



CITY OF MERCED

PROGRAM YEAR 2024 CONSOLIDATED ANNUAL PERFORMANCE AND EVALUATION REPORT (CAPER)

Final Draft - Pending City Council Approval
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Prepared by: City of Merced Housing Division -
Development Services Department

Contents

CR-05 - Goals and Outcomes	3
CR-10 - Racial and Ethnic composition of families assisted	15
CR-15 - Resources and Investments 91.520(a)	17
CR-20 - Affordable Housing 91.520(b)	24
CR-25 - Homeless and Other Special Needs 91.220(d, e); 91.320(d, e); 91.520(c)	27
CR-30 - Public Housing 91.220(h); 91.320(j)	31
CR-35 - Other Actions 91.220(j)-(k); 91.320(i)-(j)	33
CR-40 - Monitoring 91.220 and 91.230	40
CR-45 - CDBG 91.520(c)	43
CR-50 - HOME 24 CFR 91.520(d)	44
CR-58 – Section 3	49
ATTACHMENTS:	51
Attachment 1. City Council Resolution 2025-_____	51
Attachment 2. PR-26 Financial and Activity Summaries (CDBG and CDBG-CV)	52
Attachment 3. APR HOME Match	61
Attachment 4. Fiscal Activity Accomplishment Reports	62
Attachment 5. Public Notice Comments Outreach	63

CR-05 - Goals and Outcomes

Progress the jurisdiction has made in carrying out its strategic plan and its action plan. 91.520(a)

This could be an overview that includes major initiatives and highlights that were proposed and executed throughout the program year.

The City of Merced has prepared the 2024 Consolidated Annual Performance and Evaluation Report (CAPER) for the period of July 1, 2024, through June 30, 2025. The 2024 CAPER describes a general assessment of the City's progress in carrying out projects and programs during the 2024 Program Year with the use of CDBG, HOME, HOME-ARP, and CDBG-CV funds, provided by the U. S. Department of Housing and Urban Development (HUD), primarily to benefit Low to Moderate Income persons (LMI) and/or LMI areas within the City limits.

The CDBG allocation for the 2024-25 program year was \$1,056,567, with approximately \$231,079.26 in Program Income received during the program year. Carryover from previous years also contributed to the continued efforts of ongoing projects and programs. Overall, a total of \$1,069,512.06 of CDBG and \$25,549.11 of CDBG-CV funds were spent during the snapshot period of July 1, 2024, to June 30, 2025.

The HOME allocation for the 2024-25 program year was \$450,563.61, with approximately \$101,882.31 in Program Income. Carryover from previous years also contributed to the continued efforts of ongoing projects and programs, and the 2024-25 HOME expenditures were \$2,926,060.44. Funds from the remaining 2024 HOME allocation, prior carryover, and accumulated program income at this time are set aside for construction of affordable rental housing projects and HOME CHDO projects.

The City of Merced allocated CDBG funds during the 2024-25 program year to social service agencies in order to address the community priorities and goals set forth in the Consolidated Plan for the 2020-2024 Strategic Plan period. The City substantially amended its 2024 Annual Plan to include CDBG and CDBG-CV funding for public facility and water/sewer infrastructure project in expectation of being able to achieve its infrastructure goals.

The 2024 Annual Action Plan was submitted to HUD for approval on approximately August 8, 2024, and the City received HUD approval of the plan on November 7, 2024. The City Council approved Substantial Amendment #1 on February 3, 2025, and HUD acknowledged the amendment on June 11, 2025.

Comparison of the proposed versus actual outcomes for each outcome measure submitted with the consolidated plan and explain, if applicable, why progress was not made toward meeting goals and objectives. 91.520(g)

Categories, priority levels, funding sources and amounts, outcomes/objectives, goal outcome indicators, units of measure, targets, actual outcomes/outputs, and percentage completed for each of the grantee's program year goals.

