

**State of California 2015-2020
Federal Consolidated Plan
2019-2020 Annual Action Plan
Fifth Substantial Amendment**



**Gavin Newsom, Governor
State of California**

**Lourdes M. Castro Ramírez, Secretary
Business, Consumer Services and Housing Agency**

**Gustavo Velasquez, Director
California Department of Housing and Community Development**

Division of Federal Financial Assistance
2020 W. El Camino Avenue, Suite 200, Sacramento, CA 95833

Website: <https://www.hcd.ca.gov/>

Consolidated Plan email: ConsolidatedPlan@hcd.ca.gov

Public Comment Draft

November 12, 2021

Summary of 2019-2020 Annual Action Plan Fifth Substantial Amendment and prior CARES Act related amendments

On March 27, 2020 Congress passed the Coronavirus Aid, Relief, and Economic Security Act or the “CARES Act”. The Act identified additional funding for both the Emergency Solutions Grant (ESG) and the Community Development Block Grant (CDBG) to support preparation for and response to the community impacts of the COVID-19 pandemic. HUD’s distribution plan for the additional funding included multiple phases that would allow for quick access to funding necessary to address the immediate crisis resulting from the rising pandemic, as well as phases that would support post-pandemic community recovery. The California Department of Housing and Community Development (HCD) first amended its 2015-2020 Consolidated Plan and 2019-2020 Annual Action Plan (AAP) on April 16, 2020 and has amended its 2019-2020 AAP four additional times, including this fifth amendment. The amendments in their entirety can be seen here <https://www.hcd.ca.gov/policy-research/plans-reports/index.shtml#conplan> indicated by CARES Act in red text of the amendment title.

The following is brief summary of the purpose of this fifth amendment, as well as prior amendments.

***Proposed* State of California 2019-2020 Annual Action Plan Fifth Substantial Amendment (November 12, 2021)**

- Update the CDBG-CV and ESG-CV Method of Distribution to allow the state to allocate any unencumbered, disencumbered, or recaptured funds to support any eligible project with a COVID nexus that meet Con Plan goals and provides the ability to spend funds by regulatory expenditure deadlines. (AP-30)
- Update estimated funding for goals (AP-20)
- Update allocation priority estimates (AP-25)
- Incorporate the ESG-CV waivers and flexibilities in HUD Notice CPD 21-08 (AP-30)

State of California 2019-2020 Annual Action Plan Fourth Amendment (June 11, 2021)

- Made the CDBG-CV2 Allocation used to support California’s Homekey Program available through December 31, 2021. (AP-30)
- Allowed the state to utilize waivers in HUD notice CPD 21-05 (AP-65)

State of California 2019-2020 Annual Action Plan Third Substantial Amendment (October 1, 2020)

- Provided Tranche 3 expected resources for CDBG-CV (AP-15)
- Associated new expected resources to the existing goals (AP-20)
- Provided allocation priority estimates (AP-25)
- Provided Method of Distribution for CDBG-CV Tranche 3 (AP-30)

State of California 2019-2020 Annual Action Plan Second Substantial Amendment (August 31, 2020)

- Provided Tranche 2 expected resources for CDBG-CV and ESG-CV (AP-15)
- Associated new expected resources to the existing goals (AP-20)
- Provided allocation priority estimates (AP-25)
- Provided Method of Distribution for CDBG-CV and ESG-CV Tranche 2 (AP-30)
- Modified Method of Distribution for NHTF program to add flexibility to program and better align to HUD regulations (AP-30)

State of California 2019-2020 Annual Action Plan (First) Substantial Amendment (April 16, 2020)

- Provided Tranche 1 expected resources for ESG-CV, CDBG-CV, HOPWA-CV. (AP-15)
- Associated new expected resources to the existing goals (AP-20)
- Provided allocation priority estimates (AP-25)
- Provided Method of Distribution for CDBG-CV and ESG-CV Tranche 1 (AP-30)

State of California 2015-2020 Consolidated Plan Substantial Amendment (April 16, 2020)

- Addressed the planning requirements for the additional funds as necessary for the Public Participation, Needs Assessment, Market Analysis, and Strategic Plan sections.

To provide some continuity between the first and the fifth AAP amendment, the language in past amendments have been included in this fifth amendment. Some sections of the AAP such as AP-05 with the paragraph starting with “the purpose of this amendment...” and AP-12, are unique in each amendment and past language will not be included in this amendment. Sections AP-15, AP-20, AP-25, AP-30, and AP-65 contain the entirety of the language from past amendments, and strikethrough and underline to indicate what is changing and what is new.

