



Department Source: Community Development - CDBG/Home

To: City Council

From: City Manager

Council Meeting Date: May 4, 2020

Re: Consideration of an Amendment to the 2020-2024 Consolidated Plan and FY 2020 CDBG and HOME Annual Action Plan

Executive Summary

Council set a public hearing for May 4, 2020 to consider an amendment to the FY 2020-2024 Consolidated Plan and FY 2020 Annual Action Plan (AAP). The amendment to the Consolidated Plan and Annual Action Plan was recommended to be considered in order to align with final 2020 funding allocation amounts, and to shift funding priorities due to the impact of COVID-19. At the time of setting the hearing, a public hearing was required by HUD in accordance with the City's Citizen Participation Plan. HUD has since issued a waiver on public comment period and public hearings for substantial amendments, and staff has prepared a separate memo and resolution for Council to consider amended procedures for future amendments.

The AAP Amendment also includes funding for a new Small Business Recovery Loan Program to assist local small businesses impacted by COVID-19, therefore staff has included revised CDBG and HOME Administrative Guidelines that incorporate the program.

The 2020 Action Plan is the first year of implementing the 5-Year Consolidated Plan for 2020-2024. The recommended changes to the 2020 funding allocations are in response to the impacts of COVID-19. Staff has also provided additional information in this memo regarding potential use considerations for CDBG CARES Act funding to ensure Council is provided additional context for potential funding options to be considered at a future date.

Discussion

Approval of the amended Consolidated Plan and Action Plan is required in order to amend CDBG or HOME program funding amounts for final allocations, as well as to approve funding and programmatic changes necessary to address the impact of COVID-19. A comparative list of the amendment for the 2020 Annual Action Plan is located on page 130 of the 2020-2024 Consolidated Plan and Annual Action Plan.

City staff has observed and anticipates additional increases in demand for rental assistance and the Columbia Housing Authority's Providence Walkway project did not receive recommended funding from the Missouri Housing Development Commission (MHDC). With significant increase in demand for rental assistance, as well as the availability of funds to reallocate, the amendment includes a recommendation of increasing the Columbia Housing Authority's Tenant Based Rental Assistance Program from \$80,000 to \$300,000 under the HOME Program. HUD has waived provisions to streamline the program and align with additional demands for services. CHA and City staff have identified serving homeless populations referred to CHA from local service providers, as well as households that have lost



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income due to the impacts of COVID-19. CHA staff have provided a letter committing to these items and it is included within the packet. Staff anticipates potentially providing recommendations for additional rental and mortgage assistance through the CDBG Cares Act funding and will be providing considerations for this recommendation in a later Council report.

Housing Programs Division staff has suspended most activities with the Home Rehabilitation Program in order to practice social distancing. Staff has also received a significant level of request from local small businesses, the Chamber, REDI and local banks on the need for additional resources to support local small businesses experiencing economic injury from efforts to combat COVID-19. The amendment includes reallocating 2019 and 2020 home rehabilitation program funds, as well as additional 2020 CDBG funding that was not originally estimated to be received.

City staff procured TDA Consulting to provide technical assistance on reviewing guidelines and implementing a Small Business Recovery Loan Program. TDA Consulting is currently advising HUD Headquarters on implementing underwriting criteria to help provide guidance to cities implementing Small Business Recovery Loan Programs. TDA Consulting also helped implement CDBG disaster recovery efforts in Puerto Rico and many other communities across the country.

To date, TDA Consulting has reviewed draft guidelines formulated by City staff and provided guidance and recommended changes to ensure a compliant, effective and manageable program tailored to meet the specific impact of COVID-19 on small businesses. The program is intended to help locally owned small businesses adversely impacted by the current crisis that in general also are not being assisted under the Paycheck Protection Program (PPP). Under CDBG guidelines, the primary objective will be assisting businesses retaining jobs that support low to moderate (LMI) households. Guidelines for the program are as follows:

1. \$15,000 will be awarded to qualified businesses to utilize for approved CDBG eligible expenses identified within the application.
2. Qualified businesses must have more than 5 employees and less than 50 FTE positions. Qualified businesses must be locally owned by a resident of Boone County, Missouri. For dual or multiple ownership businesses, at least 51% of the business interest must be owned by a local resident(s) of Boone County, MO.
3. The assistance will be provided in the form of a 0% interest forgivable loan to be forgiven upon meeting all program requirements including documentation of utilizing funds on CDBG eligible expenses and retaining 1 LMI position for a period of 12 months. If program requirements are not met, the loan will be repaid over a 3 year period beginning 12 months after loan funding.
4. Qualified businesses must provide most recently due annual tax filing.
5. Qualified businesses shall agree to the loan assistance amount being secured by a promissory note.



