



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

File #: RES 24-074, **Version:** 1

- a. Conduct a public hearing to obtain residents' views and respond to proposals and questions received during the preceding 30-day public comment period regarding the Urban County Community Development Block Grant (CDBG) Annual Action Plan (AAP) for Program Year (PY) 2024-25;
- b. Receive and accept the PY 2024-25 AAP;
- c. Authorize the Director of Housing and Community Development or their designee to submit the PY 2024-25 AAP to the U.S. Department of Housing and Urban Development (HUD) and execute documents required by HUD to implement the PY 2024-25 AAP;
- d. Approve the Subrecipient Agreement templates for use with the Urban County program;
- e. Authorize the Director of Housing and Community Development (HCD) to execute Subrecipient Agreements with Urban County Grantees, including making minor changes as necessary and to reflect the actual CDBG award received from HUD, subject to review and approval by County Counsel, to implement the PY 2024-25 AAP; and,
- f. Adopt a Resolution authorizing the Director of HCD or their designee to sign documentation required for environmental reviews associated with projects funded with CDBG. (VIA SUPPLEMENTAL)

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Conduct a public hearing to obtain residents' views and respond to proposals and questions received during the preceding 30-day public comment period regarding the Urban County Community Development Block Grant (CDBG) Annual Action Plan (AAP) for Program Year (PY) 2024-25;
- b. Receive and accept the PY 2024-25 AAP;
- c. Authorize the Director of Housing and Community Development or their designee to submit the PY 2024-25 AAP to the U.S. Department of Housing and Urban Development (HUD) and execute documents required by HUD to implement the PY 2024-25 AAP;
- d. Approve the Subrecipient Agreement templates for use with the Urban County program;
- e. Authorize the Director of Housing and Community Development (HCD) to execute Subrecipient Agreements with Urban County Grantees, including making minor changes as necessary and to reflect the actual CDBG award received from HUD, subject to review and approval by County Counsel, to implement the PY 2024-25 AAP; and,
- f. Adopt a Resolution authorizing the Director of HCD or their designee to sign documentation required for environmental reviews associated with projects funded with CDBG.

SUMMARY:

HUD qualified Monterey County ("County") together with the Cities of Del Rey Oaks and Gonzales as an Urban County in 2013 for entitlement purposes. In 2016, Greenfield and Sand City joined the Urban County. To receive the CDBG grant, the County must have an approved Action Plan. The Action Plan must include a description of eligible projects and programs to be funded. To remain eligible for HUD CDBG funds, the County is required to conduct two public hearings annually on CDBG funding priorities and goals. The County adopts an Action Plan annually in May following a public comment period and public hearing. The second public hearing is held in September when the Board of Supervisors receives the Consolidated Annual

Performance and Evaluation Report (CAPER).

CDBG funds may be used to carry out a wide range of community development activities directed toward revitalizing neighborhoods, economic development, and providing improved community facilities and services. As an entitlement community, the County and its consortium members must prioritize activities, which primarily benefit low- and moderate-income persons. Other eligible activities may aid in the prevention or elimination of slums or blight and activities that meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet such needs. CDBG funds may not be used for activities which do not meet one of these national objectives.

The Board of Supervisors is being asked to take public comment and close the 30-day public comment period on the Monterey Urban County PY 2024-25 CDBG AAP (Attachment 1). The public comment period began April 11, 2024. The Urban County, for purposes of this plan, includes the County of Monterey and the cities of Del Rey Oaks, Gonzales, Greenfield, and Sand City. To receive its annual CDBG grant allocation, the Urban County must adopt an AAP that sets forth a description of eligible projects and programs to be funded. The AAP details how the Urban County will use CDBG funds to meet the goals outlined in the 2020-2024 Consolidated Plan. The Urban County will have approximately \$1,310,754 available to support CDBG eligible activities during PY 2024-25. As of the drafting of this report, no comments have been received.

DISCUSSION:

Monterey County was first designated as an entitlement community eligible to receive a formula allocation of CDBG funds in 2013. To qualify for, and maintain, this designation as an Urban County, the County partners with the cities of Del Rey Oaks, Gonzales, Greenfield, and Sand City.

