



Contra  
Costa  
County

To: Board of Supervisors

From: John Kopchik, Director, Conservation & Development Department

Date: October 20, 2020

Subject: Consideration of Activities for CARES Act-Community Development Block Grant-Coronavirus 3 Funds

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**RECOMMENDATION(S):**

CONSIDER activities for Community Development Block Grant-Coronavirus 3 (CDBG-CV3) funds; and PROVIDE direction to staff.

**FISCAL IMPACT:**

There is no General Fund impact. All funds are provided to Contra Costa County on a formula basis through the U.S. Department of Housing and Urban Development.

CATALOG OF FEDERAL DOMESTIC ASSISTANCE CDBG - 14.218

**BACKGROUND:**

The County's Department of Conservation and Development (DCD) manages four federal funding programs from the U.S. Department of Housing and Urban Development (HUD): Community Development Block Grant (CDBG), HOME Investment Partnerships Act (HOME), Housing Opportunities for Persons with HIV/AIDS (HOPWA), and the Emergency Solutions Grant (ESG) programs. During the regular annual cycle for these funding programs, DCD prepares a HUD-required Annual Action Plan for the Board's approval each spring or early summer, which guides the expenditures of the four programs'

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☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY  
ADMINISTRATOR

☐ RECOMMENDATION OF BOARD  
COMMITTEE

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Action of Board On: **10/20/2020** ☐ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

**VOTE OF SUPERVISORS**

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: October 20, 2020

Contact: Gabriel Lemus,  
925-674-7882

David Twa, County Administrator and Clerk of the Board of  
Supervisors

By: , Deputy

cc:

funding for the following fiscal year.

## BACKGROUND: (CONT'D)

This has been an unusual year in the history of the CDBG and ESG programs for receiving unprecedented waves of funding, outstripping even the federal stimulus from 10 years ago. As a result of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), HUD has provided Coronavirus supplemental relief funds to the County through the CDBG and ESG programs in tranches, identified in Attachment A as CV1, CV2, and CV3. HUD issued two tranches of ESG-CV funds and the County received both ESG-CV1 and ESG-CV2. CDBG-CV funds were issued in three tranches and the County received CDBG-CV1 and CDBG-CV3 funds; CDBG-CV2 funds went to states, not local jurisdictions. In addition, the state receives ESG funds and accepts applications from local jurisdictions to spend these funds on eligible activities to assist individuals and families experiencing homelessness. Attachment A includes an overview and summary of each program's status as of October 2020. Unless otherwise noted in Attachment A, the programs may fund activities in the Urban County, a defined region of the entire county less the four cities which receive their own allocations (Walnut Creek, Antioch, Concord, and Pittsburg).

The rest of this report will primarily focus on the CDBG-CV funds (CDBG-CV1 and CDBG-CV3), with a particular focus on and recommendation(s) for the use of CDBG-CV3 funds. The ESG-CV funds (CV1 and CV2) are required to address COVID-19 impacts to those experiencing homelessness. Attachment A provides more information on the use of the ESG-CV funds in the County.

### **I. The CARES Act and Community Development Block Grant Program-Coronavirus 1 Funds (CDBG-CV1)**

The CARES Act was passed by Congress and signed by the President on March 27, 2020, in response to the harmful effects of the novel coronavirus known as COVID-19. As part of the first round of distribution of CARES Act funds, HUD allocated \$2 billion in CDBG funding to eligible grantees across the nation. Contra Costa County, as a CDBG grantee was awarded \$2,728,826 in Community Development Block Grant-Coronavirus 1 (CDBG-CV1) funds. The CDBG-CV1 funds could be used for a range of eligible activities but the funds must also prevent, prepare for, and/or respond to the coronavirus and its impacts.

Due to the nature and focus of these supplemental funds, HUD encouraged grantees to quickly allocate these funds to address the immediate crisis resulting from this historical health pandemic. On June 2, 2020, County CDBG staff recommended, and the Board of Supervisors approved, the \$2,728,826 of CDBG-CV1 funds to the following eligible activities:

**Emergency Rental Assistance:** In support of the County's Ordinance 2020-14, adopted

on April 21, 2020, (and subsequently amended to extend until January 31, 2021) regarding residential evictions during the COVID-19 local emergency, CDBG-CV1 funds (\$727,687) were allocated to provide financial assistance to eligible households so they can remain in their homes and avoid homelessness. Shelter, Inc. was selected as the service provider to meet this critical need and to provide this assistance to support eligible households in the County. Shelter, Inc. has successfully administered such a program since 2009 and has recently created a dedicated hotline for residents to call.

