Summary of Changes to CDBG & HOME for Capital Projects Funding Policies

Following publication of draft Funding Policies and review at a joint meeting of the Community Development Committee (CD Committee) and Cities and Towns Advisory Committee (CTAC) on October 16, 2019, and a November 20 meeting of the Community Development Committee, the committees approved few changes to the CDBG & HOME for Capital Projects Funding Policies for FY 2020-2021. Below are the adopted changes summarized and explained. There were no substantive changes for FY 2021-2022.

1. **Addition of new Selection Criteria**
   Based on the committees' feedback, additional preferences were added to the selection criteria. These included:

- Preference for projects that prevent displacement in high opportunity areas.
- Preference for housing projects with deep income targeting and special needs populations.
- Preference for projects that alleviate the impact of climate change on low-income populations. Examples include:
    - infill development
    - infrastructure to reduce environmental impacts in LMA communities including:
        - bike lanes
        - walkable paths
        - electric vehicle charging infrastructure
        - ride share hailing locations
        - recycled water irrigation infrastructure
    - new energy-efficient housing construction
    - Considers mobility needs of low-income people, looking at a variety of factors, including:
        - Improved linkages to public transportation (e.g., adds transit stops
        - Provides car-share options
        - Supports people who work non-traditional hours
        - Supports people with limited mobility who can't walk far or ride bikes
        - Provides neighborhood safety that promotes walking and biking (e.g., lighting, parks)
    - Projects that are aligned with local jurisdiction's General Plan Climate Change Element & Equity Element
- For Housing Projects: preference for:
    - Projects that demonstrate funds will be leveraged against total development costs at least 7:1
    - Projects demonstrating advanced readiness via (a) entitlements; (b) financing commitments; (c) permitting
    - Project developers who can demonstrate previous success obtaining federal tax credits and/or state funding to develop housing within the last seven years

Exhibit 2: Summary of Policy Changes

- Projects that can demonstrate existing support from other jurisdictions via letters of support, funding commitments, etc. ***Section 10, pages 20-22***

2. **Balancing Predevelopment and Shovel-Ready Investments**
   The policies were amended to reflect the committees' direction that awards be made with holistic attention to the following distribution of investments:

   - Balance projects with fast results with funding predevelopment for projects that need early money to be successful
   - Balance creation of new housing stock with maintaining existing housing stock and keeping people in their homes.
   - Make investments in low- and moderate-income areas that haven't had investments historically and in high opportunity areas that increase access for low and moderate-income people ***Section 2***

3. **Creating a "B" List of Qualified Projects**
   The committees will include in their ranking process, a set of projects that could be funded if a project awarded funds originally is delayed or cancelled. This will ensure flexibility and timely spending of funds. ***Section 8.2.5***

4. **Treatment of Commission-Run Programs, including Tenant Based Rental Assistance & Housing Rehabilitation**

   Clarity was added to describe how Tenant Based Rental Assistance and Housing Rehabilitation, and any other projects and programs sponsored or run by the Commission would be ranked by the Committees. When Committees are determining the highest and best use of funds in its February and March public hearings, staff will recommend the amount and rank for funding these programs and projects that are run internally by the Commission. These programs will not submit applications through the NOFA project but will be subject to the same selection criteria as other applicant projects, and staff will make a recommendation year to year as to whether, in the context of all applicant projects, they should be funded and at what levels. ***Section 7.18 & 7.19***

5. **Clarity on HOME Projects Sponsored by a member of the HOME Consortia**
   The process by which a Consortia members submits a project for consideration is similar to one being proposed by Commission staff – like TBRA and Housing Rehabilitation. A HOME Consortia project will be subject to the same selection criteria as any other project but may be brought forward by a jurisdiction rather than by a nonprofit housing developer. ***Section 7.17***

Exhibit 2: Summary of Policy Changes

6. **Staff Discretion on Funding Source Fit**
   The policies now provide clarity about staff playing a proactive and catalytic role in moving projects forward and assigning funding for particular projects.

   Staff will have some discretion in determining if CDBG or HOME funds are best for a project or if a project would be better suited for non-federal funds. Giving staff discretion will ensure maximum efficiency and effectiveness of limited local, state, and federal funds.

   In particular, HOME funds have many restrictions in terms of their use for new construction. Staff expertise is needed to determine if a project would best be funded with HOME or non-federal funds. HOME should be used for shovel ready projects. If such projects are proposed in a particular funding round, it may be best to use funds for Tenant Based Rental Assistance to ensure timely spending (and to ensure that the Commission doesn't risk having to forfeit federal funds).
   Section 8.2.2

7. **Capital Projects Pre-award Conditions Timeliness**
   An oversight that this wasn't previously included, policies now include a timeliness provision within which capital projects must meet pre-award conditions. ***Section 7.1.1.2.***

8. **Distinction between HOME and CDBG Timeliness Provisions**
   Because HOME and CDBG have different uses and regulatory requirements, they will be separated within the policies to provide a clearer distinction between the programs. The separation will help increase clarity for the committee, staff, and applicants on the specific program's threshold and selection criteria, timeliness provisions, and pre-award requirements.
   Sections 7.1.1. and 7.1.2.

9. **Use of Program Income and Reprogrammed Funds**
   The following clarity was added to the policies to reflect current practice:
   - Per CDBG regulations, 20% of program income will be set aside for program administration, and 15% will be set-aside for public services. The balance of program income will be expended pursuant to priorities set in the annual Action Plan. Use of program income may be subject to an Action Plan amendment.
   - Reprogrammed funds will be expended pursuant to priorities set in the annual Action Plan. Use of reprogrammed funds may be subject to an Action Plan amendment.

   Sections 3.2. and 3.3.

Exhibit 2: Summary of Policy Changes