State of California

2019-2020 Annual Action Plan

Fifth Substantial Amendment

The following amendment language will be added to the 2019-2020 Annual Action Plan (AAP) to allow the state to:

- 1) Ensure timely expenditure of unencumbered or disencumbered CDBG-CV program grant funds, to meet priority goals of the Con Plan and to expedite addressing community impacts of COVID-19.*
- 2) Ensure timely expenditure of unencumbered, disencumbered, or recaptured ESG-CV program grant funds, to meet priority goals of the Con Plan and to expedite addressing community impacts of COVID-19.*

The full text of the original 2019-2020 AAP and all amendments may be found at <https://www.hcd.ca.gov/policy-research/plans-reports/index.shtml#conplan>

AP-05 Executive Summary - 24 CFR 91.200(c), 91.220(b)

Introduction

On March 27, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security Act or the “CARES Act”. The Act identified additional funding for the Emergency Solutions Grant (ESG) Program, the Community Development Block Grant (CDBG) program, and the Housing Opportunities for Persons with AIDS (HOPWA) to support preparation for, and response to, the community impacts of the COVID-19 pandemic. The distribution plan of the U.S. Department of Housing and Urban Development (HUD) for the additional funding includes multiple phases to allow for quick access to funding necessary to address the immediate crisis resulting from the rising pandemic.

The 2019-2020 Annual Action Plan (AP) is being amended to update the Annual Goals and Objectives (AP-20), the Allocation Priorities (AP-25) and the State’s Method of Distribution (MOD) (AP-30) for the CARES Act funding in the CDBG program to allocate any unencumbered or disencumbered CDBG-CV funds to support CDBG-CV2/3 Tribal Set-Aside Projects, waitlisted CDBG-CV2 Homekey Set-Aside projects, waitlisted 2019 Over-the-Counter Projects, and add additional funds to funded CDBG-CV1 and CDBG-CV2/3 projects that demonstrate a need and ability to spend, and any other eligible project with a COVID nexus that meet Con Plan goals and provide the ability to spend funds by regulatory expenditure deadlines. Also, to update the State’s MOD (AP-30) for the CARES Act funding in the ESG program to allocate any unencumbered, disencumbered, or recaptured ESG-CV funds to support any eligible project with a COVID nexus that meet Con Plan goals and provide the ability to spend funds by regulatory expenditure deadlines.

Summary of Citizen Participation Process and consultation process

This amendment will be available for a public comment period of at least 5 days per COVID-19 waivers related to public comment period requirements. The waiver may be found at <https://www.hudexchange.info/resource/6007/availability-of-waivers-of-community-cpd-grant-program-and-consolidated-plan-requirements-to-prevent-the-spread-of-covid19-and-mitigate-economic-impacts-caused-by-covid19/>, and the Federal Register Notice at

<https://www.hudexchange.info/resource/6113/fr-6218-n-01-notice-of-program-rules-waivers-alt-requirements-under-cares-act-cdbg/>. The waiver allows for added flexibility in the ESG, CDBG and HOPWA programs, while the notice provides specific guidance for the CDBG program and for general planning regarding other programs in the 2019-2020 Action Plan.

The public comment period is from **Friday, November 12, 2021 to Thursday, November 18, 2021**.

A virtual public hearing will be held on **Tuesday, November 16, 2021**.

The draft AAP Amendment and the public notice document are available for review on HCD's website at <http://www.hcd.ca.gov/policy-research/plans-reports/index.shtml>.

Please submit comments to ConsolidatedPlan@hcd.ca.gov. Comments may also be mailed to:

California Department of Housing and Community
Development
Federal Branch Suite 200
2020 W. El Camino
Ave Sacramento
CA, 95833

AP-12 Participation - 91.115, 91.300(c)

Summary of citizen participation process/Efforts made to broaden citizen participation

The AP Amendment addressing additional funding from the CARES Act will be available for a public comment period of 5 days per waiver of the federal regulations. The amendment is available for comment from all interested members of the public from **Friday, November 12, 2021 to Thursday, November 18, 2021**. A virtual public hearing will be held on **Tuesday, November 16, 2021**. A summary of comments received, and the response will be included in this document after the final version is posted online.

AP-20 Annual Goals and Objectives – 91.320(c)(3) &(e)

Goals Summary Information

The figures below represent estimates of allocation goals and objectives for the additional funding provided under the CARES Act. These figures are determined by the funding recipients' priority needs. The list below includes the first, second and third rounds of CARES Act funds.

Sort Order	Goal Name	Start Year	End year	Category	Needs Addressed	Estimated Funding	Goal Outcome Indicator	Total
1	Provide homeless assistance and prevention services	2020	2022	Homeless	Homeless assistance and prevention services	ESG-CV1 \$43,990,603 ESG-CV2 \$271,730,986	ESG-CV: Tenant-based rental assistance/ Rapid Rehousing (Households Assisted)	82,500
							ESG-CV: Homeless Person Overnight Shelter (Persons Assisted)	491,500

							ESG-CV: Street Outreach (Persons Assisted)	451,000
							ESG-CV: Homelessness Prevention (Persons Assisted)	29000
						CDBG-CV2 \$50,968,570 \$67,000,000	CDBG-CV: Housing for Homeless Added (Household Housing Unit)	510 670
						HOPWA-CV \$578,909	HOPWA-CV: Homelessness Prevention (Persons Assisted)	261
							HOPWA-CV: HIV/AIDS Housing Operations (Household Housing Unit)	83

2	Increase economic development opportunities	2020	2022	Non-Housing Community Development	Economic Development Opportunities	CDBG-CV1 \$5,979,308	Jobs created/retained (Jobs)	200
						CDBG-CV2 \$19,028,266 \$13,684,456		166
						CDBG-CV3 \$6,311,017		40 33
Businesses Assisted (Businesses Assisted)								