Goal	Category	Source / Amount	Indicator	Unit of Measure	Expected – Strategic Plan	Actual – Strategic Plan	Percent Complete	Expected – Program Year	Actual – Program Year	Percent Complete
1A Improve Public Infrastructure & Facilities	Non-Housing Community Development	CDBG: \$ / HOME: \$0	Public Facility or Infrastructure Activities other than Low/Moderate Income Housing Benefit	Persons Assisted	20000	17900	89.50%	600	0	0.00%
2A Increase Owner Occupied Rehab Opportunities	Affordable Housing	CDBG: \$ / HOME: \$0	Homeowner Housing Rehabilitated	Household Housing Unit	15	0	0.00%			
2B Increase Affordable Housing Opportunities	Affordable Housing	CDBG: \$176618 / HOME: \$	Rental units constructed	Household Housing Unit	92	119	129.35%			
2B Increase Affordable Housing Opportunities	Affordable Housing	CDBG: \$176618 / HOME: \$	Rental units rehabilitated	Household Housing Unit	8	11	137.50%	2	0	0.00%

2B Increase Affordable Housing Opportunities	Affordable Housing	CDBG: \$176618 / HOME: \$	Homeowner Housing Added	Household Housing Unit	1	0	0.00%	1	0	0.00%
2B Increase Affordable Housing Opportunities	Affordable Housing	CDBG: \$176618 / HOME: \$	Homeowner Housing Rehabilitated	Household Housing Unit	0	0		1	0	0.00%
2B Increase Affordable Housing Opportunities	Affordable Housing	CDBG: \$176618 / HOME: \$	Housing for Homeless added	Household Housing Unit	30	30	100.00%			
2C Provide Assistance for Supportive Housing	Affordable Housing	CDBG: \$ / HOME: \$	Rental units rehabilitated	Household Housing Unit	9	11	122.22%	2	2	100.00%
2C Provide Assistance for Supportive Housing	Affordable Housing	CDBG: \$ / HOME: \$	Homeowner Housing Rehabilitated	Household Housing Unit	0	0		0	0	
2C Provide Assistance for Supportive Housing	Affordable Housing	CDBG: \$ / HOME: \$	Housing for Homeless added	Household Housing Unit	6	2	33.33%	0	0	
2C Provide Assistance for Supportive Housing	Affordable Housing	CDBG: \$ / HOME: \$	Housing for People with HIV/AIDS added	Household Housing Unit	0	0		0	0	

3A Provide Vital Services for LMI Families	Non-Homeless Special Needs	CDBG: \$	Public service activities other than Low/Moderate Income Housing Benefit	Persons Assisted	2800	14144	505.14%	2337	4361	186.61%
3A Provide Vital Services for LMI Families	Non-Homeless Special Needs	CDBG: \$	Public service activities for Low/Moderate Income Housing Benefit	Households Assisted	395	283	71.65%	104	72	69.23%
3A Provide Vital Services for LMI Families	Non-Homeless Special Needs	CDBG: \$	Homelessness Prevention	Persons Assisted	155	726	468.39%	100	227	227.00%
4A Provide Homeless Prevention & Support Services	Homeless	CDBG: \$	Homeless Person Overnight Shelter	Persons Assisted	400	13	3.25%			
5 Enhance Fair Housing Knowledge and Resources	Non-Homeless Special Needs	HOME: \$	Public service activities other than Low/Moderate Income Housing Benefit	Persons Assisted	255	350	137.25%			

Table 1 - Accomplishments – Program Year & Strategic Plan to Date

Assess how the jurisdiction’s use of funds, particularly CDBG, addresses the priorities and specific objectives identified in the plan, giving special attention to the highest priority activities identified.

The City of Merced’s 2020-2024 Consolidated/Strategic Plan identifies four Priority Needs, with associated goals, that the City has worked to address during the 5-year period it covers (July 1, 2020 – June 30, 2025):

1. Expand and Improve Public Infrastructure and Facilities

Associated Goals: 1A - Improve Public Infrastructure & Facilities

2. Preserve and Develop Affordable Housing

Associated Goals: 2A - Increase Owner Occupied Rehab Opportunities; 2B - Increase Affordable Housing Opportunities; and, 2C - Provide Assistance for Supportive Housing

3. Public Services and Quality of Life Improvements

Associated Goals: 3A - Provide Vital Services for LMI Families; and, 5 - Enhance Fair Housing Knowledge and Resources

4. Homelessness Housing and Support Services

Associated Goals: 4A - Provide Homeless Prevention & Support Services

During the 2024 Program Year, the fifth year of the Consolidated Plan, the City of Merced focused on the below-listed goals to address the above needs. After one Substantial Amendment, the final plan confirmed the original plan's planned activities for Goal 2C (Provide Assistance for Supportive Housing) and added a new project under Goal 1A (Improve Public Infrastructure & Facilities).

