




**Agenda Item No: 5.b**  
**Meeting Date: November 2, 2020**

**SAN RAFAEL CITY COUNCIL AGENDA REPORT**

**Department: Community Development**

**Prepared by: Ethan Guy**  
Principal Analyst

**City Manager Approval:** \_\_\_\_\_ 

**TOPIC: CDBG-CARES ACT CORONAVIRUS FUNDING ALLOCATION RECOMMENDATIONS**

**SUBJECT: RESOLUTION RECOMMENDING CARES ACT CDBG-CV ALLOCATION 3A CORONAVIRUS FUNDING TO THE MARIN COUNTY BOARD OF SUPERVISORS FOR THE SAN RAFAEL PLANNING AREA**

**RECOMMENDATION:**  
Adopt a Resolution recommending CARES Act CDBG-CV Allocation 3A Coronavirus funding to the Marin County Board of Supervisors for the San Rafael Planning Area.

**BACKGROUND:**  
The Community Development Block Grant (CDBG) program is a federally funded program of the U.S. Department of Housing and Urban Development (HUD) that provides funding for housing, community facilities, and public services. The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") signed into law on March 27, 2020, appropriates \$5 billion in additional Community Development Block Grant Program funding to state and local governments, referred to in this report as CDBG-CARES ACT Coronavirus (CV) funds,. At that time, HUD announced the allocation of the first \$2 billion in CARES Act funding for current CDBG grantees.

The CARES Act builds on features of the existing CDBG program as well as precedent set by CDBG Disaster Response (CDBG-DR) supplemental appropriations. The act directs HUD to administer these funds pursuant to Section 106 of the Housing and Community Development Act of 1974 (42 U.S.C. 5306). This provision calls for HUD to allocate the supplemental funds to CDBG grantees—including eligible local governments, states, and insular areas—proportional to their conventional Fiscal Year 2020 CDBG allocation, as published by HUD in April 2020.

This new round of funding, called CDBG-CARES ACT Coronavirus funding, is intended to prevent, prepare for, and respond to the coronavirus based on public health needs, risk of transmission, number of cases compared to the national average, and economic and housing market disruptions. The remaining funds will be distributed to states and units of local government on a rolling basis, at the

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**FOR CITY CLERK ONLY**

**File No.:** \_\_\_\_\_  
**Council Meeting:** \_\_\_\_\_  
**Disposition:** \_\_\_\_\_

discretion of the Secretary of the U.S. Department of Housing and Urban Development, with formula factors to be defined by HUD.

In March 2020, the County was awarded \$938,065 in CDBG-CARES ACT Coronavirus funds, of which \$369,785.22 was allocated for the San Rafael Planning Area. [On May 4, 2020, the City Council recommended these funds](#) be used for rent subsistence payments for residents in San Rafael who are housed but at risk of homelessness due to the COVID 19 pandemic.

The latest funding award allocated to the County on September 11, 2020, is \$1,790,994. This funding allocation is known as CDBG-CV Allocation 3A. The formula allocation developed by HUD for this round of funding meets both the statutory requirements of the CARES Act and the President's Executive Order to focus funds toward places with households facing higher risk of eviction. Specifically, it targets communities with households most at risk for transmission and risk of eviction, with higher amounts for states with high rates of Coronavirus.

## **ANALYSIS:**

### **Needs Assessment**

County staff emphasized a focused needs assessment in areas with the highest rates of COVID-19 and areas facing higher risk of eviction, given the HUD directive described above and that a comprehensive needs assessment was performed for previous CDBG-CARES ACT Coronavirus funding in March. County staff worked with non-profit organizations who have supported low-income communities throughout the pandemic, including Canal Alliance and North Marin Community Services. In this more focused needs assessment, County staff found that the greatest needs are subsistence payments, also defined as emergency rental assistance payments with case management services, and support for small<sup>1</sup> and microbusinesses<sup>2</sup>.

### **Methodology**

HUD has provided clear direction that this round of CDBG CARES ACT Coronavirus funds be allocated to those most impacted by COVID-19 cases and had the highest rate of eviction. To this end, County staff developed an adjusted allocation methodology for this round that is based on using census tract data where COVID-19 cases are most prevalent. Data on coronavirus cases, supplied by the County of Marin Health and Human Services (HHS), and data on overcrowding, gathered from the U.S. Census American Community Survey, were utilized to determine the communities with the greatest risk for coronavirus transmission<sup>3</sup>. Additionally, data from HUD's CHAS/Consolidated Plan tool were utilized to determine the percentage of low-income households in each community, in line with the use of HUD dollars to be used for low-income individuals and households, who make below 80% of the area median income. These data points resulted in the following allocation:

- San Rafael: 52.7%, \$943,853.84
- Novato: 27.1%, \$485,359.37
- County Other: 20.2%, \$361,780.79

To ensure the communities with the greatest risk of coronavirus transmission are adequately supported by these funds, staff analyzed the percentile of both coronavirus cases and overcrowding rates. Among

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<sup>1</sup> HUD defines a small business as a business with more than 6 employees.

<sup>2</sup> HUD defines a micro-enterprise as a business with five or fewer employees, including the business owner.

<sup>3</sup> HUD defines overcrowding as more than one occupant per room.

all census tracts in Marin County, those that presented a percentile greater than 90 in either coronavirus or overcrowding data located within the San Rafael and Novato communities are recommended to be earmarked with funds for the proportion of coronavirus cases they represent out of their entire community.

