



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Community Services
Department No.: 057
For Agenda Of: April 6, 2021
Placement: Administrative
Estimated Time: N/A
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department George Chapjian, Community Services Director (805) 568-2467
Director
Contact Info: Dinah Lockhart, Deputy Director (805) 568-3523
Laurie Baker, Grants Program Manager (805) 568-3521
SUBJECT: Approval of Action Plan Substantial Amendment, and Execution of an Agreement with the Santa Barbara Foundation to Implement an Economic Development Grant Program Utilizing Tranche 3 Community Development Block Grant Coronavirus (CDBG CV3) Funds

County Counsel Concurrence

As to form: Yes

Risk Management

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors (Board):

- A. Approve the Substantial Amendment to the FY 2019-20 Action Plan (Attachment A), which changes the use of \$889,695.13 in federal Community Development Block Grant Coronavirus, CDBG CV3, funds from an Emergency Rent Assistance Program to an Emergency Business Assistance Program (EBAP) (Program) and direct staff to submit the Substantial Amendment to HUD;
- B. Approve and authorize the Chair of the Board to execute a County CDBG CV3 Subrecipient Agreement in the amount of \$889,695.13 (Attachment B), with the Santa Barbara Foundation for administration and implementation of an Emergency Business Assistance Program (EBAP), that will provide qualifying businesses in Santa Barbara County with emergency business assistance payments directly related to the Coronavirus' impact;

- C. Determine that the recommended actions are not the acceptance and approval of a project that is subject to environmental review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378(b)(4), finding that the project is a creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

Summary Text:

In response to the Coronavirus’ social and economic impact, on March 27, 2020, the U.S Congress enacted the Coronavirus Aid, Relief and Economic Security (CARES) Act to provide assistance to many affected sectors of the U.S. economy. In the aggregate CARES legislation provided on the order of \$2 trillion in federal resources. Of this amount, \$5 billion in CDBG-Coronavirus (CDBG-CV) was made available to the U.S. Department of Housing and Urban Development, (HUD), for allocation to state and local government. HUD has allocated this funding in three tranches. CDBG CV1 (Tranche 1) was in the amount of \$2 billion and was allocated in accordance with HUD CDBG entitlement formula methodology and awarded to local governments. Pursuant to this, Santa Barbara County was allocated \$741,038 on March 27, 2020. HUD allocated \$1 billion in CDBG CV2 (Tranche 2) funds to states and insular areas on May 11, 2020. As such, the County received no allocation under Tranche 2. The remaining \$2 billion in CDBG CV3 (Tranche 3), was made available by HUD on September 11, 2020. Santa Barbara County has been allocated \$1,165,366 under CDBG CV3 Tranche 3.

Santa Barbara County’s Community Services Department, Division of Housing and Community Development, oversees HUD CDBG entitlement funding. The recommended actions will implement the balance of available CDBG CV3 funding for programming designed to address countywide businesses’ immediate, direct financial needs with business related losses resulting from the Coronavirus’ impact. The Emergency Business Assistance Program (EBAP) will provide grants up to \$10,000 to ‘Micro-businesses’ (1-5 employees, including owner) and up to \$25,000 to Small Businesses’ (6-50employees). The County utilized CDBG CV1 Tranche 1 and a portion of CDBG CV3 Tranche 3 funds to provide rental assistance for low-income renters whose incomes and ability to pay rent were impacted by COVID.

Background:

CARES Act funding has provided for rapid deployment of financial liquidity into the U.S economy where many businesses have reduced operations and/or closed, resulting in loss of employment and business income. Social distancing and closure of all but essential services have significantly impacted many small local businesses. Some small businesses have also paradoxically experienced increased operating costs resulting from having to adapt to new and evolving business practices related to public health and safety. CDBG CV funding allocated to the Urban County Partnership has provided emergency financial relief for many eligible households throughout the county, this in the form of short-term emergency rent assistance payments. The majority of Tranche 3 funds are purposed to address small business assistance.

The table below shows the CDBG-CV3 Tranche 3 allocations and includes amounts provided to CDBG entitlement cities and Santa Barbara CDBG Urban County partnership:

Goleta	\$268,947
Lompoc	\$394,259
Santa Barbara	\$1,032,243
Santa Maria	\$965,080
Santa Barbara County	\$1,165,366

Emergency Business Assistance Program Design and Partnership

In developing the EBAP, CSD/HCD staff consulted a number of resources, including the City of Downey which currently administers a CDBG CV economic development program; the Santa Maria Valley Chamber of Commerce, the Santa Barbara Southcoast Chamber of Commerce, the Santa Barbara Foundation and the Economic Development Collaborative, which have all administered economic development programs assisting local businesses; and the County CEO’s office. The parameters of the proposed County EBAP include input from these sources. The County will enter into an Agreement for Services (Attachment B) for \$889,695.13 with the Santa Barbara Foundation to implement and administer the EBAP. The EBAP will consist of two components, one for Microenterprise Businesses and another for Small Businesses. Each component will provide grants to cover eligible business expenses related to COVID 19. The Microenterprise program element will be available to businesses with five (5) or fewer employees, the owner of which would need to qualify as earning less than 80% of the area median income for Santa Barbara County, which is currently \$66,750. After initial screening of applicants to ensure they meet program eligibility guidelines, the Santa Barbara Foundation proposes to use a committee composed of knowledgeable business and/or banking professionals to provide an objective assessment of each proposed grant applicant and recommended funding amount.