- Goal 1A – Improve Public Infrastructure & Facilities
- Goal 2A – Increase Owner Occupied Rehab Opportunities
- Goal 2B – Increase Affordable Housing Opportunities
- Goal 2C – Provide Assistance for Supportive Housing

- Goal 3A – Provide Vital Services for LMI Families
- Goal 4A – Provide Homeless Prevention & Support Services
- Goal 5 – Enhance Fair Housing Knowledge and Resources

Program Year 2024 Use of Funds Towards Goals:

Direct and Indirect Administrative funds for both CDBG and HOME are spread amongst all goals each year in managing the overall program.

Goal 1A. Improve Public Infrastructure and Facilities:

During the 2024 program year, the City of Merced substantially amended its 2024 Annual Action Plan (Substantial Amendment #1) to create a new 2024 project that provides supplemental CDBG funding of \$699,698 to the 2023 program year K/13th Street/Hwy 59 Water-Sewer Main & ADA Improvement Project. The new 2024 project repurposes disencumbered CDBG Prior Year Resources, reductions in budgeted Activity Delivery Costs, and previously unanticipated 2024 Program Income to the project. It also reallocates in advance an anticipated \$307,913 of CDBG Prior Year Resources to the 2024 project, which are expected to be returned to the City during the 2025 Program Year, after clearance of a repayment to HUD of unrelated ineligible expenditures with local funds.

Continued (1)

The 2024 Annual Plan substantial amendment was conducted at the same time as a substantial amendment to the 2019 Annual Action Plan (Substantial Amendment #3), which shifts all remaining, unspent CDBG-CV funds (\$470,109.69) from all current COVID-19 response projects to activities that help prepare public infrastructure for future pandemics, specifically the same 2023 program year infrastructure project as the 2024 first substantial amendment. The project prepares and plans for future pandemics by helping to protect the potable water supply. The 2019 substantial amendment also creates a new 2019 project that proposes to supplement the 2023 activity with the unspent CDBG-CV funding. The City Council approved 2024 Substantial Amendment #1 and 2019 Substantial Amendment #3 on February 3, 2025. HUD acknowledged the 2024 substantial amendment on June 11, 2025; however, the 2019 substantial amendment has not yet been submitted to HUD, pending a final drawdown of an invoice involving the final CDBG-CV response activity for United Way microenterprise/small business support. As such, work has not yet started on the 2023 infrastructure project, as all involved funding is not completely available. This project is expected to start during 2025-26 PY. This project expects to benefit approximately 600 nearby residents within the area served by all improvements. Goal 2A. Increase Owner Occupied Rehab Opportunities: While no 2024 funds were dedicated to this goal, Habitat for Humanity

Merced/Stanslaus County (HHMSC) continued in its final year of a three year agreement to provide homeowner occupied rehab loans to low-moderate income homeowners. The City of Merced had two applicants for the homeowner occupied rehabilitation program. However, due to the January 2023 FEMA declared major disaster flooding in Merced County, flood insurance premiums were reported as increasing for Merced homeowners. Since the targeted households eligible for homeowner occupied rehabilitation are low-to moderate-income households and HUD assisted rehabilitation projects require flood insurance on properties located in Special Flood Hazard Areas (flood zones), this created a financial barrier for these applicants. Therefore, it has not been feasible to add the flood insurance premium expense to applicants' monthly budgets. City of Merced is working with Habitat for Humanity to make this requirement more visible in outreach and marketing. Housing staff is actively working to extend the project NEPA environmental review and the HHMSC contract for another two years, as both of these items have lapsed (both were originally for three years).

Continued (2)

