

# State of California

## 2019-2020 Annual Action Plan

### Third Substantial Amendment

***The following amendment language will be added to the 2019-2020 Annual Action Plan to allow the state access to emergency funding intended to provide a timely response to the impacts of the COVID-19 pandemic. The full text of the existing plan may be found at <https://www.hcd.ca.gov/policy-research/plans-reports/docs/Draft-2019-20-Annual-Action-Plan.pdf>.***

#### **AP-05 Executive Summary - 24 CFR 91.200(c), 91.220(b)**

##### **Introduction**

On March 27, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security Act or the “CARES Act”. The Act identified additional funding for the Emergency Solutions Grant (ESG) Program, the Community Development Block Grant (CDBG) program, and the Housing Opportunities for Persons with AIDS (HOPWA) to support preparation for, and response to, the community impacts of the COVID-19 pandemic. The distribution plan of the U.S. Department of Housing and Urban Development (HUD) for the additional funding includes multiple phases to allow for quick access to funding necessary to address the immediate crisis resulting from the pandemic.

The 2019-2020 Annual Action Plan (AP) is being amended to incorporate additional funding from HUD’s CARES Act distribution plan for the CDBG program, and to describe the State’s Method of Distribution (MOD) for the CARES Act funding in the CDBG program.

##### **Summary of Citizen Participation Process and consultation process**

The Substantial Amendment to the 2019-2020 Annual Action Plan (AP Amendment) addressing additional funding from the CARES Act will be available for a public comment period of at least 5 days per waiver of federal regulations. The waiver may be found at <https://www.hudexchange.info/resource/6007/availability-of-waivers-of-community-cpd-grant-program-and-consolidated-plan-requirements-to-prevent-the-spread-of-covid19-and-mitigate-economic-impacts-caused-by-covid19/>, and the Federal Register Notice is available at <https://www.hudexchange.info/resource/6113/fr-6218-n-01-notice-of-program-rules-waivers-alt-requirements-under-cares-act-cdbg/>. The waiver allows for added flexibility in the ESG, CDBG and HOPWA programs, while the notice provides specific guidance for the CDBG program and for general planning regarding other programs in the 2019-2020 Action Plan.

The draft AP Amendment is available for comment from all interested members of the public from **Thursday, October 1, 2020 to Friday, October 9, 2020**. A virtual public hearing regarding this AP Amendment was held on **Tuesday, October 6, 2020**.

The draft AP Amendment and the public notice document are available for review on HCD's website at <http://www.hcd.ca.gov/policy-research/plans-reports/index.shtml>.

Please submit written comments to [ConsolidatedPlan@hcd.ca.gov](mailto:ConsolidatedPlan@hcd.ca.gov).

Comments may also be mailed to:

Department of Housing and Community  
Development Federal Branch Suite 200  
2020 W. El Camino  
Ave Sacramento CA,  
95833

## **AP-12 Participation - 91.115, 91.300(c)**

### **Summary of citizen participation process/Efforts made to broaden citizen participation**

The AP Amendment addressing additional funding from the CARES Act was available for a public comment period of at least 5 days per waiver of the federal regulations. The draft AP Amendment was available for comment from all interested members of the public from **Thursday, October 1, 2020 to Friday, October 9, 2020**. A virtual public hearing regarding this amendment to the AP was held on **Tuesday, October 6, 2020**.

One public comment was received during the public comment period. This comment can be viewed on the public comment matrix included in this document.

The draft AP Amendment and the public notice document are available for review on HCD's website at <http://www.hcd.ca.gov/policy-research/plans-reports/index.shtml>.

## **AP-15 Expected Resources – 91.320(c) (1,2)**

### **Introduction**

The CARES Act provides one-time funding for the following HUD-administered state-level programs. Funding designations for HUD-administered CARES Act funds is Coronavirus Relief (CV):

- Emergency Solutions Grant CARES Act Stimulus (ESG-CV),
- Housing Opportunities for Persons with Aids CARES Act Stimulus (HOPWA-CV), and
- Community Development Block Grant CARES Act Stimulus (CDBG-CV).