3	Maintain or increase public services	2020	2022	Non-Housing Community Development	Public Services	CDBG-CV1 \$7,972,411	Public service activities other than Low/Moderate Income Housing Benefit (Persons Assisted)	5300
						CDBG-CV2 \$19,028,266 \$13,684,456		4500
						CDBG-CV3 \$6,611,017		450
Public serv. activities for Low/Mod Income Housing Benefit (HH Assisted)								

						CDBG-CV1 \$1,494,343		
	Maintain or increase public facilities	2020	2022	Non-Housing Community Development	Public Facilities	CDBG-CV2 \$9,242,300 \$3,898,490	Public Facility or Infrastructure Activities other than Low/Moderate Income Housing Benefit (Persons Assisted)	15,200 8,664
						CDBG-CV3 \$1,803,148		
							Public Facility or Infrastructure Activities for Low/Moderate Income Housing Benefit (Households Assisted)	220 125

AP-25 Allocation Priorities – 91.320(d)

Introduction

The amended percentages below are based on the expected amount of funds that will be awarded by each new program funded by the CARES Act for federal Fiscal Year (FY) 2019-2020 for eligible activities that fall within that goal. The percentages below will depend on funding awardees' needs and demand for activities within the specified goal categories.

Funding Allocation Priorities

Program	Increase the supply of affordable rental housing (%)	Expand homeowner ship and improve existing housing (%)	Provide homeless assistance & prevention services (%)	Increase economic development opportunities (%)	Maintain or increase public services (%)	Maintain or increase public facilities (%)	Colonias Set- Aside (%)	Total (%)
CDBG-CV1	0	0	0%	37%	41%	17%	5 %	100%
CDBG-CV2	0	0	45 <u>65</u> %	19 <u>13</u> %	19 <u>13</u> %	12 <u>4</u> %	5 <u>5</u> %	100%
CDBG-CV3	0	0	0%	37%	41%	17%	5 %	100%
ESG-CV1	0	0	100%	0	0	0	0	100%
ESG-CV2	0	0	100%	0	0	0	0	100%
HOPWA-CV	0	0	100%	0	0	0	0	100%

AP-30 Methods of Distribution – 91.320(d)&(k)

Introduction

The CARES Act provides HUD administered one-time funding for the following three state-level programs:

- Emergency Solutions Grant CARES Act Stimulus (ESG-CV),
- Housing Opportunities for Persons with Aids CARES Act Stimulus (HOPWA-CV), and
- Community Development Block Grant CARES Act Stimulus (CDBG-CV).

The following methods of distribution are to ensure CDBG-CV and ESG-CV funds will use streamlined distribution methods to ensure funding can be distributed and expended as quickly as possible on activities that address immediate and medium-term responses to the COVID-19 pandemic, in particular for marginalized populations disproportionately impacted by the economic and health challenges of the pandemic. Eligible activities must prevent, prepare for, and respond to Coronavirus and COVID-19.

CDBG-CV (Community Development Block Grant CARES Act Stimulus Program)

Any disencumbered CDBG-CV funds and any allocations that are not claimed by the respective jurisdiction at the end of the application and award period, will be tabulated and at the Department's discretion, used as they become available, in the order listed below:

- Fund any eligible activities that applied for the CDBG-CV2/3 Tribal Set-Aside but were not able to be funded by the original set-aside amount.
- In an amount not to exceed \$17 million among the three tranches of CDBG-CV funds, be awarded to activities waitlisted under the CDBG-CV2 Homekey set-aside Fund, and waitlisted 2019-2020 Over-the-Counter activities that the Department determines demonstrate a sufficient COVID-19 nexus to qualify for CDBG-CV funding
- Increase awarded allocations of CDBG-CV1 and CDBG-CV2/3 funds to grantees that demonstrate fast spending and a need for additional resources. This will not require issuance of a separate Notice of Funding Availability but may have a supplementary application.
- Fund other eligible activities for which applications were submitted to the State for funding that provide the ability to spend funds by regulatory expenditure deadlines.

CDBG-CV1 (Community Development Block Grant CARES Act Stimulus Program)

CDBG-CV1 funding will be distributed to all CDBG-eligible non-entitlement jurisdictions as a formula grant based on the formula prescribed in the Department's Permanent Local Housing Allocation (PLHA) program (<https://www.hcd.ca.gov/grants-funding/active-funding/plha.shtml>), which is based on the formula used for allocating the Community Development Block Grant to entitlement jurisdictions (<https://www.hudexchange.info/onecpd/assets/File/CDBG-Formula-Appropriation-Process-Transcript.pdf>). The estimated formula amounts can be found in the CDBG-CV1 Notice of Funding Availability (NOFA) solicitation at the following link: https://gn.ecivis.com/GO/gn_redir/T/1nss8bjk4dcki. The method of distribution may change as HCD sees fit or as advised by HUD to properly address the needs addressed by the CARES Act allocation or any future special allocation.