Goal 2B. Increase Affordable Housing Opportunities: The 2024 Annual Plan set aside \$153,565.00 of PY 2023 and 2024 CHDO HOME reserves, which can be used towards rehabilitation or new construction of affordable rental units. Additionally, over \$1,300,000 of formula HOME funds were set aside for new construction, rehabilitation, and or acquisition of rental housing, including funds to cover activity delivery costs. This amount also includes HOME funds that were set aside for a rehab project of an existing duplex structure on 1933 and 1935 H St for LMI Rental Housing. Housing is currently working to complete the NEPA environmental review. During the 2024 PY, a 2023 PY project River Canyon Apartments (formerly Devonwood Apartments) continued construction on a 156-unit affordable housing project, which will be income-restricted to residents at an income level between 30%-70% of the AMI for Merced County. This project is nearing completion and should be ready for occupancy in October 2025. The 2024 Annual Plan set aside \$150,000 of CDBG Funds to Habitat for Humanity Merced/Stanslaus (HHMSC) towards project costs associated with the ongoing rehab project at 241 E Main St. An additional \$4,500 was directed towards activity delivery for a total of \$154,500. This project is partially started (PY 2017/Activity 1114), and has received previous NEPA environmental clearance, but has experienced several setbacks and unanticipated cost increases since it began in approximately 2018, including deletion from the 2023 Annual Plan during its necessary second amendment, material cost increases, additional ADA-related costs, delays related to the Coronavirus pandemic, and the January 2020 HUD Environmental Monitoring. Previous agreements and amendments have since expired; and the original project scope has changed from a simple rehabilitation to a reconstruction/rehab after full demolition of the structure in 2019; however, Housing staff has been working with HUD and HHMSC to develop an acceptable path for completion. Staff is processing updates to both the previous environmental review and a new agreement amendment to reflect these changes. The project will result in the completed home being sold to and occupied by an approved LMI family through HHMSC.

Continued (3)

Goal 2C. Provide Assistance for Supportive Housing: The 2024 Annual Plan set aside \$604,500, which includes \$18,119 of Activity Delivery Costs of CDBG funds, for Sierra Saving Grace to acquire and rehabilitate an existing one-to-four unit residential property to convert to supportive rental housing for low-to moderate-income individuals and families, and case-managed formerly homeless individuals. As of the end of FY 2024, a 2-unit property was acquired, the rehabilitation activities were nearly complete, and families had been selected to occupy them. This property will provide permanent supportive housing for two households. Goal 3A. Provide Vital Services for LMI Families: The 2024 Annual Plan set aside \$205,425 of CDBG funds for various public services projects. City staff continued to work with the last of the subrecipient organizations that had been affected by previous year delays to wrap up programs. 2024 Programs completed under Goal 3A: Harvest Time was successful in completing their 2024 Food 4 You program, assisting a total of 899 households and a total of 3078 people throughout the year with food distributions. LifeLine Community Development Corporation (LifeLine CDC) successfully carried out its program to benefit residents of the Loughborough Area through workforce training, general outreach, information distribution, neighborhood cleanups, and afterschool childcare,

assisting a total of 1066 households. Sierra Saving Grace Homeless Project (SSG) successfully continued a Subsistence Payments (Rental, Mortgage, and Utility Assistance) program in PY2024, assisting 15 households and benefitting 36 individuals by the end of the program year. The 2024 Annual Plan approved \$60,000 to this program. The 2024 Project Sentinel Tenant and Landlord Counseling project was successfully carried out during the 2024 program year and assisted 86 households with tenant and landlord mediation and counseling services that helped resolve conflicts. The Healthy House Within a MATCH Coalition-senior services/homeless prevention support services and elder abuse prevention program started their program. However delays in executing a contract with the organization were experienced during the year. Once a contract is executed, reporting accomplishments will be added to 2025 CAPER. Walking by Faith Ministries International, dba SERENITY project Strengthen, Transform, Affirm, Restore, and Support (STARS) was implemented during PY 2024, however, outcomes will be reported in 2025 CAPER as final contract execution and final invoicing have not been completed. Merced Calvary Assembly of God-independent living skills, homeless prevention/support services for LMI residents of the 1213 V St Homekey Project withdrew their request for \$10,000 in CDBG funding in May 2025, citing minimal expenses to be reimbursed and help from organizations in leveraging resources needed to carry out the program.

Continued (4)

Goal 4A. Provide Homeless Prevention and Support Services: The PY2024 Harvest Time project for operational cost support, as explained above in Goal 3A, also provided prepared meals to homeless individuals, delivered directly to local homeless individuals through a separate partnership with the Merced Rescue Mission. Approximately 227 unsheltered homeless individuals were provided this nutritional support in this manner (note: the number of individuals is obtained from the 2025 Homeless Point in Time count). Due to the nature of this aspect of their project, Harvest Time did not collect ethnicity or income data on the homeless individuals assisted. \$38,000 of CDBG funding was set aside in the 2024 Annual Plan to help fund a portion of staffing costs of the Merced County Human Services Agency, the agency that functions as the City and County Continuum of Care (CoC) Collaborative Applicant, whose purpose is the coordination, data tracking, and funding of regional homeless prevention and supportive service management programs countywide, more particularly within the City limits of Merced, where more than 72.5% of the countywide homeless population resides. Accomplishments are not reported for this project, as it uses a portion of City funding used for administrative and planning activities, which includes strategies to reduce homelessness within the City, and does not report beneficiary accomplishments. That being said, the 2025 Point In Time count conducted on January 23, 2025, of both sheltered and unsheltered homeless counted a total of 520 individuals living within the City boundaries. The entirety of this program is directed towards strategizing how CDBG, HOME, and even local funds could be used to benefit these individuals. This project was complete before the end of the program year and all expenses were fully disbursed. Goal 5. Enhance Fair Housing Knowledge and Resources: Fair Housing Services was provided by Project Sentinel, Inc. with \$33,552 of HOME funding in the 2024 program year. During PY2024, Project Sentinel exceeded their annual goal for the number of people served through Intake and Referral services by assisting a total of 78 households. Over the course of the year, they also

