson, City Manager

Prepared by: Jason Simpson, City Manager

Date: January 9, 2024

Subject: Authorization to Apply for Additional Unclaimed Funds Under the Community Development Block Grant (CDBG) Set Aside Funds for Project Homekey Projects

Recommendation

Adopt A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE, CALIFORNIA, APPROVING AN AMENDMENT TO THE STANDARD AGREEMENT ISSUED UNDER THE 2020 COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM CORONAVIRUS RESPONSE (CDBG-CV).

Background

Addressing one of California's most urgent and substantial challenges, the City of Lake Elsinore has actively tackled homelessness through a proactive strategy. The establishment of the City's Homeless Task Force in 2017 marked the initiation of efforts to house our most vulnerable residents and explore practical approaches to reduce the homeless population, with the ultimate goal of achieving functional zero for chronic homelessness.

In 2017, the City of Lake Elsinore partnered with the Social Work Action Group (SWAG) for street outreach, housing, and case management services.

In June 2020, the City Council voted to purchase the property at 215 W. Graham Ave. for \$2,250,000 for Crisis Stabilization Housing to continue our proactive approach. The property, now known as The Anchor, was purchased and renovated using a \$3.1 million Project Homekey grant awarded from the State of California in September 2020. The facility officially opened on December 30, 2020. Today, the City and SWAG can house up to 20 homeless individuals at any given time for up to 90 days.

On December 2, 2020, the City of Lake Elsinore was awarded \$256,680 from the Homeless Housing Assistance and Prevention Program (HHAP) by the County of Riverside Continuum of Care for operating subsidy funding from July 1, 2022, through December 31, 2024.

CDBG Unclaimed Funds

Most recently, on October 28, 2021, the City of Lake Elsinore was awarded \$700,000 from the California Department of Housing and Community Development under the Community Development Block Grant – Coronavirus Response. Using these grant funds, the City of Lake Elsinore started rehabilitating the Anchor, the City's homeless Crisis Stabilization Center. Repairs at Anchor have constituted improvements to the units' kitchens, bathrooms, electrical, facility laundry rooms, flooring, and air conditioning to ensure proper maintenance is done to the building for long-term sustainability.

Discussion

On November 15, 2023, the California Department of Housing and Community Development announced the availability of additional Community Development Block Grant – Coronavirus Response funding (CDBG-CV). This funding has been made available to previous CDBG-CV grantees who have existing construction projects that have experienced unanticipated cost increases. Grantees with qualifying CDBG-CV construction projects may request an additional 25 percent of their original application. As a previous applicant and awardee of CDBG-CV, the City is eligible to apply for up to \$175,000.

While the City has completed significant infrastructure, interior, and exterior improvements to The Anchor as part of the previous CDBG-CV funding, replacing the sewer system is needed to ensure long-term sustainability and maintenance.

City staff recommends the adoption of the proposed resolution, approving staff to proceed with an application for \$175,000. With this approval, staff will apply by January 15, 2024. If awarded, funds will be allocated in 2024, and staff will begin to complete the proposed improvements immediately.

Fiscal Impact

There is no fiscal impact on the 2023-2024 General Fund. Projects are paid through the State Home Key Grant Funding reimbursement process.

Attachments

Attachment 1- Resolution

Attachment 2- CDBG-CV Allocation of Remaining Funding Memo

RESOLUTION NO. 2024-___

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE, CALIFORNIA, APPROVING AN AMENDMENT TO THE STANDARD AGREEMENT ISSUED UNDER THE 2020 COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM CORONAVIRUS RESPONSE (CDBG-CV)

Whereas, the California Department of Housing and Community Development (HCD) has announced the availability of unclaimed Community Development Block Grants – Coronavirus Response (CDBG-CV) funds; and,

Whereas, pursuant to the State’s FY 2019-2020 August 2020 Second Substantial Amendment and the CDBG-CV Method of Distribution as described in the State of California 2019-2020 Annual Action Plan Fifth Substantial Amendment, HCD has set aside unclaimed funds to support Homekey projects, located in non-entitlement or entitlement jurisdictions; and

Whereas, eligible uses of these funds include construction projects that have experienced unanticipated cost increases and applications must be submitted by January 15, 2023; and,

Whereas, the City of Lake Elsinore, an entitlement City, applied for and was awarded funding under the Homekey Round 2 Notice of Funding Availability issued on October 28, 2021, and is, therefore eligible to apply for \$175,000 under the Homekey Program.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. The City of Lake Elsinore has reviewed and hereby approves the submission to the State of California of one or more application(s) in the aggregate amount of, not to exceed, \$175,000 that would be added to its existing CDBG-CV Standard Agreement with the State numbered 21-CDBG-HK—00018 pursuant to the State’s June 2020 CDBG-CV1 Notice of Funding Availability for the following CDBG-CV activities, pursuant to the CDBG Method of Distribution as described in the State of California 2019-2020 Second Substantial Amendment and the CDBG-CV Method of Distribution as described in the State of California 2019-2020 Annual Action Plan August 2020 Fifth Substantial Amendment:

List of activities and amounts:

Sewer Line Replacement: \$175,000

Section 2. The City hereby approves the use of Program Income in an amount not to exceed \$175,000 for the CDBG-CV activities and/or CDBG activities described in Section 1.

Section 3. The City acknowledges compliance with all state and federal public participation requirements in the development of its application(s).

Section 4. The City hereby authorizes and directs the City Manager, or his or her designee, to execute and deliver all applications and act on the City’s behalf in all matters pertaining to all such applications

Section 5. If an application is approved, the City Manager, or his or her designee, is authorized to enter into, execute and deliver the grant agreement (i.e., Standard Agreement) and

any and all subsequent amendments thereto with the State of California for the purposes of the grant.

Section 6. If an application is approved, the City Manager, or his or her designee, is authorized to sign and submit Funds Requests and all required reporting forms and other documentation, without limitation, including any covenant or regulatory agreement as may be required by the State of California from time to time in connection with the grant.

Section 7. This Resolution shall take effect from and after the date of its passage and adoption.

Section 8. That the City Clerk shall certify to the passage and adoption of this Resolution and enter it into the book of original Resolutions.

Passed and Adopted at a regular meeting of the City Council of the City of Lake Elsinore, California, this 9th day of January 2024.

Steve Manos
Mayor

Attest:

Candice Alvarez, MMC
City Clerk

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) ss.
CITY OF LAKE ELSINORE)

I, Candice Alvarez, MMC, City Clerk of the City of Lake Elsinore, California, do hereby certify that Resolution No. 2024-____ was adopted by the City Council of the City of Lake Elsinore, California, at the Regular meeting of January 9, 2024 and that the same was adopted by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Candice Alvarez, MMC
City Clerk

**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