This third amendment to the AP provides the anticipated resources and method of distribution for the third round of CDBG-CV funding

**Anticipated Resources**

The anticipated resources for the CDBG-CV program are based on an award letter received in September 2020 and indicate actual awards for these funds. Please refer to the following table of anticipated resources.

<b>Program</b>	<b>Source of Funds</b>	<b>Uses of Funds</b>	<b>Expected Amount Available Year 1 Annual Allocation</b>	<b>Expected Amount Available Year 1 Program Income</b>	<b>Expected Amount Available Year 1 Prior Year Resources</b>	<b>Expected Amount Available Year 1 Total</b>	<b>Expected Amount Available Reminder of ConPlan</b>	<b>Narrative Description</b>
<b>CDBG-CV3</b>	<b>Public Federal</b>	<b>Acquisition, Admin and Economic Development, Public Services and Facility Improvements</b>	<b>\$18,031,478.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$18,031,478.00</b>	<b>\$0.00</b>	<b>One-time award of funds – Tranche 3</b>

## AP-20 Annual Goals and Objectives – 91.320(c)(3) &(e)

### Goals Summary Information

The figures below represent estimates of allocation goals and objectives for the additional funding provided under the CARES Act. These figures are determined by the funding recipients' priority needs. The list below includes the first, second and third rounds of CARES Act funds.

Sort Order	Goal Name	Start Year	End Year	Category	Needs Addressed	Estimated Funding	Goal Outcome Indicator	Total
1	Provide homeless assistance and prevention services	2020	2021	Homeless	Homeless assistance and prevention services	ESG-CV1 \$43,990,603	ESG-CV: Tenant-based rental assistance/ Rapid Rehousing (Households Assisted)	82,500
						ESG-CV2 \$271,730,986	ESG-CV: Homeless Person Overnight Shelter (Persons Assisted)	491,500
							ESG-CV: Street Outreach (Persons Assisted)	451,000
							ESG-CV: Homelessness Prevention (Persons Assisted)	29,000

						CDBG-CV2 \$50,968,570	CDBG-CV: Housing for Homeless Added (Household Housing Unit)	510
						HOPWA-CV \$578,909	HOPWA-CV: Homelessness Prevention (Persons Assisted)	261
							HOPWA-CV: HIV/AIDS Housing Operations (Household Housing Unit)	83
	Increase economic development opportunities	2020	2021	Non-Housing Community Development	Economic Development Opportunities	CDBG-CV1 \$5,979,308  CDBG-CV2 \$19,028,266  CDBG-CV3 \$6,311,017	Jobs created/retained (Jobs)	200
							Businesses Assisted (Businesses Assisted)	40

3	Maintain or increase public services	2020	2021	Non-Housing Community Development	Public Services	CDBG-CV1 \$7,972,411	Public service activities other than Low/Moderate Income Housing Benefit (Persons Assisted)	5,300
						CDBG-CV2 \$19,028,266		
						CDBG-CV3 \$6,611,017		
							Public service activities for Low/Moderate Income Housing Benefit (Households Assisted)	450
4	Maintain or increase public facilities	2020	2021	Non-Housing Community Development	Public Facilities	CDBG-CV1 \$1,494,343	Public Facility or Infrastructure Activities other than Low/Moderate Income Housing Benefit (Persons Assisted)	15,200
						CDBG-CV2 \$9,242,300		
						CDBG-CV3 \$1,803,148		
							Public Facility or Infrastructure Activities for Low/Moderate Income Housing Benefit (Households Assisted)	220

## AP-25 Allocation Priorities – 91.320(d)

### Introduction

The amended percentages below are based on the expected amount of funds that will be awarded by each new program funded by the CARES Act for federal Fiscal Year (FY) 2019-2020 for eligible activities that fall within that goal. The percentages below will depend on funding awardees' needs and demand for activities within the specified goal categories.