surpassed their outreach goals in assisting 147 city residents through direct outreach and one (1) fair housing case investigations. Additionally, Project Sentinel distributed a total of 854 pieces of educational materials, which includes both mailers and brochures, such as those distributed to and available from the Housing Division. Project Sentinel staff also attended three Continuum of Care meetings this year.

Continued (5)

CARES Act Coronavirus Community Development Block Grant (CDBG-CV) Funds In December 2019, a new coronavirus known as SARS-CoV-2 was first detected in Wuhan, Hubei Province, Peoples Republic of China, causing outbreaks of the coronavirus disease COVID-19 that spread globally, with the first U.S. case reported in January 2020. In March 2020, the World Health Organization declared the coronavirus outbreak a pandemic, and national, state, and local emergencies were declared. The Coronavirus Aid, Relief, and Economic Security (CARES) Act in response to the crisis was signed into law by the President on March 27, 2020, which provided over \$2 trillion of direct economic assistance for American workers, families, and small businesses, and for preservation of jobs. As part of the CARES Act, additional assistance was provided for HUD grantees, and the City received CARES Act allocation of CDBG funds (CDBG-CV funds) in Rounds 1 and 3. In total, the City received \$1,193,573 of CDBG-CV funds, and repurposed \$125,239 of regular CDBG funds to be used towards combating the local effects of the pandemic and addressing immediate community needs that were identified through a public process. During the 2024 program year, \$25,549.11 of CDBG-CV funds were disbursed to the community through an Emergency mortgage/rental/utility assistance program offered through Salvation Army. These funds assisted a total of 44 people within the City of Merced. The City implemented four programs that addressed community COVID needs through the pandemic and beyond. The needs of very low- to low-income residents who are at risk of homelessness and who regularly experience food insecurity were amplified by the effects of COVID-19, especially workers employed by the types of businesses, such as restaurants/bars and personal service (gyms, hair and nail salons, etc.), that were the first to be affected by State-mandated closures and among the last to reopen. With one of the four original CDBG-CV programs completed in PY2021, the three remaining CV programs that continued through PY2024 were: 1). United Way of Merced County; Workplace Stabilization Program (Implemented August 2021) Activity: a) For-Profit Small Business Assistance (SBA); and b) Microenterprise Assistance Total Project Funding (Round 1 only): \$500,000 Drawn by 6/30/2025: \$226,855.88 Accomplishments: Expected: 50 businesses assisted Actual by 6/30/2025: 11 businesses and 46 employees assisted (full and part time jobs) Current Project Status: This project is near completion. United Way began accepting applications for assistance from businesses in October of 2021 for reimbursement of eligible expenses dating to the start of mandated business shutdowns (March 2020). United Way has sent in their final reimbursement request from the final business assisted for this program. The final amount disbursed for this program in Program Year 2024 will be \$30,000. The program will be complete very early in the 2025 Program year and accomplishments will be reported during 2025 CAPER.