The Small Business Assistance Program will assist businesses with between six (6) and fifty (50) employees. This element requires a job retention and/or creation requirement per CDBG economic development program regulations. In this regard, eligible businesses applying for these funds must demonstrate that “but for” for the CDBG assistance a job may not have been created and/or retained, including opportunity for re-employment of previously laid- off staff or staff having had their employment hours reduced. The job provision allows for either a full-time equivalent (FTE), position (40 hours per week), or combination of part-time jobs which in combination are equivalent to an FTE. Moreover, in accordance with CDBG regulations, at least 51% of the jobs created must benefit employees whose income does not exceed 80% of the HUD-defined area median income for Santa Barbara County. Under the CARES Act, income for this program may be determined by the salary offered to or held by the employee compared to a one-person household using the area median incomes published by HUD annually for Santa Barbara/Santa Maria metropolitan statistical area.

Eligible reimbursable business expenses for the EBAP may include: payment of rent, payroll or utilities, increased business costs for Personal Protective Equipment (PPE), increased operating costs to manage new or enhanced curbside delivery, and other eligible expenses considered on a case-by case basis. Applicants must also demonstrate that they have not received prior assistance that is duplicative in nature and serves the same purpose. In this context, applicants will provide an attestation to this effect.

The Santa Barbara Foundation (Foundation) will serve as EBAP program administrator in partnership with Santa Barbara County. The Foundation has taken a pronounced leadership role in Santa Barbara County to address the economic impact of COVID. Under its committee-advised *Santa Barbara Better Together Fund Small Business Grant Program*, seeded with a \$500,000 donation from Deckers Corporation in March 2020, the program has provided grants to small businesses located in

unincorporated Santa Barbara County, and cities of Santa Barbara and Santa Maria. These programs have since closed for application. A current program operating within the City of Goleta remains open for application. In terms of equity of distributing EBAP funds throughout the county, HCD will endeavor to assist qualifying businesses in all regions and supervisorial districts to the greatest extent possible and will work with the Santa Barbara Foundation during program implementation to ensure this.

The funding allocation for County CDBG-CV3 funds is reflected in the table below.

ITEM	GRANT AMOUNT
Santa Barbara Foundation Microenterprise and Small Business Assistance Program	\$889,695.13
Ongoing Rental Assistance for CDBG CV 1 funds	\$42,597.67
County Administrative Costs (20%)	\$233,073.20
TOTAL	\$1,165,366

Substantial Action Plan Amendment Public Comment Period

The public notice required by HUD for the Substantial Action Plan Amendment was available for review by the public during a 5-day public comment period, which commenced on March 31, 2021. As of the date this Board Letter was submitted to the Clerk of the Board for docketing, no public comments were received.

Performance Measure:

The Santa Barbara Foundation (Subrecipient) will provide administration oversight and insure that all businesses provided assistance through the EBAP meet program qualifications and eligibility criteria under CDBG CV implementing regulations, County Guidelines, and will provide supporting documentation of business owner and/or employee’s income-qualification, i.e., have incomes at or below 80% of the area median income (AMI), as determined and published by HUD annually. Subrecipient will report on the number of businesses, persons and/or households served and must retain documentation to indicate that the program was operated in accordance with the CDBG-CV program.

Fiscal and Facilities Impacts:

Federal CDBG CV funds are federal special CDBG entitlement block grant allocations awarded to Santa Barbara County pursuant to congressional budget appropriation under the CARES Act. County HCD will retain twenty percent (20%) of CDBG CV funds for Program administration. County general funds are used for a portion of HCD’s overall administrative expenses; however, no County funds are being used to fund the Program.

Fiscal Analysis:

General Fund	
State	
Federal	889,695.13
Fees	

Key Contract Risks:

HUD could require the County to repay federal funds expended for ineligible expenses with non-federal funds. The Subrecipient Agreement and County Guidelines specify HUD eligible expenses and County staff will review each payment request submitted by the Subrecipient to ensure that expenses incurred

were cost-eligible in accordance with the Agreement and cost principles cited 2 CFR 200. Payments will be provided on a reimbursement basis upon proof of payment for eligible costs. County staff will conduct ongoing monitoring to assure that the Program is being administered in accordance with CDBG-CV regulatory requirements.

Staffing Impacts:

No new staffing impacts. The Program recommended for funding will be overseen by existing HCD staff.

Special Instructions:

1. Please return one copy of the Minute Order to Carlos Jimenez at ext. 83529.
2. Please return one executed copy of the Santa Barbara Foundation CDBG-CV3 Agreement to Carlos Jimenez at cjimenez@co.santa-barbara.ca.us, ext. 83529.
3. Please retain the executed original of the Santa Barbara Foundation CDBG-CV3 Agreement for COB records.

Attachments:

A: 2019-20 Action Plan Substantial Amendment

B: Santa Barbara Foundation CDBG-CV 3 Agreement

Attachment A
2019-20 Action Plan Substantial Amendment

Attachment B
CDBG-CV3 Agreement with the Santa Barbara Foundation