### Funding Allocation Priorities

Program	Increase the supply of affordable rental housing (%)	Expand homeownership and improve existing housing (%)	Provide homeless assistance & prevention services (%)	Increase economic development opportunities (%)	Maintain or increase public services (%)	Maintain or increase public facilities (%)	Colonias Set-Aside (%)	Total (%)
CDBG-CV1	0	0	0%	37%	41%	17%	5 %	100%
CDBG-CV2	0	0	45%	19%	19%	12%	5 %	100%
CDBG-CV3	0	0	0%	37%	41%	17%	5 %	100%
ESG-CV1	0	0	100%	0	0	0	0	100%
ESG-CV2	0	0	100%	0	0	0	0	100%
HOPWA-CV	0	0	100%	0	0	0	0	100%

## **AP-30 Methods of Distribution – 91.320(d)&(k)**

### **Introduction**

The CARES Act provides HUD-administered one-time funding for the following three state-level programs:

- Emergency Solutions Grant CARES Act Stimulus (ESG-CV),
- Housing Opportunities for Persons with Aids CARES Act Stimulus (HOPWA-CV), and
- Community Development Block Grant CARES Act Stimulus (CDBG-CV).

The following amendment to the methods of distribution is for the third round of CARES Act funding for the CDBG-CV program. CDBG-CV employs a streamlined distribution method to ensure funding can be distributed and expended as quickly as possible on activities that address immediate and medium-term responses to the COVID-19 pandemic. Eligible activities must prevent, prepare for, and/or respond to Coronavirus and COVID-19.

### **CDBG-CV3 (Community Development Block Grant CARES Act Stimulus Program)**

CDBG-CV3 funding will be distributed to all CDBG-eligible non-entitlement jurisdictions as a formula grant based on the formula prescribed in the Department's Permanent Local Housing Allocation (PLHA) program (<https://www.hcd.ca.gov/grants-funding/active-funding/plha.shtml>), which is based on the formula used for allocating the Community Development Block Grant to entitlement jurisdictions (<https://www.hudexchange.info/onecpd/assets/File/CDBG-Formula-Appropriation-Process-Transcript.pdf>). The estimated formula allocation will be provided in the CDBG-CV2/CDBG-CV3 Notice of Funding Availability at a later date. The method of distribution may change as HCD sees fit or as advised by HUD to properly address the needs addressed by the CARES Act allocation or any future special allocation. No more than 7 percent of CDBG-CV3 funding will be used to provide administration and technical assistance at the state level. These administrative funds will be deducted from the total funding available for local assistance.

A total of 13 percent of the allocation will be available to each awarded jurisdiction for program administration costs. Costs incurred in COVID-19 response prior to allocation may be eligible for reimbursement as per the CARES Act. Applicants will be asked to identify pre-agreement costs as part of the simplified application.

Allocations will be made through the state's Grants Network System and will be administered on an activity basis. Any allocations that are not claimed by the respective jurisdiction will, at the end of the application and award period, be tabulated and at the Department's discretion, used to increase awarded allocations. Grantees will be able to identify up to three activities for their allocation from the following activities prioritized for CDBG-CV funding:



- Public services to respond to COVID-19 impacts
- Public facility improvements to increase capacity for healthcare facilities
- Housing facilities for persons experiencing homelessness
- Economic development to support needs for working capital and furniture, fixtures, and equipment focusing on safety requirements

As permitted in the CARES Act, HUD has elected to waive the federal caps on public services for services that are in response to COVID-19 impacts. Grantees will be required to document that the services funded through CDBG-CV are in response to COVID-19. Any services provided that are not in response to COVID-19 will be subject to the federal 15 percent public services cap.