In July 2020, the Board of Supervisors adopted the 2020-2024 Consolidated Plan (available online at <https://www.co.monterey.ca.us/government/departments-a-h/housing-community-development/planning-services/community-development-project-program-financing/urban-county-community-development-block-grants>). The Consolidated Plan provides strategic direction and identifies the types of projects that the Urban County anticipates supporting with CDBG funds during the planning period. The Urban County is required to prepare an AAP that identifies the specific activities to be funded with CDBG funds and how these activities will address the goals contained in the 2020-2024 Consolidated Plan. To ensure that the Urban County considers the widest possible number of activities, it annually issues a Notice of Funding Availability (NOFA) inviting funding proposals. The NOFA was published in the Monterey County Weekly on November 2, 2023, in English and Spanish. The NOFA is also emailed to more than 140 non-profit organizations that serve Monterey County. Central to the NOFA is the amount of available funding.

The Urban County is expected to have \$1,310,754 for all activities in PY 2024-25. This includes: \$1,155,895 in new CDBG funding; \$10,000 in program income; and \$144,859 recaptured from prior year grants. The funding forecast assumes that new CDBG funding is 97% of the amount provided in PY 2023-24. Availability of CDBG funding has decreased the last five program years; therefore, an estimated decrease was calculated at 3% and implemented in the PY 2024-25 as planned funding. To account for the variable nature of new CDBG funding, the Action Plan recommends adjusting the actual grant awards based on the percentage new funding varies from the estimated funding. This option removes the need for the Board of Supervisors to reconsider the Action Plan should actual funding differ from expected funding.

Federal law governing the CDBG program limits the Urban County to using no more than 15% (\$173,384) of the PY 2024-25 CDBG award to public service activities and up to 20% (\$231,179) for general administration.

The only activity that the Urban County is required to fund is Fair Housing. Fair Housing can be funded under the public service or general administration caps.

The remaining new grant funds, program income, and funds recaptured from prior year grants (totaling \$906,191) can only be used for projects that support affordable housing, infrastructure, or public facilities. The 2020-2024 Consolidated Plan allocated grant funding in PY 2022-23, PY 2023-24, and PY 2024-25 to a project sponsored by the city of Greenfield. The Urban County will provide the PY 2024-25 allocation of \$427,191 to the City of Greenfield for pedestrian improvements on Walnut Avenue between El Camino Real and Highway 101. The Consolidated Plan also allocated grant funding in PY 2024-25 to the City of Del Rey Oaks in the amount of \$50,000. The Veterans Transition Center applied for \$500,000 for a Solar Empowerment project, and the staff recommendation is to fund \$274,000 of the request. Public Works has requested additional funding of \$250,000 for the Aromas Elementary Sidewalks project expansion for Americans with Disabilities Act (ADA) compliance. Staff's recommendation is to fund \$155,000 for this expansion. Should the Urban County elect not to fund public services and/or general administration at the maximum allowed level, the surplus funds would be available to augment County sponsored projects, such as public facilities (homeless shelters), infrastructure, and housing rehabilitation programs.

Public Services

CDBG regulations limit the amount that the Urban County may allocate to public services to 15% of the current year grant, forecast to be \$173,384, and 15% of the program income received during the prior year (actual funds received, not forecast). The Urban County generally requires public service activities to be completed within the program year funded and any unused funds may not be applied to future years. Historically, the Urban County has only allocated the current year grant funding for these activities due to difficulties accounting for the highly variable stream of revenue from program income. For PY 2024-25, the Urban County received eight applications requesting a total of \$230,200. The staff recommendation is to fund seven of the applications under the public service allocation. Staff is recommending the eighth application, submitted by the Eden Council for Hope and Opportunity (ECHO) to provide fair housing services, be funded under the general administration cap.

General Administration

The Urban County will use up to 20%, \$231,179, of the grant to manage the CDBG program and pay for fair housing services. Fair housing is the only mandated activity that CDBG must be used to fund. ECHO has requested \$40,200 to provide these services. The balance of the funds will be used by the County to manage the program.

The Board's Urban County Standing Committee met on March 22, 2024, to review the applications and recommend project funding that is included in the AAP. The Standing Committee's funding recommendations matched staff recommendations and are included as Attachments 2 and 3.