**Food Security/Food Assistance programs:** As the economic toll of COVID-19 spreads across the community, hunger is a growing concern. Local food security programs have experienced an increase in the number of people needing food. CDBG-CV1 funds (\$727,687) were allocated to ensure residents have access to food to reduce hunger during the COVID-19 emergency. Loaves and Fishes, the Food Bank of Contra Costa, and Meals on Wheels Diablo Region were selected to meet this need in our community. Each of these agencies has experience in providing food security services and has responded to the pandemic by increasing services since the very first Shelter in Place order took place.

**Microenterprise Loan/Grant Assistance:** With the COVID-19 situation rapidly changing, virus containment and mitigation have become a priority in every community across the County, forcing small businesses to temporarily shut down. Unfortunately, some businesses have had to permanently shut down as business has dwindled. To mitigate this economic impact, Renaissance Entrepreneurship Center (Renaissance) is providing relief to County businesses that have been greatly affected by the COVID-19 economic downturn. Renaissance was selected to provide a loan/grant of no more than \$10,000 to eligible microenterprises in the County that have been negatively impacted by COVID-19. (\$727,687)

**General Program Administration:** County staff will take on additional responsibility in managing these new programs to ensure that federal requirements are met, and funds are being utilized in the manner necessary to address impacts of COVID-19. Program Administration Costs are costs for staff-time and overhead costs for planning and general administration of the CDBG program. Funds for general administration covers the cost of planning, general management, oversight, coordination, and implementation of the whole CDBG program, as well as detailed oversight of all expenditures made by subrecipients. A 20% allocation for administration is allowed by HUD and is the County's standard administrative cost to administer the CDBG program (\$545,765).

On August 10, 2020, HUD provided the Notice of Program Rules and Requirements for the CDBG-CV funds, enabling County staff to prepare the CDBG CV-1 contracts soon thereafter. Each of these contracts are currently in the process of being executed. Once the contracts are signed, which is anticipated to be within weeks, the providers may begin submitting requests for payment for services provided to eligible households that may be backdated to the start of the pandemic. Shelter, Inc., and the food security non-profits are already engaged in delivering these services through other sources of

funds, so households in need have not had to wait to access them.

## **II. The CARES Act and Community Development Block Grant Program-Coronavirus 3 Funds (CDBG-CV3)**

On September 11, 2020, HUD announced and allocated an additional \$1.988 billion in CARES Act funding to eligible CDBG grantees. Contra Costa County, as a CDBG grantee, was awarded an additional \$4,292,960 in CDBG-CV funds, known as CDBG-CV3. As with the CDBG-CV1 funds, a range of activities are eligible for use of CDBG-CV3 funds with the requirement that the awarded activities also prevent, prepare for, and/or respond to the coronavirus and its impacts and, unlike the CDBG-CV1 funds, HUD targeted CDBG-CV3 funds towards jurisdictions with households facing higher risk of eviction. Given this focus, HUD has indicated that these funds can be used to provide temporary financial assistance to meet rental obligations of low-income households who are struggling to meet their monthly rental obligations.

On September 22, 2020, the Board of Supervisors approved County Ordinance 2020-25, extending the County's eviction moratorium to January 31, 2020. During the Board's discussion, the Board directed County CDBG staff to look into the possible use of the CDBG-CV3 funds towards rental assistance programs and legal services for eligible at-risk tenants, and to provide more information for the Board to consider at their October 20, 2020 meeting.

### **III. Potential Uses of the County's CDBG-CV3 Funds**

At the Board's September 22 meeting, DCD was requested to come back with more information regarding the following types of programs, due to interest expressed by Board members.

#### *Rental Assistance Program(s)*

As with the CDBG-CV1 funds, providing CDBG-CV3 funds to an emergency rental assistance program is eligible. Given that HUD's primary focus on the allocation of CDBG-CV3 funds was to assist struggling, at-risk households meet their monthly rental obligations in order to keep their homes, staff recommends allocating at least a significant portion of CDBG-CV3 funds towards a rental assistance program for tenants who are struggling to pay monthly rent and/or utilities due to a direct or indirect impact of COVID-19. The County's regular ESG and CDBG programs, with the Board's approval, have been supporting this type of program for over 10 years as "Homelessness Prevention" to prevent low- and very low-income tenants from becoming homeless. Eligible reimbursable costs for this type of activity include, but are not limited to, personnel costs of those providing direct services, rental/utility payments to landlords/utility companies on behalf of eligible tenants (including payments in arrears), and the cost of outreach and marketing materials.

