

**SUBSTANTIAL AMENDMENTS TO:
FY 2020-2021 ANNUAL ACTION PLAN, AND
FY 2023-2024 ANNUAL ACTION PLAN
CITY COUNCIL: OCTOBER 17, 2023**

The U.S. Department of Housing and Urban Development (HUD) requires jurisdictions to prepare an Annual Action Plan (AAP) to receive Community Development Block Grant (CDBG), Home Investment Partnerships Program (HOME), and Emergency Solutions Grant (ESG) funding. The AAP identifies the specific projects to fund during the year to accomplish the goals established in the City's Five-Year Consolidated Plan. The Economic Development Department (EDD) is the lead department in administering these HUD funded programs.

The City of Stockton received an allocation of CARES Act CDBG funds ("CDBG-CV") in the midst of the COVID-19 pandemic, which were integrated in the 2020-2021 AAP. These funds provided small business relief grants, launched the Healthy Stockton Initiative, augmented entrepreneurship funding, and provided grants to artists. Staff have prepared a third amendment to the 2020-2021 AAP to reallocate remaining CDBG-CV funds to activities that address food insecurity among vulnerable populations in Stockton.

An amendment to the 2023-2024 AAP has also been prepared. This amendment will reallocate funding among existing eligible activities to maximize community impact and meet timely expenditure requirements set by HUD.

Background

The US Department of Housing and Urban Development (HUD) requires the City of Stockton, as a recipient of HUD program funds, to develop an Annual Action Plan (AAP) that describes the proposed activities to be funded any of its three funded programs: Community Development Block Grant (CDBG), HOME Investment Partnerships Program (HOME), and Emergency Solutions Grant (ESG). The City's Annual Action Plan details its funding objectives for these programs and identifies the specific projects/activities to which HUD resources will be allocated to.

At the City's discretion, HUD allows the City to amend an AAP as needed if the City determines that planned activities are no longer feasible and/or will not meet planned objectives.

Third Amendment to the 2020-2021 Annual Action Plan (AAP)

The CDBG-CV funds identified in the 2020-2021 AAP are being recommended for reallocation to support activities that align with community needs in the aftermath of the COVID-19 pandemic. The lack of access to healthy food and avenues for distribution remains a barrier for many Stockton households. Through the utilization of CDBG-CV funds for activities that address food insecurity, the community will be better prepared to face a future pandemic and provide the necessary resources for individuals and families in need.

First Amendment to the 2023-2024 Annual Action Plan (AAP)

Each program year, HUD imposes a CDBG timeliness expenditure rule that requires the City to spend its CDBG funds in a timely manner. This rule requires that 60 days prior to the end of the program year, the City must not have a balance greater than one and one-half (1.5) times its annual grant remaining in the line of credit.

In the 2023-2024 AAP, the EDD planned CDBG funded projects with meeting the CDBG timeliness expenditure requirements in mind. One of the planned activities included an allocation of approximately \$1.5 million toward public infrastructure improvements in partnership with the Public Works Department; however, after a close analysis of the planned projects, it was found that efforts to environmentally clear the projects within HUD's expenditure deadline was not feasible and funds would not be spent on time to meet HUD's timeliness test. As a result, staff is recommending reallocating funds from public infrastructure to eligible affordable housing activities.

Present Situation

Through this item, EDD is proposing two AAP Amendments:

1. Substantial Amendment number three to the City's Fiscal Year 2020-2021 AAP, approved by the City Council on April 28, 2020 (Attachment A - Resolution 2020-04-28-1503). The 2020-2021 AAP has been previously amended twice as follows:
 - July 14, 2020 (Attachment B - Resolution 2020-07-14-1507) – First amendment to allocate \$2,016,786 in CDBG-CV funds toward small business support.
 - January 26, 2021 (Attachment C - Resolution 2021-01-26-1602) – Second amendment to allocate an additional \$1,859,563 of supplemental CDBG-CV Round 3 funding toward small business support, improved access to healthy food, and artist grants.

A third amendment to the City's Fiscal Year 2020-2021 AAP is being recommended for City Council approval. Funds received through the CDBG-CV allocation must be used for eligible activities that prevent, prepare for, and respond to the spread of COVID-19. Access to healthy, nutritious food was identified as a significant problem in the community that was exacerbated by the COVID-19 pandemic. Food insecurity has also been one of the longest lasting impacts of the pandemic. The purpose of this third amendment is to reallocate unspent CDBG-CV funds to the following existing activity:

- Urban Agriculture & Food Insecurity

The objective of this activity is to quantifiably increase the capacity of public services associated with assisting families' access to food, toiletries, and other personal care items.