A total of 17 percent of the allocation will be available to each awarded jurisdiction for program administration costs. Costs incurred in COVID-19 response prior to allocation may be eligible for reimbursement as per the CARES Act. Applicants will be asked to identify pre-agreement costs as part of the simplified application and must prepare an appropriate environmental review for all pre-agreement costs.

Allocations will be made through the state's Grants Network System and will be administered on an activity basis. ~~Any allocations that are not claimed by the respective jurisdiction will, at the end of the application and award period, be tabulated and at the Department's discretion, used to increase awarded allocations.~~ Grantees will be able to identify up to three activities for their allocation from the following activities prioritized for CDBG-CV funding:

- Public services to respond to 9 impacts
- Public facility improvements to increase capacity for healthcare facilities
- Housing facilities for persons experiencing homelessness
- Economic development to support needs for working capital and furniture, fixtures, and equipment focusing on safety requirements

As permitted in the CARES Act, HUD has elected to waive the federal caps on public services for services that are in response to COVID-19 impacts. Grantees will be required to document that the services funded through CDBG-CV are in response to COVID-19. Any services provided that are not in response to COVID-19 will be subject to the federal 15 percent public services cap.

The Department has waivers from the state statutory requirements that at least 51 percent of annual CDBG allocations be made available to housing and housing-related activities, and 30 percent set-aside for economic development activities. Further, the Department has waived the 50 percent expenditure rule for CDBG-CV funding. These waivers will apply only to CDBG-CV funding and will not apply to funds awarded through the 2019 and 2020 annual CDBG allocations.

The Public Facilities allocation priority for CDBG-CV is primarily for public facilities related to the provision of health and medical care, and that support housing for persons experiencing homelessness in compliance with the recommendations found at the following link: <https://www.hudexchange.info/resource/6004/covid19-systemwide-protocol-for-people-experiencing-homelessness/>. HCD will review applications for facility and infrastructure funding on a case-by-case basis to make sure activities comply with the COVID-19 impacts nexus.

CDBG-CV2 (Community Development Block Grant CARES Act Stimulus Program)

CDBG-CV2 funding will be distributed in a two-part allocation. These parts would reflect the differences in resources available to entitlement and non-entitlement communities. No more than 7 percent of CDBG-CV1, 2 and 3 funding will be used to provide administration and technical assistance at the state level. These administrative funds will be deducted from the total funding available for local assistance.

Part 1

Approximately 45 percent of the CDBG-CV2 funding will be used to support California's Homekey Program. The Homekey Program uses Coronavirus Relief Funding from the CARES Act to allow for acquisition of properties to be used for housing for persons experiencing homelessness. The CDBG-CV2 Homekey funding would be available state-wide for both entitlement and non-entitlement communities. The use of these funds would be limited to Homekey unit acquisition and rehabilitation costs, and off-site infrastructure construction when necessary to support Homekey units. The CDBG-CV2 funding for Homekey will use the Homekey NOFA and application responses to identify projects that fit for CDBG-CV2 funding. The CDBG-CV2 Homekey funds will not have a separate NOFA but may have a supplementary application. Projects will be selected from the Homekey wait list.

Funding would be available through December 31, 2021, at which point any remaining CDBG-CV2 Homekey funds left unencumbered would be allocated as per the formula process for using unencumbered or disencumbered funds outlined in Part 2 below the Introduction section of AP-30 above.

Part 2

The remaining 48 percent of the CDBG-CV2 will be distributed to all CDBG-eligible non-entitlement jurisdictions as a formula grant based on the formula prescribed in the Department's Permanent Local Housing Allocation (PLHA) program (<https://www.hcd.ca.gov/grants-funding/active-funding/plha.shtml>), which is based on the formula used for allocating the Community Development Block Grant to entitlement jurisdictions (<https://www.hudexchange.info/onecpd/assets/File/CDBG-Formula-Appropriation-Process-Transcript.pdf>). The estimated formula allocations will be released either as an amendment to the CDBG-CV1 NOFA, or as a new NOFA. The method of distribution may change as HCD sees fit or as advised by HUD to properly

address the needs addressed by the CARES Act allocation or any future special allocation.

The remaining funds will have the following set-asides:

Colonias: 5 percent of the remaining funds will be set aside for the Colonias. Imperial County and the Colonias have been one of the worst hit areas in California and the impacts for COVID-19 have rendered the area extra susceptible to additional disasters

Non-Federally Recognized Tribes: 1.25 percent of the remaining funds will be available to non-federally recognized tribes that intend to apply for funding in partnership with an eligible jurisdiction. Tribal populations have been disproportionately impacted by COVID-19 and jurisdictions will be encouraged to partner to assist tribes in preventing and responding to COVID-19 impacts.

Federal Tribes: 5 percent of the remaining funds will be set aside for Federally Recognized Tribes for Healthcare Facilities. Eligible activities in these facilities will include public services, facility improvements, and coordination with other service providers. Native peoples and tribal populations have been disproportionately impacted by COVID-19 and HCD will be using the direct assistance allowances in the Federal Register Notice for CDBG (<https://www.hud.gov/sites/dfiles/CPD/documents/FR-6218-N-01-CDBG-CV-clean-8-7-20-header-for-posting.pdf>) to provide assistance to qualified facility partners.

