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Title:	Staff Report for City Council Approval of the City of San Leandro U.S. Department of Housing and Urban Development (HUD) Second Substantial Amendment to the U.S. Department of Housing and Urban Development (HUD) FY 2019-2020 Annual Action Plan				
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Staff Report for City Council Approval of the City of San Leandro U.S. Department of Housing and Urban Development (HUD) Second Substantial Amendment to the U.S. Department of Housing and Urban Development (HUD) FY 2019-2020 Annual Action Plan

Staff recommends that the City Council adopt the Second Substantial Amendment to the FY 2019-2020 HUD Annual Action Plan (Amendment Document).

On November 2, 2020, the City Council held a public hearing to review the Draft Amendment Document noted above and approved 1) opening of the streamlined public comment period from November 3 - November 16, 2020 and 2) setting of the next public hearing date to review the final Amended Document. There were no public comments at the November 2 City Council meeting.

BACKGROUND

The City of San Leandro is an entitlement grantee of Community Development Block Grant (CDBG) funds from the Federal Department of Housing and Urban Development (HUD). For the City to receive its annual CDBG grant allocation, the City must update its Consolidated Plan every five years and submit an Action Plan to HUD. In response to the Coronavirus Pandemic (COVID-19), the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Public Law 116-136 was adopted and authorized on March 27, 2020. As a result, HUD awarded the City of San Leandro Community Development Block Grant-Coronavirus (CDBG-CV) Round I funding of \$451,972 and Round III of \$711,206. These stimulus funds are intended to prevent, prepare for, and respond to COVID-19. There are three major goals identified for these funds under the Housing and Community Development Act where the CDBG Program originated:

- Provide decent housing;

- Provide a suitable living environment; and
- Expand economic opportunity.

In addition, CDBG funds must be used to meet one of three national objectives:

- 1) benefit low- and moderate-income persons;
- 2) aid in the prevention of blight; or
- 3) meet an urgent need.

Given that all CDBG-CV activities must still meet one of three National Objectives of the CDBG Program noted in the current FY2015-2020 five-year Consolidated Plan document, the City must document COVID-19 as an Urgent Need National Objective. In order to do this, an Urgent Need Certification must be provided to HUD with the current Five-Year Consolidated Plan and Annual Action Plan for the year of the Urgent Need activities. Documentation and evidence the City certified that the CDBG activity was designed to address the urgent need must be maintained as part of the permanent CDBG records for all applicable activities.

Analysis

In response to COVID-19, the CARES Act, Public Law 116-136 was adopted and authorized on March 27, 2020. In April 2020, HUD awarded the City of San Leandro \$451,972 in CDBG-CV Round I CARES Act funds to prevent, prepare for, and respond to COVID-19. Those funds were programmed in the First Substantial Amendment to the FY 2019-2020 Annual Action Plan. Round II went directly to State governments. In September 2020 HUD awarded the City of San Leandro an additional \$711,206 in CDBG-CV Round III CARES Act funds. Further, HUD provided guidance that those funds must also be programmed using the FY 2019-2020 Annual Action Plan resulting in the proposed Second Substantial Amendment to this plan.

After passage of the CARES Act, HUD issued guidance that allows cities to shorten the public comment period for amending prior 5-Year Consolidated Plans or Annual Action Plans to maximize the use of CDBG and CDBG-CV funds allocated to entitlement jurisdictions.

The Second Substantial Amendment to the City of San Leandro's FY 2019-2020 Annual Action Plan is necessary to allocate HUD resources to address COVID-19 and its related impacts. Additionally, it will identify how the City plans to use available funds by updating its annual goals and objectives and the related projects targeted for funding to address COVID-19.

Proposed Amendments to the FY 2019-2020 Annual Action Plan

The proposed amendments to the City of San Leandro's FY 2019-2020 Annual Action Plan are located mainly in the following sections of Attachment B: Summary Amendments to the FY 2019-2020 Annual Action Plan:

- Summary of Citizen Participation
- AP-12 Participation
- AP-15 Expected Resources

- AP-20 Annual Goals and Objectives
- AP-38 Project Summary

Proposed CDBG-Funded Added Public Service Activities - FY 2019-2020 Action Plan

The main change to the proposed CDBG-funded activities in the FY 2019-2020 Action Plan is staff's proposed recommendation to add the entire \$711,206 CDBG-CV Round III allocation to the Rental Assistance Program (RAP), which the City Council approved in June 2020 under the First Substantial Amendment to the FY 2019-2020 Action Plan by allocating the \$451,972 in CDBG-CV Round I funding. The City entered into a contract with Centro Legal de La Raza, a non-profit, to administer the RAP Program. RAP was created to assist residential renters impacted economically during the county-wide COVID-19 shelter in place orders, to prevent homelessness of low-income renter households, and to help landlords cover their rental operation costs during this period of economic uncertainty.