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6. Qualified businesses with ownership or partners currently undergoing bankruptcy proceedings are ineligible.
7. Qualified businesses must provide documentation of a City of Columbia business license and currently operate within the City of Columbia.
8. Qualified businesses must demonstrate operations of at least 12 months.
9. Qualified businesses must provide proof of current liability insurance.
10. Qualified businesses must create or retain 1 Low to Moderate Income (LMI) FTE per \$15,000 in assistance for 12 months from the date of completing the agreement for assistance.
11. Qualified businesses must designate the specific position identified as LMI and report and provide payroll documentation for 12 months after receiving assistance demonstrating the position has been reserved for and utilized by an LMI household. If the business has not fulfilled the primary objective of creating or retaining LMI employees in designated positions, the City may require funds be repaid immediately, or require an extension of LMI position reporting requirements for up to an additional 12 months equal to the term of non-compliance.
12. Qualified businesses must submit a completed Small Business Administration (SBA) Disaster Recovery worksheet documenting an adverse economic impact and business interruption.
13. Applications must include the identification of approved CDBG eligible expenses to be utilized for: rent, payroll, inventory, operating expenses and working capital.
14. Funds will be disbursed upon verification of an eligible application. A report detailing expenditure of CDBG funds will be required to be submitted within 6 months of initial loan disbursement.

City staff is recommending amending the 2020-2024 Consolidated Plan to help align additional resources to help address the short and long term impacts of COVID-19, due to the unprecedented level of additional demand for services. City staff has also included additional considerations and community needs information within this report, in order to provide Council additional context on how CDBG CARES Act funding could also be allocated at a later date.

Staff recommends moving expediently to address increasing needs, however key decisions at the federal and state level are needed prior to moving forward in a manner that minimizes the need for significant course correction of funding allocations at a future date(s). In order to proceed formulating funding recommendations for CDBG CARES Act funding, City staff has identified these as yet unknown information items needed prior to making the most informed funding allocation decisions:

1. **Annual Action Plan Guidance:** HUD has not yet provided official guidance on which specific funding year annual action plan they will require CDBG Cares Act funding to



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identify. 2019 and 2020 are two options being considered. Staff has asked HUD Field Office staff for clarification on April 20, 2020 and April 23, 2020. CARES Act funding must be identified within an Annual Action Plan in order to proceed in expending funds.

2. **Retroactive Use of CDBG CARES Act Funding:** HUD has not issued guidance on how to expend funds on eligible CDBG activities and pay for those costs retroactively with CDBG CARES Act funding at a later date. Proceeding without guidance could place CDBG funding at risk.

3. **Emergency Solutions Grant Funding (ESG):** ESG funding flows through the St. Louis HUD Field Office and then flows through the Missouri Housing Development Commission (MHDC). ESG funds have historically been allocated directly to nonprofits in our community that serve homeless populations and populations at risk of homelessness. These allocations to local nonprofits have also historically been done in coordination through the Division of Human Services. ESG funds have historically been used for emergency shelter, street outreach, rent assistance, homeless prevention and rapid-rehousing. The CARES Act included a very significant increase of ESG funds that could potentially result in 4 or more times the usual funding into our community in relation to our historic annual allocations. Slightly over \$2,779,440 was available to distribute to Missouri non-entitlement ESG localities such as Columbia in 2020 and a little over \$200,000 was provided to non-profits in Boone County. The CARES Act provides slightly over \$9,584,355 for Missouri non-entitlement jurisdictions within the first funding round of ESG CARES Act funding. ESG funds have historically been provided to vulnerable populations that are homeless or at-risk of homelessness and in need of supportive services. City staff anticipates a growing need for rental assistance for both general low to moderate income populations that may need rental assistance and households that need additional supportive services. CDBG funds could be used to leverage and support this effort without duplication of other available local funding, per HUD guidance. The Missouri Housing Development Commission (MHDC) has released a Notice of Funding Availability (NOFA) for ESG CARES Act funding as of April 27, 2020. This NOFA allows for the use of ESG funding for street outreach, shelter, rapid-rehousing and homeless prevention for households up to 50% of the Area Median Income. Given this additional information, CDBG funds could likely best leverage and support local non-profit(s) organizations historically accessing ESG funding for rental assistance by providing additional staff capacity to access more assistance and allow for rent and mortgage assistance through CDBG for populations over 50% AMI and up to 80%.

