

## Memorandum

TO: Honorable Mayor and Members of the City Council

FROM: Joan Davenport, Community Development Director  
Sara Watkins, Senior Assistant City Attorney

DATE: Council meeting of January 19, 2021

SUBJECT: Use of CDBG-CV funding for additional grants to micro-enterprises

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At your January 5, 2021, City Council meeting, you expressed interest in utilizing some of the City's CDBG-CV funds to provide additional assistance to businesses in Yakima. Under CDBG, grants can be made to micro-enterprises, which are defined as: "a commercial enterprise that has five or fewer employees, one or more of whom owns the enterprise." Micro-enterprise owners must also meet the federal income requirements to be eligible for a micro-enterprise grant. In other words, the owner must meet the low to moderate income definition and limits of HUD. CDBG-CV grants to micro-enterprises are reimbursement grants. The micro-enterprise must provide receipts and submit them for reimbursement before funds are released to the micro-enterprise.

The City previously worked with Yakima County Development Association (YCDA) to distribute CDBG-CV funding to micro-enterprises. During the grant round, there were 32 businesses that met all the requirements of the grant and \$215,193.24 was distributed to those businesses as reimbursement for expenses resulting from COVID.

The original contract with YCDA provided up to \$481,600.00 in funding. Each applicant could request reimbursement funding in the amount of up to \$10,000.00. This amount was used to try to serve as many micro-enterprises in the City as possible. Grants were to be awarded no later than October 31, 2020, so any expenses after that date were not included in the grant amount. As such, micro-enterprises that were awarded grants during this round may have additional expenses associated with COVID due to the extended closure or limitations of operations.

Taking into account the amount granted in the original round (referred to by HUD as CDBG-CV1), there is \$266,406.76 remaining from the original funding amount allocated by the City to the micro-enterprise grant program.

There is no maximum amount of grant that can be awarded according to the HUD CDBG micro-enterprise program requirements. As such, the City could choose to open a second round of grants for micro-enterprises. This could allow micro-enterprises who received funding in the first round to seek reimbursement for expenses not reimbursed as part of the first round (and through the date of the new grant application deadline. It would also allow micro-enterprises that did not apply in the first round to apply in this round for any COVID-related expenses since mid-March.

YCDA has indicated that it has the capacity to facilitate a second round of grants. It has requested additional admin money to take on this task. Admin money for the grants would be

paid by the City to YCDA and would not come out of the \$266,406.76 remaining. This is because the City can only retain a certain percentage of the CDBG-CV money for administrative costs—the rest must be used in the community. At the outset, the City retained the full admin allocation for its costs associated with administering the grant. The City would use a portion of the admin money retained at the outset to pay for YCDA's administration of the second round of grants. No admin money was paid to YCDA for the first round, per the agreement.

If the City Council wishes to move forward with opening a second round of grant funding to micro-enterprises with the remaining CDBG-CV1 funds, it could make the following motion:

I move to enter into an agreement with Yakima County Development Association (YCDA) in the amount of \$266,406.76 in CDBG funds to provide grants to micro-enterprises affected by COVID-19 that is substantially similar to the agreement entered into on or about July 1, 2020, with the following changes: there should be no cap on the amount of funds that can be granted for reimbursement to a micro-enterprise; and the City shall pay administration costs to YCDA for its administration of this grant program.

If the City Council allocates this funding to micro-enterprise grants, the total CDBG-CV funding will be allocated to the community as follows:<sup>1</sup>

\$461,600: micro-enterprise grants (CDBG-CV1)  
\$260,000: HVAC system upgrades at WFCC and HBCC (CDBG-CV2)  
\$235,195: Meals on Wheels senior nutrition program (CDBG-CV2)

The City would retain the allowed admin money, and pay YCDA a portion of that to conduct the second round of micro-enterprise grants. Any grant money that is not used in the second round could be rolled into the Meals on Wheels allocation. As outlined at the January 5, 2021, City Council meeting, before the City can use and/or distribute the CDBG-CV2 funds, it must amend its consolidated CDBG plan (a HUD requirement). That amendment will be presented to the Council in March and distribution of the second round of funding could be made at that time.

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<sup>1</sup> As you may remember, the City received a second round of CDBG funding associated with COVID referred to by HUD as the CDBG-CV2 funding. That funding was discussed in the memo from Joan Davenport provided on January 5, 2021.