### **Recommended for Funding**

City staff recommends that 75% of the funds allocated for San Rafael, approximately \$708,000, go toward rental assistance. Rental assistance funds will be focused in areas of San Rafael that are most at risk for COVID-19 transmission and risk of eviction.

City staff recommends that the remaining twenty-five percent (25%) of the funds, approximately \$235,000, be used for assistance with small and microbusinesses/enterprises. The County is working to identify a service provider to administer these funds. Funds for small businesses and microenterprises will be focused in areas of San Rafael that are most at risk for COVID-19 transmission and risk of eviction.

The small and microenterprise grants must also be used for the main purpose of CARES funding; i.e., the prevention of, preparation for and response to coronavirus. Qualification parameters for HUD's small and microbusiness program are summarized below:

- Program administrator needs evidence that this is "last resort" funding; businesses need to demonstrate and document that other funding was unavailable.
- The program cannot provide a duplication of services already available.
- The program can either loan/grant to microenterprises or small businesses, however, loans must have a detailed underwriting process.
- Microenterprises:
  - Defined as five or fewer employees, including the business owner.
  - Either the owner of the business needs to qualify as low income or at least 51% of the employees must be low income for a microbusiness to be eligible.
  - Documentation Needed:
    - Documentation of Owner's Individual Income
    - Documentation of Qualifying Employee Income (if needed)
    - Records or agreements that ensure funds will be spent on microenterprise
    - Documentation how the activity is related to COVID-19 (Prevent, Prepare & Respond)
- Small Businesses:
  - Defined as more than 6 employees, including the owner.
  - Small businesses must show evidence that their existing job retention and creation is for low income employees.
  - Small businesses must have 51% of employees qualify as low income.
  - Documentation Needed:
    - Documentation of qualifying employees' individual income
    - Records or agreements that ensure funds will be spent on small business
    - Documentation how the activity is related to COVID-19 (Prevent, Prepare & Respond)
    - More documentation may be necessary if the funds are dedicated to job retention or creation.
- Home based businesses and businesses with no physical storefronts would qualify.

The County is not proposing to use any of the CDBG-CARES ACT Coronavirus funds for administration of the program. Administration funds will be an eligible expense for the direct service providers.

**Next Steps:**

After the San Rafael City Council makes its recommendations, the Countywide Priority Setting Committee reviews the recommendations from the County, San Rafael and Novato, and then makes their recommendation to the Board of Supervisors, which has final approval authority prior to sending the recommendations to HUD.

**FISCAL IMPACT:**

There is no direct cost or revenue impact generated by the recommended action as the City is directing HUD funds to specific projects.

**OPTIONS:**

The City Council has the following options to consider on this matter:

1. Adopt Resolution
2. Adopt Resolution with modifications
3. Direct staff to return with more information
4. Take no action

**RECOMMENDED ACTION:**

Adopt a Resolution recommending CARES Act CDBG-CV Allocation 3A Coronavirus funding to the Marin County Board of Supervisors for the San Rafael Planning Area.

**ATTACHMENTS:**

- 1) Resolution

**RESOLUTION NO.**

**RESOLUTION OF THE SAN RAFAEL CITY COUNCIL RECOMMENDING  
COMMUNITY DEVELOPMENT BLOCK GRANT CARES ACT CORONAVIRUS  
(CDBG-CV) ALLOCATION 3A FUNDING TO THE MARIN COUNTY BOARD OF  
SUPERVISORS FOR THE SAN RAFAEL PLANNING AREA**

**BE IT RESOLVED** by the Council of the City of San Rafael as follows:

**WHEREAS** in June 1999, the City Council revised the Cooperation Agreement with the County of Marin for Community Development Block Grant (CDBG) funds whereby the City of San Rafael remained in the County system; and

**WHEREAS** the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) signed into law on March 27, 2020, appropriates \$5 billion in additional Community Development Block Program funding to state and local governments; and

**WHEREAS** on September 11, 2020, Marin County was awarded \$1,790,994 in CDBG-CV Allocation 3A funds, of which San Rafael’s allocation is \$943,853.84, and these additional funds will not impact the 2018-2019 or 2019-2020 recommendations for CDBG and HOME funds approved by the City Council; and

**WHEREAS** on November 2, 2020, in accordance with the Cooperation Agreement, the City Council reviewed staff’s recommendation that the City of San Rafael’s total CDBG-CV allocation of \$943,853.84 be used to fund rental assistance and provide financial assistance for small and microbusinesses/enterprises focused in areas of San Rafael that are most at risk for COVID-19 transmission and risk of eviction;

**NOW, THEREFORE IT IS HEREBY RESOLVED** that the City Council recommends to the Marin County Board of Supervisors that the City of San Rafael’s CDBG-CV Allocation 3A allocation of \$943,853.84 be allocated as such: 75% or \$707,890.38, to fund rental assistance focused in areas of San Rafael that are most at risk for COVID-19 transmission and also most at risk of eviction and 25% or \$235,963.46, to fund small and microbusinesses/enterprises in areas of San Rafael that are most at risk for COVID-19 transmission and also most at risk of eviction.

I, **LINDSAY LARA**, City Clerk of the City of San Rafael, hereby certify that the foregoing resolution was duly and regularly introduced and adopted at a regular meeting of the Council of said City held on the 2<sup>nd</sup> day of November 2020, by the following vote:

**AYES: COUNCIL MEMBERS:**

**NOES: COUNCIL MEMBERS:**

**ABSENT: COUNCIL MEMBERS:**

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**Lindsay Lara, City Clerk**