Upon obtaining more complete information for items described in numbers 1-3, City staff feels a good foundation would be in place to provide more informed CDBG CARES Act funding recommendations to City Council. City staff has gathered a significant level of information through virtual public engagement, survey of local residents and businesses, as well as by connecting with other Cities efforts through the National Community



Development Association (NCDA). A summary of notable data within these three categories is as follows:

Virtual Public Engagement: With the assistance of local community volunteers, City staff held 5 virtual public engagement sessions on April 21st and 22nd related to how the City should respond to the impact of COVID-19 with CDBG funding. There were 35 participants and 4 facilitators that helped with this effort. Common themes included a concern for homeless populations, low income families and children, local small businesses and local minority owned businesses. Detailed meeting minutes from those meetings are located on the Housing Programs Division City web page.

Surveys: With the assistance of local community partners, local neighborhood associations and community volunteers, staff collected survey feedback from both the general population and local business community. For the general population, staff received feedback from 226 individuals on priorities for use of CDBG CARES Act funding. All priorities ranked high, but priorities were identified as follows in rank order:

1. Financial support for workforce and LMI households (rent, mortgage, utilities).
2. Loans and financial assistance to local small businesses to retain/create jobs.
3. Addressing the immediate health crisis.
4. Operational capacity to local non-profits to meet increased demand.

A summary of responses is included in the memo packet.

A survey of local businesses was completed in early April through April 10th, through the County's Emergency Operations Plan Emergency Support Function 14 (Long Term Recovery). 161 responding business responded as follows on how long they could operate under the current state of emergency:

- Less than 1 month: 7.45%
- 1 month: 11.18%
- 2 months: 27.33%
- 3 or more months: 57.76%

These results and additional survey data results indicate a significant level of need for short term gap financing to assist local business stay operational. Full survey results are attached to this memo packet.

National Community Development Association (NCDA) Comparable Survey

NCDA received responses from 68 CDBG grantees from 32 states regarding how they intend to utilize CDBG CARES Act funding. The top uses identified were as follows in rank order:

- Direct rent/mortgage assistance
- Assistance to small businesses
- Other public services: food, shelters, counseling, operational support to nonprofits



The funding priorities expressed by other communities closely aligns with local survey data received in Columbia, as well as feedback from public engagement meetings and other local data collected by City staff.

Upon receiving complete information regarding Annual Action Plan year of designation for CDBG CARES Act funding, potential retroactive expense use of CDBG and funding priorities/amounts for ESG, City staff will bring recommendations for funding allocations to City Council. The Council action under this agenda item will further leverage additional annual CDBG and HOME funding to assist in responding to local needs arising from COVID-19.

The 30-day comment period for the 2020-2024 Consolidated Plan and 2020 Annual Action Plan Amendment will end on May 6, 2020. The resolution included within the packet includes consideration of an amendment to the 2020-2024 Consolidated Plan and 2020 Annual Action Plan, amending the CDBG and HOME Administrative Guidelines and amending the 2020-2024 CDBG and HOME Citizen Participation Plan.

Fiscal Impact

Short-Term Impact: None
Long-Term Impact: None.

Strategic & Comprehensive Plan Impacts

[Strategic Plan Impacts:](#)

Primary Impact: Social Equity, Secondary Impact: Economy

[Comprehensive Plan Impacts:](#)

Primary Impact: Economic Development, Secondary Impact: Livable & Sustainable Communities

Legislative History

Date	Action
October 7, 2019	Council Approved 2020-2024 Consolidated Plan
April 6, 2020	Council set a hearing for May 4, 2020 to consider an amendment to the 2020-2024 Consolidated Plan and 2020 Annual Action Plan

Suggested Council Action

Approve the resolution amending the 2020-2024 Consolidated Plan FY 2020 Annual Action Plan.