A total of about 13 percent of the allocation will be available to each awarded jurisdiction for program administration costs. Costs incurred in COVID-19 response prior to allocation may be eligible for reimbursement as per the CARES Act. Applicants will be asked to identify pre-agreement costs as part of the simplified application and must prepare appropriate environmental review documentation prior to requesting reimbursement.

Allocations will be made through the state's Grants Network System and will be administered on an activity basis. ~~Any allocations that are not claimed by the respective jurisdiction will, at the end of the application and award period, be tabulated and at the Department's discretion, used to increase awarded allocations.~~ Grantees will be able to identify up to three activities for their allocation from the following activities prioritized for CDBG-CV2 funding:

- Public services to respond to COVID-19 impacts, including subsistence payments (rental assistance) to lower-income households,
- Public facility improvements to increase capacity for healthcare facilities,
- Housing facilities for persons experiencing homelessness,
- Public facility and infrastructure improvements to respond to COVID-19 impacts, and
- Economic development to support needs for working capital and furniture, fixtures, and equipment focusing on safety requirements.

As permitted in the CARES Act, HUD has elected to waive the federal caps on public services for services that are in response to COVID-19 impacts. Grantees will be required to document that the services funded through CDBG-CV2 are in response to COVID-19. Any services provided that are not in response to COVID-19 will be subject to the federal 15 percent public services cap.

The Department has received waivers from the state statutory requirements that at least 51 percent of annual CDBG allocations be made available to housing and housing-related activities and 30 percent set-aside for economic development activities. Further, the Department has waived the 50 percent expenditure rule for CDBG-CV funds. This waiver will apply only to CDBG-CV funding and will not apply to funds awarded through the 2019 and 2020 annual CDBG allocations.

The Public Facilities allocation priority for CDBG-CV2 is primarily for public facilities related to the provision of health and medical care, and that support housing for persons experiencing homelessness in compliance with the recommendations found at the following link: <https://www.hudexchange.info/resource/6004/covid19-systemwide-protocol-for-people-experiencing-homelessness/>. HCD will review applications for facility and infrastructure funding on a case-by-case basis to make sure activities comply with the COVID-19 impacts nexus.

This method of distribution is expected to facilitate immediate fund utilization and improve emergency response to critical community needs resulting from the COVID-19 pandemic.

Applications submitted under this method of distribution will be reviewed non-competitively on a rolling basis through the application period and all applicants will be required to meet eligibility and threshold criteria for consideration.

CDBG-CV3 (Community Development Block Grant CARES Act Stimulus Program)

CDBG-CV3 funding will be distributed to all CDBG-eligible non-entitlement jurisdictions as a formula grant based on the formula prescribed in the Department's Permanent Local Housing Allocation (PLHA) program (<https://www.hcd.ca.gov/grants-funding/active-funding/plha.shtml>), which is based on the formula used for allocating the Community Development Block Grant to entitlement jurisdictions (<https://www.hudexchange.info/onecpd/assets/File/CDBG-Formula-Appropriation-Process-Transcript.pdf>). The estimated formula allocation will be provided in the CDBG-CV2/CDBG-CV3 Notice of Funding Availability at a later date. The method of distribution may change as HCD sees fit or as advised by HUD to properly address the needs addressed by the CARES Act allocation or any future special allocation. No more than 7 percent of CDBG-CV3 funding will be used to provide administration and technical assistance at the state level. These administrative funds will be deducted from the total funding available for local assistance.

A total of 13 percent of the allocation will be available to each awarded jurisdiction for program administration costs. Costs incurred in COVID-19 response prior to allocation may be eligible for reimbursement as per the CARES Act. Applicants will be asked to identify pre-agreement costs as part of the simplified application.

Allocations will be made through the state's Grants Network System and will be administered on an activity basis. ~~Any allocations that are not claimed by the respective jurisdiction will, at the end of the application and award period, be tabulated and at the Department's discretion, used to increase awarded allocations.~~ Grantees will be able to identify up to three activities for their allocation from the following activities prioritized for CDBG-CV funding:

ESG-CV (Emergency Solutions Grants CARES Act Stimulus Program)

The following language is being added to the Method of Distribution and applies to both ESG-CV Tranches of funding:

The Department will use the waivers and flexibilities in HUD Notice CPD 21-08: “Waivers and Alternative Requirements for the Emergency Solutions Grants (ESG) Program Under the CARES Act” and previous and subsequent HUD policy, guidance, or approved waivers. Additionally, ESG-CV funds will be administered pursuant to Executive Order N-66-20 and its procurement flexibilities. The Department will use a combination of methods for distributing ESG-CV funds. Methods of distribution (MOD) may include: The MOD’s described in ESG-CV1 and ESG-CV2 sections below, competitive awards, need-based awards for under-served populations including Tribal Nations, direct-funded awards based on community need and HCD’s priorities, NOFA(s) issued based on funding levels, and on-going open application windows per program parameters. ESG-CV funds may be administered directly by the Department.

Standard Agreements include spending milestones to help ensure all federal resources can be used to address California’s significant homelessness issues. Funds may be recaptured and reallocated based on need for projects that provide the ability to spend funds by regulatory expenditure deadlines and to prevent, prepare, and respond to COVID-19. The allocation processes described in this method of distribution may change as the Department sees fit or as advised by HUD to properly address the needs addressed by the CARES Act allocation or any future special allocation.