#### *Legal Services*

Although the CDBG/CDBG-CV statutes and regulations do not explicitly list legal services as an eligible public service, CDBG funds can be spent on legal services and are typically a part of tenant/landlord counseling and mediation program services. Legal services typically include legal representation of tenants facing eviction, and legal counseling. The County's regular CDBG funds have been supporting tenant/landlord counseling and mediation programs that include legal services for over 20 years. Most tenant/landlord counseling services take place over the phone with occasional face-to-face meetings between tenants and service providers for specific issues. Although legal services tend to be part of an overall tenant/landlord counseling and mediation program, most issues are resolved through mediation where representation by an attorney is not necessary. However, the COVID-19 pandemic has created unprecedented direct and indirect impacts to tenants and landlords. Therefore, if legal services are a priority area of the Board, staff recommends allocating CDBG-CV3 funds towards a tenant/landlord counseling and mediation program that provides legal services for low-income households that are at-risk of losing their rental unit due to a direct or indirect impact of COVID-19. CDBG CV funds provided to a tenant/landlord counseling service activity can pay for but not limited to personnel costs of those providing direct services (legal and counseling services, plus informational workshops), and the cost of providing outreach and marketing materials.

#### **IV. Process of awarding CDBG/CDBG-CV3 Funds**

HUD gives grantees discretion on how they wish to allocate funds to services providers. The process for the allocation of the County's regular CDBG Program is to typically issue a general and wide solicitation for proposals via a "Request for Proposals" for a range of eligible activities. However, a grantee can directly solicit proposals from specific organizations or service providers providing specific services, which the County has done on occasion in cases when the funds are to provide specific services to address specific needs. In either case, County staff prepares a report with recommendations that go to the full Board of Supervisors for final approval and prior to any formal submittal to HUD.

Given the specific nature and focus of these funds, accompanied with the urgency of providing specific services to low-income, at-risk tenants in a timely manner, staff proposes a process of directly soliciting to organizations/agencies who are currently funded with CDBG funds and providing the recommended services/activities. A direct solicitation process allows for the County to take a more proactive approach in deciding which is the "best" organization or organizations that have the experience in providing the recommended activities and meet specific needs. Because this approach tends to be more focused and entails deliberations involving fewer organizations, it would also be more expedient in awarding the funds and making the required amendments for the County's Annual Action Plan for HUD's review. A direct solicitation process would allow staff to make a recommendation and provide that recommendation to the Board of Supervisors for their consideration within two months. Directly soliciting to organizations already providing this service with CDBG funds would also possibly lend

itself to formally announce and launch the program(s) by the end of the year.

## **V. Key Areas for Board Direction**

The Board may wish to consider any specific direction to staff regarding:

### A) The allocation of funds among the program options (rental assistance and legal counseling services).

Staff offers two allocation options for Board consideration, though a combination of these options or other variants are also possible:

#### Option 1:

- \$3.2 million for rental assistance. Of this,
  - *\$2.56 million for actual rental/utility payments to landlords/utility providers;*
  - and*
  - *\$640,000 to support costs related to evaluating tenant applications for the service and for marketing/outreach);*
- \$600,000 towards tenant/landlord counseling and legal services (to support hiring at least two attorneys, three paralegals/legal assistants/counselors, and for marketing/outreach); and
- \$492,960 toward general program administration to support the planning, implementation, and management of the CDBG-CV Program funds.

#### Option 2:

- \$3.5 million for rental assistance. Of this,
  - *\$2.86 million for actual rental/utility payments to landlords/utility providers;*
  - and*
  - *\$640,000 to support costs related to evaluating tenant applications for the service and for marketing/outreach);*
- \$300,000 towards tenant/landlord counseling and legal services (to support hiring at least one attorney, 1.5 (full-time equivalent) paralegals/legal assistants/counselors, and for marketing/outreach); and
- \$492,960 toward general program administration to support the planning, implementation, and management of the CDBG-CV Program funds.

### B) What an appropriate marketing and outreach budget and strategy is for both the rental assistance and legal services programs.

Staff proposes that marketing and outreach be outlined within a service provider's application narrative and within the overall proposed program budget in an application. Staff proposes the Board consider setting a limit on the portion of the budget for rental

assistance and legal services that may be used for marketing. A cap of 10% or 20% could be considered. For rental assistance, staff suggests the cap apply to the portion of the rental assistance not earmarked for actual rental assistance (e.g. 10% or 20% of \$640,000, or whatever allocation the Board settles on). The Board may wish to consider specifying how they would like the service provider to perform the outreach, such as relying on subcontractors to assist with the marketing. Due to the rigorous fiscal accountability standards set for the CDBG program, staff would recommend minimizing reliance on subcontractors and ask recipients to seek partners experienced in or capable of working under accountability systems such as in place for CDBG.