The Department has received waivers from the state statutory requirements that at least 51 percent of annual CDBG allocations be made available to housing and housing-related activities, and 30 percent set-aside for economic development activities. Further, the Department has waived the 50 percent expenditure rule for CDBG-CV funding. These waivers will apply only to CDBG-CV funding and will not apply to funds awarded through the 2019 and 2020 annual CDBG allocations. Jurisdictions must meet Housing Element compliance requirements as per state statute. Also, per state statute, 5 percent of the CDBG-CV funds will be set aside for Colonias and 1.25 percent will be set aside for Non-Federally Recognized Tribes.

The Public Facilities allocation priority for CDBG-CV is primarily for public facilities related to the provision of health and medical care, and that support housing for persons experiencing homelessness in compliance with the recommendations found at the following link: <https://www.hudexchange.info/resource/6004/covid19-systemwide-protocol-for-people-experiencing-homelessness/>. HCD will review applications for facility and infrastructure funding on a case-by-case basis to ensure activities comply with the COVID-19 impacts requirement.

## Public Comment Matrix for 2019-2020 Third Substantial Amendment

There was a one public comment.

### Commentor

Pedro Galvao

### Jurisdiction/Agency

Non Profit Housing

### Comment Type

Proposed changes to the Plan

### Comment

We write to respectfully request that \$200 million of funding that HCD is programming through the tranche II of CARES Act funding be directed to break-even assistance for affordable housing properties during the COVID emergency to ensure that no one will be evicted or become homeless, that no properties or housing providers will go bankrupt, and that none of California's deed-restricted affordable housing stock is lost as a result of this crisis. We remain committed to finding solutions with you and the Legislature to ensure that California's 300,000 existing rent-restricted homes in California that were created through the federal Low Income Housing Tax Credit program—and that are not currently receiving any rent subsidies are not permanently lost due to foreclosure. We have learned, since our last letter, that the Department of Housing and Community Development (HCD) is presently developing guidelines for \$384 million in unspent CARES CDBG (\$113 million) and CARES ESG (\$271 million) funding for which rental assistance is an eligible use. To that end, we respectfully request that the state redirect \$200 million of available CDBG and ESG funds to a time-limited subsidy pool to help preserve affordable housing communities. Specifically, we are requesting that \$40 million presently allocated to non-entitlement jurisdictions (either from ESG-CV2 or CDBG-CV2) be specifically dedicated to affordable housing rental assistance. For the remaining \$160 million we are requesting that it be redirected from ESG-CV2 for CoCs (to cover entitlement areas) to an HCD-administered program to provide breakeven operating assistance to affordable housing developments at risk of foreclosure. Projects should be considered on a project by project basis for subsidy amounts that are sufficient to keep projects at break-even cash flow.

Given that the state has such funds available now and that the use of such funds would not require a budget adjustment, it is imperative that they be used to safeguard our limited affordable housing stock. CARES Act funds are revenue neutral for the state general fund and

would help prevent the irreversible loss of our state's very limited affordable housing stock. We have also included the Keep California Housed for your reference. We are also eager to work with you and state partners, as called for in AB 3088, on ways to direct future federal assistance for breakeven rental assistance to affordable housing providers to keep tenants housed and affordable housing solvent.

We are grateful for your leadership during these unprecedented times and stand ready to work with you to address the needs of California's affordable housing residents.

### **Accept/Reject**

Accept

### **HCD Response**

The CDBG program allows for very limited rental assistance through the Public Services subsistence payments activity. The Public Services activity category has very strict limitations set by HUD, including a 6-month time period limitation. Payments must be made directly to landlords and/or utility providers, and each household must be evaluated to prevent duplication of benefits. Local jurisdictions are welcome to apply to use CDBG-CV funds for subsistence payment activities to provide rental assistance to low-income households in their communities. They are not limited or prevented in any way from using CDBG-CV funds for a subsistence payment rental assistance program. The decision to select the activity has been left to local discretion, so local jurisdictions can respond to their unique and specific needs.

Affordable housing developers are encouraged to pursue mortgage forbearance options (for single-family homeowners and multi-family property owners) available to those who have been adversely affected by the COVID-19 pandemic.