The Board of Supervisors is being asked to approve the AAP with contingency language authorizing staff to adjust awards to subrecipients based on the actual amount of funding made available by HUD and any unused funds from prior years as follows: if less funding than anticipated is received, all awards will be reduced by the same percentage as any reduction in funding; if more funding than anticipated is received, public service awards will remain the same for five of the projects and the remaining two that are currently underfunded will be increased up to the amount requested. General administration may be adjusted to 20% of the HUD grant amount; up to an additional 25% may be allocated to construct ADA sidewalks in Aromas and Veterans Transition Center Solar Empowerment projects. The allocations for the cities of Del Rey Oaks and Greenfield will remain the same regardless of an increase or decrease in amount of funding awarded.

The Urban County requires a non-standard Subrecipient Agreement (Attachment 4) to implement the program with approved subrecipients. Subrecipient Agreements are used because the Urban County is not purchasing goods or services from the subrecipients but rather funding their ability to do so. The Subrecipient Agreement incorporates most standard County requirements, including the standard insurance requirements and requirements imposed by HUD to administer the CDBG program. The Urban County may contract with agencies that provide legal services; therefore, it was necessary to provide an option under Audits and Inspections to ensure client confidentiality.

CDBG funds are federal; therefore, the County must comply with the National Environmental Policy Act (NEPA) before formally committing funds to a specific project. Generally, actions funded by the Urban County fall into one of three categories: 1) exempt by definition pursuant to 24 CFR § 58.34, 2) categorically excluded and not subject to 24 CFR § 58.5, or 3) categorically excluded and subject to review with 24 CFR § 58.5 but no compliance / consultation with regulatory authorities was required. The Urban County is required to use the HUD Environmental Review Online System (HEROS) to prepare Environmental Review Records (ERR) for all projects. The recommended resolution (Attachment 5) will authorize the Director of Housing and Community Development or their designee to sign all ERRs and accept the federal courts jurisdiction in the event the ERR is challenged instead of the Chair of the Board of Supervisors or County Administrative Officer.

No public comments had been received regarding the Annual Action Plan as of the time this staff report was prepared.

OTHER AGENCY INVOLVEMENT:

The cities of Del Rey Oaks, Gonzales, Greenfield, and Sand City have partnered with the County to, collectively, be designated as an Urban County. County staff made recommendations for county projects to the Standing Committee. Staff from three of the cities and the County made recommendations to the Standing Committee about funding for public services and public facilities. On March 22, 2024, the Standing Committee reviewed the applications and made recommendations for funding that are included in the Draft AAP. County Counsel has reviewed the AAP and Subrecipient Agreement templates as to form.

FINANCING:

The HUD grant is an annual agreement. If the County complies with grant requirements, the County may elect to continue to receive annual entitlement funding, subject to the federal budget process. Projects approved prior to this PY, which includes Greenfield Walnut Ave (\$866,794), Aromas Sidewalks (\$115,000), and partial funding of Las Lomas Sidewalks (\$127,426) will be budgeted for the County Fiscal Year (FY) 2024-25.

The HCD Department has included \$2,420,010 in their Fiscal Year 2024-25 Requested Budget based on an estimate of the HUD PY 2024-25 funding amount (\$1,155,895), anticipated Program Income in Fund 13, Unit Code 8546 (Community Development Grants), Appropriation Code HCD005 (\$10,000), unspent prior year funds for projects approved prior to this PY (\$1,109,220), and recaptured prior year funds (\$144,895). There is no impact to the General Fund because of the Board's approval of the AAP.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

Authorizing the Urban County to post the PY 2024-25 AAP is the first step toward making an anticipated \$1,310,754 available to help local jurisdictions make improvements to public facilities, provide food security for seniors, help children and youth develop the social skills they need to be successful in life, and help homeless persons find shelter.

Mark a check to the related Board of Supervisors Strategic Initiatives

X Economic Development

X Administration

X Health & Human Services

X Infrastructure

X Public Safety

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Approved by: Craig W. Spencer, Director of Housing and Community Development

The following attachments are on file with the Clerk of the Board:

Attachment 1 - Draft PY 2024-25 Urban County Annual Action Plan

Attachment 2 - PY 2024-25 Application Details

Attachment 3 - PY 2024-25 Urban County Application Summary & Funding Recommendations

Attachment 4 - Subrecipient Agreement Template

Attachment 5 - Draft Resolution Delegation of Authority