While HUD temporarily streamlined CDBG public noticing and comment requirements to address COVID-19 for this and the next fiscal years, it has not eased cumbersome programmatic administrative requirements for distributing CDBG funds. To efficiently and effectively distribute CDBG-CV Round III funds, staff recommends allocating the entire amount to the RAP based on the following preliminary needs analysis compiled from the applications received during the open application period from September 8 through September 30. The City received just under 250 applications-this is just over 6 times the number of households that the Round I funds were projected to assist. Over 60% of the households who applied have at least one child under the age of 18 years old. Over 20% of the households who applied have been homeless at least once in their lives. Over half (55%) of the households who applied said that their hardship with paying rent was due to the loss or reduction of their employment wages. Just under one quarter of households had at least one occupant with a disability. Under 10% of households who applied for assistance were seniors over the age of 62 years old. Nearly 60% of the households were having difficulty paying their utility costs, while nearly 40% were having difficulty securing enough food for their family's needs.

One important change to the existing Rental Assistance Program that staff also proposes is an increase from 3 months to up to 6 months of rent relief/assistance to income eligible renters impacted by COVID-19 given the likely ongoing need that many renters who have applied will face. Staff is also researching the feasibility under HUD regulations of using CDBG-CV funds to cover past due utility costs.

A summary of the proposed Amendment to FY 2019-2020 CDBG funding allocations by funding category is summarized with funding amounts in Attachment A. Given the removal of the Public Service funding cap, the City will increase its current FY 2019-2020 commitment of \$578,413 by the CDBG-CV Round III amount of \$711,206. Staff proposes to add this amount to Centro Legal de la Raza's existing Rental Assistance Program allocation in the amount of \$451,972 for a total allocation of \$1,163,178.

Current Agency Policies

Current City Council Policy is defined by the First Amendment to the FY 2015-2019 Consolidated Plan, the First Substantial Amendment to the FY 2019-2020 Annual Action Plan, and the Citizen Participation Plan Update, all of which were adopted by the City Council through Resolution No. 2020

-055 on June 15, 2020.

Applicable General Plan Policies

The HUD Five-Year Consolidated Plan addresses the goals of the General Plan Housing Element, such as increasing the supply of affordable for-sale and rental housing, providing opportunities for home ownership, preserving and rehabilitating existing affordable owner-occupied and rental housing, and addressing populations of particular need.

Environmental Review

If applicable, National Environmental Protection Act (NEPA) review will be conducted for each project or activity approved by the City Council. Neither NEPA nor CEQA apply to the FY 2015-2019 Consolidated Plan and FY 2019-2020 Action Plan.

Summary of Public Outreach Efforts

The Second Substantial Amendment of the AAP was available from November 3 to 16, 2020. A Public Notice of this Public Hearing was published in the East Bay Daily Review on November 6, 2020 and sent to a mailing list of those who have expressed interest in the City's CDBG funding activities. Due to the Alameda County Shelter In Place Order, the proposed Second Substantial Amendment to the FY 2019-2020 Annual Action Plan was available for review on the City's website (<http://www.sanleandro.org/depts/cd/housing/plans.asp>). A hard copy of the documents were offered to be made available upon request to those without Internet access or in a format accessible to persons with disabilities.

Fiscal Impacts

Per Attachment A, the City has a total of \$2,779,950 in CDBG funds in FY2019-2020 including the original FY2019-2020 entitlement grant amount of \$707,517, the new \$451,972 CDBG-CV Round I and \$711,206 CDBG-CV Round III funding and over \$500,000 in unspent CDBG funds from prior years.

HUD typically enters into contract with the City for CDBG grant funding. The grant is paid on a reimbursement basis after expenditure by the City for activities designated in the FY 2019-2020 Annual Action Plan.

Budget Authority

Budget authority for CDBG funds is derived from Title I of the Housing and Community Development Act of 1974 (24 CFR 570 et. seq.) and the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Public Law 116-136 that was adopted and authorized on March 27, 2020.

Attachments to Staff Report

- Attachment A: Final Allocations of Second Substantial Amendment FY 2019-2020 CDBG and HOME Funds
- Attachment B: Summary Amendments to the FY 2019-2020 Annual Action Plan

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