2. Substantial Amendment number one to the City's Fiscal Year 2023-2024 AAP, approved by the City Council on April 18, 2023 (Attachment D - Resolution 2023-04-18-1601). The purpose of the amendment is to reallocate CDBG funds among activities as follows:
 - Reallocate \$1,510,261 from the Public Infrastructure Improvements to eligible Affordable Housing activities (as outlined in Exhibit 2). Affordable housing was one of the top Consolidated Plan priorities and there is a high demand for affordable housing in the community. CDBG funds would be awarded to affordable housing developers for eligible housing activities, as established by the CDBG program, including but not limited to property acquisition.
 - Amend the project description for the Blight Abatement activity, to include additional eligible matrix codes related to other real property improvements. This will allow the City to expand the use of CDBG funds within the Blight Abatement category. The added activities include, but are not limited to:
 - 04A – Cleanup of Contaminated Sites
 - 04 – Clearance and Demolition
 - 16A – Residential Historic Preservation
 - 16B – Non-Residential Historic Preservation

EXHIBIT 1

**CITY OF STOCKTON
SUBSTANTIAL AMENDMENT #3 TO FY 2020-2021 ANNUAL ACTION PLAN**

COMMUNITY DEVELOPMENT BLOCK GRANT CARES ACT (CDBG-CV) CHANGES

The AAP is substantially amended to reallocate CARES Act funds to the following eligible activities and to assist in meeting program expenditure deadlines.

1. PROPOSED REALLOCATIONS

| Funding Source | Approved Activity | Proposed Change | Originally Approved Amount | Allocation Change | New Funding Level |
|-----------------------|---|--|-----------------------------------|----------------------------|--------------------------|
| CDBG-CV (R1) | Venue Preparedness | Reallocate funds from this activity to Urban Agriculture & Food Insecurity | \$100,000 | - \$100,000 | \$0.00 |
| CDBG-CV (R1) | Business Development Assistance | Reallocate funds from this activity to Urban Agriculture & Food Insecurity | \$93,429 | - \$29 | \$93,420 |
| CDBG-CV (R3) | Small Business Grant Program | Reallocate funds from this activity to Urban Agriculture & Food Insecurity | \$500,000 | - \$133,550 | \$366,450 |
| CDBG-CV (R3) | Outdoor Dining/Retail Support Grant Program | Reallocate funds from this activity to Urban Agriculture & Food Insecurity | \$100,000 | - \$100,000 | \$0.00 |
| CDBG-CV (R3) | Urban Farmers & Cottage Food Grant Program | Reallocate fund from this activity to Urban Agriculture & Food Insecurity | \$107,650 | - \$92,650 | \$15,000 |
| Funding Source | New Proposed Activity or Allocation | Proposed Change | Originally Approved Amount | Proposed Allocation | New Funding Level |
| CDBG-CV (R3) | Urban Agriculture & Food Insecurity | Reallocate from Above Activities | \$400,000 | + \$426,229 | \$826,229 |

**CITY OF STOCKTON
SUBSTANTIAL AMENDMENT #1 TO FY 2023-2024 ANNUAL ACTION PLAN**

COMMUNITY DEVELOPMENT BLOCK GRANT CHANGES

The purpose of this Substantial Amendment is to reallocate CDBG funds to new or existing eligible activities to assist in meeting 2023-2024 CDBG timeliness expenditure thresholds.

The AAP is substantially amended to defund Public Improvements and reallocate funds to eligible housing activities, as established by the CDBG program.

1. PROPOSED REALLOCATIONS

| Funding Source | Approved Activity | Proposed Change | Originally Approved Amount | Allocation Change | New Funding Level |
|-----------------------|--|---|-----------------------------------|----------------------------|--------------------------|
| CDBG | Public Infrastructure Improvements | Reallocate funds to Affordable Housing | \$1,510,261 | - \$1,510,261 | \$0.00 |
| Funding Source | New Proposed Activity or Allocation | Proposed Change | Originally Approved Amount | Proposed Allocation | New Funding Level |
| CDBG | Affordable Housing | Allocate from Public Infrastructure Improvements National Objective: LMH | \$0.00 | + \$1,510,261 | \$1,510,261 |

In addition to reallocating CDBG funds, staff recommends the following amendment:

AAP is substantially amended to expand eligible matrix codes for Blight Abatement activities under the Economic Development project category:

- 04 – Clearance and Demolition
- 04A – Cleanup of Contaminated Sites
- 16A – Residential Historic Preservation
- 16B – Non-Residential Historic Preservation