ESG-CV1 (Emergency Solutions Grants CARES Act Stimulus Program)

Describe the state program addressed by the Method of Distribution.

The ESG-CV special allocation provided in the CARES Act will be utilized to prevent, prepare for, and respond to coronavirus among individuals and families who are experiencing homelessness or receiving homelessness assistance; and to support additional homelessness assistance and homelessness prevention activities to mitigate the impacts created by coronavirus. As part of a comprehensive plan to address the ESG program goals and the impacts of coronavirus, the Department encourages collaboration between CoC Service Area funding recipients and organizations serving disproportionately impacted populations such domestic violence organizations and those serving youth and senior populations to ensure adequate funding to these organizations.

Any future special ESG allocations will be addressed and allocated according to HUD guidance.

HCD’s ESG program is traditionally distributed by formula to two separate allocations: Continuum of Care (CoC) and Balance of State (BoS). CoC allocations contain a city or county that receives ESG funds directly from HUD. BoS funds are allocated to Service

Areas that do not contain a city or county that receives ESG funds directly from HUD. The ESG-CV CARES funding allocation will utilize a formula-based method of distribution for CoC and BoS Service Areas which considers factors such as HUD's homeless Point in Time (PIT) count, poverty rates, extremely low-income household renter cost burden data, coronavirus infection rates and HUD's unsheltered homeless figures.

The entirety of the federally allocated ESG-CV funds is to be utilized to address homelessness and may be used for currently eligible activities related to crisis response including:

- Emergency Shelter (ES),
- Homeless Prevention (HP),
- Street Outreach (SO),
- Rapid Rehousing (RR), and
- Homeless Management Information System (HMIS) (24 CFR §576.100).

Currently, HCD intends to distribute the funds in a direct allocation method or over the counter application method.

Describe all of the criteria that will be used to select applications and the relative importance of these criteria.

The ESG-CV funding allocation will utilize a formula-based method of distribution for CoC and BoS Service Areas which considers factors such as HUD's homeless Point in Time (PIT) count, poverty rates, extremely low-income household renter cost burden data, coronavirus infection rates and HUD's unsheltered homeless figures.

Allocation

Funds will be allocated to CoC Service Areas either to currently approved units of general-purpose local government, known as Administrative Entities (AEs), or directly to the CoC provided the CoC is a state and federally recognized non-profit government entity and has capacity to administer the funding. If the CoC does not meet these requirements, the CoC must designate an AE to administer the funding for that CoC Service area. The allocations will be made to approved AEs listed in the 2020 Continuum of Care NOFA, Appendix A issued February 28, 2020 and to CoCs listed in the 2020 Balance of State NOFA Appendix A issued February 28, 2020. These AEs must commit to administering ESG-CV funds, in collaboration with their CoC, throughout their CoC Service Area, including ensuring access to ESG-CV funds by households living in non-entitlement areas.

The estimated formula allocation is available at https://gn.ecivis.com/GO/gn_redir/T/1ogdqmjnwhvvg. The allocations are estimates and maybe adjusted as the formula is finalized.

The allocation processes described in this method of distribution are the current

suggested allocation methods and may change as HCD sees fit or as advised by HUD to properly address the needs addressed by the CARES Act allocation or any future special allocation.

HCD will enter into a contract with the AE, and the AE will contract directly with its selected providers. The AE shall collaborate with the CoC in administering an application selection. The local government Administrative Entities (AEs) will select applications for funding using a process that is:

1. Fair and open and avoids conflicts of interest in project selection, implementation, and the administration of funds;
2. Follows procurement requirements of 24 CFR Part 200;
3. Evaluates provider capacity and experience, including the ability to deliver services in non-entitlement areas;
4. Utilizes data and considers community input to identify unmet needs;
5. Prioritizes activities that address the highest unmet need, considering other available funding and system-wide performance measures;
6. Considers project-level performance measures when evaluating proposals;
7. Incorporates reasonable performance standards as set forth in the Action Plan based on HUD requirements and guidance. If the applicant has not implemented the proposed activity or similar activity within the past three years, the Continuum of Care shall work with the funded applicant to ensure it meets reasonable performance standards specified in the Action Plan in the contract year;
8. Complies with federal ESG requirements; and
9. Considers any other practices promoted or required by HUD.

Describe the process for awarding funds to state recipients and how the state will make its allocation available to units of general local government, and non-profit organizations, including community and faith-based organizations. (ESG ONLY)

ESG-CV funds will be distributed to either local governments (AEs) or non-profit homeless service providers (CoCs) per the above *Allocation*, according to factors which may include HUD's homeless PIT count, poverty rates, extremely low-income household renter cost burden data, coronavirus infection rates and rates of unsheltered homeless according to the standard ESG Method of Distribution and criteria discussed previously.

Describe how resources will be allocated among funding categories.

Individual homeless service providers may propose uses of funds in accordance with their needs.