#### C) Process for awarding funds.

Staff recommends directly soliciting to organizations/agencies who are currently funded with CDBG funds and providing the recommended services/activities, as described in greater detail above. Another option the Board could consider is a general and wide solicitation via a “Request for Proposals” process.

#### D) If there should be a rental assistance cap per household (in the financial amount of assistance or in the number of months of assistance).

Staff proposes an assistance cap of no more than three months of assistance per household. The Board could consider other limitation as well and/or direct staff to continue to research the matter and bring additional program details back to the Board when seeking final approval.

#### E) If the Urban County should seek to align with the four cities for their CV-3 funds to all go to the same providers (for customer convenience).

Staff proposes the County seek to align with the other four CDBG cities as much as possible, consistent with Board direction.

### **VI. Frequently Asked Questions About CDBG-CV-3 Funds**

#### How much funding will the County receive and are funds disbursed on a reimbursement basis?

The County was awarded \$4.2 million, to benefit residents of the entire county minus the four cities which receive their own allocations. County staff acts as the administrative arm for these funds for appropriate Action Plan amendments, procurement, contract development, payments, and monitoring, so receives an administrative allocation. The amount varies by program and by need.

The funds are not received in advance. The CDBG Program is required to operate on a cost reimbursement basis where awarded agencies must pay for all incurred expenses with other unrestricted funds and then submit a request for reimbursement to County CDBG staff with all supporting documentation for the incurred expenses and documentation that those expenses have been paid. If HUD subsequently determines the



County did not spend the money appropriately, the County would have to repay the funds.

Can the funds be used for rental assistance?

Yes.

Can the rental assistance be direct payments to households with documented need?

No. Payments are made directly to the landlord or utility company on behalf of the tenant households.

Can the rental assistance and or legal assistance benefit income-eligible households with CDBG-CV funds regardless of immigration status?

Yes.

Can the rental assistance go to landlords?

Yes, but the tenant household must apply for the assistance, not the landlord. If the tenant household qualifies, rental payments are made directly to landlords/property owners on behalf of the tenant households, regardless of the income level of landlords. Due to requirements specific to CDBG funds, staff does not believe it would be feasible for a service provider to gauge landlord fiscal resiliency as a secondary criterion for awarding funds.

Can there be more than one agency providing rental assistance or tenant/landlord counseling programs?

Yes. In staff's prior experience with administering rental assistance programs and tenant/landlord counseling services, having multiple providers in the County does create confusion and some frustration for customers who may get shuffled between agencies, and ends up in spending more for tenants in getting and spending a higher amount of awarded contracts on administrative costs. In recent years, the County and the four cities that receive their own allocations have generally selected the same service provider for these type of services for these reasons.

Can there be a large marketing budget to get the word out about these services?

Yes, marketing/outreach is considered a direct activity delivery cost and the CDBG funds can pay for a large portion of an activity's marketing budget. However, if the CDBG funds are paying for both the marketing/outreach of an eligible service in addition to the costs for the actual provision of those services, more CDBG funds going towards marketing/outreach translates to less going towards the provision of the service.

By when do the funds need to be spent? Is there a "use it or lose it risk"?

At least 80 percent of the funds need to be spent within three years. A rental assistance program funded at \$3.2 million or less would likely run out of funds in less than six months. There is a low risk of the funds expiring.

CONSEQUENCE OF NEGATIVE ACTION:

A negative action would delay the distribution of the CDBG-CV3 funds to address impacts of COVID-19 to low-income households in the County.

#### CHILDREN'S IMPACT STATEMENT:

CDBG Program funds typically meet one or more of the following: (1) Children Ready for and Succeeding in School; (2) Children and Youth Healthy and Preparing for Productive Adulthood; (3) Families that are Economically Self Sufficient; (4) Families that are Safe, Stable and Nurturing; and (5) Communities that are Safe and Provide a High Quality of Life for Children and Families.

#### CLERK'S ADDENDUM

**The Board chose Option 1 for the dollar amount of allocation of funds among the program options (rental assistance and legal counseling services); Staff will return to the Board on November 17, 2020 with: 1. reports from potential contractors for both tenant assistance services and legal counseling services; 2. draft language in regard to how each potential contractor proposes to utilize subcontractors, perform outreach to the community, and their consideration of geographical and diversity factors.**

#### ATTACHMENTS

Attachment A