ESG-CV Administration

~~Grantees may receive approximately 5 percent of their formula allocation for~~

~~Administration as defined in the federal regulations.~~

ESG-CV Grantees may receive up to 10 percent of their allocation for administration.
Administration rates will be determined by the Department

Homeless Service Provider Indirect Cost Allocation

~~As permitted by the applicable grantee, homeless service providers receiving funds from an AE or CoC may charge an indirect cost allocation as calculated pursuant to 24 CFR §576.109.~~

Homeless service providers receiving funds from an AE or CoC may charge indirect costs in accordance with Federal regulations

The above allocation processes are the current suggested allocation methods and may change as HCD sees fit or as advised by HUD to properly address the needs addressed by the CARES Act allocation or any future special allocation.

Describe threshold factors and grant size limits.

Minimum and Maximum Grant Limits

Grantees will be responsible for setting any minimum and maximum grant amounts to subgrantees since they will be evaluating provider applications and managing the contracts. HCD will be monitoring grantees to ensure that they can effectively manage the number of awards made.

What are the outcome measures expected as a result of the method of distribution?

The method of distribution for ESG-CV is designed to align with the CARES Act and any future special allocation goals. The specific goals and goal outcome indicators associated with ESG-CV activities in the Strategic Plan are addressing and preventing homelessness (Goal Outcome Indicators: Households Assisted, Persons Assisted).

For the CARES Act funding allocation, ESG-CV anticipates serving as many unsheltered homeless as possible, if not all unsheltered homeless; increasing the availability of Rapid Rehousing facilities; and increasing the number of Rapid Rehousing recipients, Emergency Shelter services recipients, and Homeless Prevention services recipients proportionate to the ~~currently undetermined~~ total CARES Act funding allocation to HCD. Please see AP-20 for estimates of people to be served

ESG-CV2 (Emergency Solutions Grants CARES Act Stimulus Program)

Describe the state program addressed by the Method of Distribution.

The ESG-CV2 funding will be prioritized by need and severity. Funding will include requirements to address racial equity and will require that funds be made available to the public in an expedited fashion.

Round 2 of the ESG-CV special allocation provided in the CARES Act will be utilized to

prevent, prepare for, and respond to coronavirus among individuals and families who are experiencing homelessness or receiving homelessness assistance; and to support additional homelessness assistance and homelessness prevention activities to mitigate the impacts created by coronavirus, including rental assistance for people at risk of homelessness. As part of a comprehensive plan to address the ESG program goals and the impacts of coronavirus, the Department encourages collaboration between CoC Service Area funding recipients and organizations serving disproportionately impacted populations such as domestic violence organizations and those serving youth and senior populations to ensure adequate funding to these organizations. The Department is prioritizing serving the most at-risk populations with this funding round through the targeted use of the Emergency Shelter and Rapid Re-Housing activities and will be placing focus on providing services in a racially equitable manner. Any future special ESG allocations will be addressed and allocated according to HUD guidance.

Describe all of the criteria that will be used to select applications and the relative importance of these criteria.

HCD's ESG program is traditionally distributed by formula to two separate allocations: Continuum of Care (CoC) and Balance of State (BoS). CoC allocations contain a city or county that receives ESG funds directly from HUD. BoS funds are allocated to Service Areas that do not contain a city or county that receives ESG funds directly from HUD. The ESG-CV CARES Round 2 funding allocation will utilize a formula-based method of distribution for CoC and BoS Service Areas which considers factors such as HUD's homeless Point in Time (PIT) count, poverty rates, coronavirus infection rates, HUD's unsheltered homeless figures and communicated CoC Service Area need and capacity for additional CARES Act funding.

The entirety of the federally allocated ESG-CV funds is to be utilized to address homelessness and may be used for currently eligible activities related to crisis response including the following with a priority on the first two activities:

- Emergency Shelter (ES),
- Rapid Rehousing (RR),
- Homeless Prevention (HP) including rental assistance of persons at-risk of homelessness,
- Street Outreach (SO), and
- Homeless Management Information System (HMIS) (24 CFR §576.100).

Currently, HCD intends to distribute the funds in a direct allocation method or over the counterapplication method.

Allocation

Funds will be allocated to the 40 California CoC Service Areas that include non-entitlement areas. The CoC may apply for and administer the funds directly provided the

CoC is a state and federally recognized non-profit government entity and has capacity to administer the funding. If the CoC does not meet these requirements, the CoC must designate an Administrative Entity (AE) to administer the funding for that CoC Service area. The CoC or selected AE must select service providers based on the priorities for Emergency Shelter, Rapid Re-housing and providing services in a racial equitable manner, to under-served minority communities as further outlined in the Notice of Funding Availability (NOFA) and application.

The estimated formula allocation is below. These allocations are estimates and may be adjusted as the formula is finalized.

The above allocation processes are the current suggested allocation methods and may change as HCD sees fit or as advised by HUD to properly address the needs addressed by the CARES Act allocation or any future special allocation.

Describe the process for awarding funds to state recipients and how the state will make its allocation available to units of general local government, and non-profit organizations, including community and faith-based organizations. (ESG ONLY)

ESG-CV funds will be distributed to either local governments (AEs) or non-profit homeless service providers (CoCs) per the above *Allocation*, according to factors which may include HUD's homeless PIT count, poverty rates, extremely low-income household renter cost burden data, coronavirus infection rates and rates of unsheltered homeless according to the standard ESG Method of Distribution and criteria discussed previously.

Describe how resources will be allocated among funding categories.

Individual homeless service providers may propose uses of funds in accordance with their needs.

ESG-CV Administration

~~Grantees may receive approximately 3 percent of their formula allocation for Administration.~~

ESG-CV Grantees may receive up to 10 percent of their allocation for administration. Administration rates will be determined by the Department

Homeless Service Provider Indirect Cost Allocation

~~As permitted by the applicable grantee, homeless service providers receiving funds from an AE or CoC may charge an indirect cost allocation as calculated pursuant to 24 CFR §576.109.~~

Homeless service providers receiving funds from an AE or CoC may charge indirect costs in accordance with Federal regulations

The above allocation processes are the current suggested allocation methods and may change as HCD sees fit or as advised by HUD to properly address the needs addressed by the CARES Act allocation or any future special allocation.

Describe threshold factors and grant size limits.

Grantees will be responsible for setting any minimum and maximum grant amounts to subgrantees since they will be evaluating provider applications and managing the contracts. HCD will be monitoring grantees to ensure that they can effectively manage the number of awards made.

What are the outcome measures expected as a result of the method of distribution?

The method of distribution for ESG-CV is designed to align with the CARES Act and any future special allocation goals. This round of funding is specifically targeted towards Rapid Re-Housing and Emergency Shelter activities to provide assistance to the most at-risk populations. The specific goals and goal outcome indicators associated with ESG-CV activities in the Strategic Plan are addressing and preventing homelessness (Goal Outcome Indicators: Households Assisted, Persons Assisted).

For the CARES Act funding allocation, ESG-CV anticipates serving as many unsheltered homeless as possible, if not all unsheltered homeless; increasing the availability of Rapid Rehousing facilities; and increasing the number of Rapid Rehousing recipients, Emergency Shelter services recipients, and Homeless Prevention services recipients proportionate to the ~~currently undetermined~~ total CARES Act funding allocation to HCD. Please see AP-20 for estimates of people to be served

AP-65 Homeless and Other Special Needs Activities – 91.320(h)

Helping low-income individuals and families avoid becoming homeless, especially extremely low-income individuals and families and those who are: being discharged from publicly funded institutions and systems of care (such as health care facilities, mental health facilities, foster care and other youth facilities, and corrections programs and institutions); or, receiving assistance from public or private agencies that address housing, health, social services, employment, education, or youth needs.

As part of the CARES Act, HUD has temporarily waived FMR limits for the ESG-CV funding. This waiver impacts both the existing ESG allocations as well as the ESG-CV funding. The waiver is intended to help address the wide variances in housing costs, not just between urban and rural areas, but nation-wide. This waiver will be critical in ensuring that the funding can be used as intended to help people in the timeframe required to make a timely response to community needs.

HUD has proposed additional regulatory relief as part of the CARES Act, by providing increased administration percentages, reduced match requirements, and reduced use restrictions on the ESG-CV funds. These reduced restrictions, along with the urgency required to get the ESG-CV funds utilized, necessitated a waiver of the state's ESG

regulations, which included the proscribed method of distribution as well as use requirements that had frustrated CoCs and homelessness responders. The Department will be exploring the opportunity to transition from ESG regulations to more flexible guidelines to support adaptability and responsiveness to the ongoing impacts of the COVID-19 virus and evolving needs to effectively reduce homelessness in the state.

Helping homeless persons (especially chronically homeless individuals and families, families with children, veterans and their families, and unaccompanied youth) make the transition to permanent housing and independent living, including shortening the period of time that individuals and families experience homelessness, facilitating access for homeless individuals and families to affordable housing units, and preventing individuals and families who were recently homeless from becoming homeless again:

The language in the next paragraph is being added to the 2019-2020 Annual Action Plan. Please see prior 2019-2020 Annual Action Plan CARES Act amendments on HCD's Plans and Reports page for the remainder of the language from prior amendments. HUD has provided additional flexibility for administering rapid re- housing (RRH) assistance with Emergency Solutions Grants Program funds provided under the CARES Act (ESG- CV funds).

In a Notice provided by HUD on April 14, 2021, ESG- CV funds can be used for short- and medium- term rental assistance and housing relocation and stabilization services for individuals and families who are residing in housing and receiving time- limited subsidies funded by another source and who met the definition of "homeless" prior to entering that housing and whose subsidy is within 30 days of expiring. Additionally, it allows for the use of housing inspections conducted by other providers indicating that the housing is safe and sanitary instead of having to conduct their own habitability inspections prior to providing RRH assistance funded by ESG- CV.

The waiver is intended to help individuals and families whose time- limited rental assistance will be ending, and who are not able to afford housing at the end of the assistance and would lose their housing without continued assistance. These waivers will ensure individuals and families currently receiving time- limited rental assistance funded through other sources will not lose their housing during the coronavirus pandemic and the subsequent economic downturn. These waivers will reduce the spread and harm of COVID- 19 by enabling households to continue to social distance, isolate, or quarantine in their housing.