Continued (6)

2). Salvation Army; Merced Social Services Program (Implemented January 2021) Activity: Subsistence Payments/Rental, Mortgage, and Utility Assistance Total Project Funding (combined Rounds 1 and 3): \$302,648 Drawn by 6/30/2025: \$184,695.53 Accomplishments: Expected: 45 households Actual by 6/30/2025: 83 households (267 people) Current Project Status: This project ended December 31, 2024.3). Sierra Saving Grace; COVID Emergency Assistance Program (Implemented January 2021) Activity: Matrix Code 05Q; Subsistence Payments/Rental, Mortgage,

and Utility Assistance Total Project Funding (combined Rounds 1 and 3): \$316,164. This project had no activity in Program Year 2024, but officially ended on December 31, 2024. Accomplishments and expenditures that were reported in the 2023 CAPER were the final figures. Due to the drastic slowdown in expenditure of CDBG-CV funds by all three of these subrecipients, in early spring 2024, the City of Merced substantially amended its use of CV funds in the 2019 Annual Action Plan, switching from a standpoint of response to the COVID-19 pandemic to a standpoint of preparedness and planning, to be ready for the next pandemic, whenever it may come. This substantial amendment still needs to be submitted for HUD acknowledgement, as the last drawdown of funds from prior activities is still pending. Timely Expenditure of CDBG funds: During the 2024-25 PY, and on the compliance tests date of May 2, 2025, City of Merced met the CDBG Timeliness test and was in compliance with the HUD acceptable ratio of 1.32%. This figure represents that, as a CDBG Entitlement Grantee, City of Merced did not have a balance of funds greater than one and one-half times its annual grant 60 days prior to the end of the program year.

CR-10 - Racial and Ethnic composition of families assisted

Describe the families assisted (including the racial and ethnic status of families assisted).

91.520(a)

	CDBG	HOME
White	2,561	0
Black or African American	162	0
Asian	107	0
American Indian or American Native	48	0
Native Hawaiian or Other Pacific Islander	14	0
Total	2,892	0
Hispanic	2,174	0
Not Hispanic	1,121	0

Table 2 – Table of assistance to racial and ethnic populations by source of funds

Narrative

Please note that the above table does not list all the racial categories for which data is collected; therefore, numbers do not reflect individuals assisted with CDBG funds who identify as any race besides what is indicated in the table above. These individuals are, however, captured in the snapshot table shown below at the end of this section. This additional table gives a more accurate and detailed account of total numbers of different races identified and assisted.

An additional 1066 residents living in the Loughborough area, whose race and ethnicities were not directly recorded due to its LMA National Objective, were served by the PY2024-25 LifeLine CDC program. Race and ethnicity data in this area of the city is tracked using the 2020 Census data collected for the area served by the program (Census Tracts 10.03 and 10.04).

Of the programs that were implemented and closed out prior to the end of the Fiscal Year, the Housing Division and its public service partners was able to provide funding to assist or benefit approximately 4,932 individuals in 956 households through Public Services and Acquisition with Rehabilitation program funding.

The City provided HOME administrative funding to Project Sentinel, Inc., for Fair Housing Services, which assisted 78 residents with housing discrimination case investigation, information/outreach, and intake/referrals, and distributed a total of 854 educational mailers and brochures to city residents in

targeted LMI areas.

The Merced City and County Continuum of Care provided assistance to approximately 571 Point-In-Time (PIT) homeless individuals, both sheltered (344) and unsheltered (227). The 2025 count performed on January 23, 2025, revealed a decrease in homeless individuals in the City of Merced by 9.0%. Some of these individuals can assume to be assisted through CDBG funding to two Acquisition programs, which typically creates permanent housing for those counted in transitional shelters or families with children living on the streets, as well as by the Harvest Time food distribution program that delivered meals directly to homeless encampments throughout the City. The decrease in unsheltered individuals may also be attributed to the non-HUD assisted Twelve Thirteen CA HCD Homekey project, which created 95 permanent supportive units from a former motel.

The populated data is not reflective of projects that were not implemented and/or closed out this fiscal year, projects currently underway or nearing completion, units acquired but not yet occupied, or other non-HUD funded housing projects. Some of these accomplishments will be reported in the 2025 CAPER next year.

CR-15 - Resources and Investments 91.520(a)

Identify the resources made available

Source of Funds	Source	Resources Made Available	Amount Expended During Program Year
CDBG	public - federal	2,347,469	1,069,512
HOME	public - federal	6,258,759	2,926,060

Table 3 - Resources Made Available

Narrative

The City of Merced received \$1,056,567 in 2024 Community Development Block Grant (CDBG) and \$450,563.61 in 2024 HOME Investment Partnership (HOME) formula funds. Over the program year, through monthly payments and complete payoff of existing rehabilitation and first time homebuyer loans of CDBG and HOME funds by city residents holding the loans, \$231,079.26 in CDBG funds and \$101,882.31 in HOME funds were received as program income.

The City has taken no action to hinder the implementation of the 2024 Annual Action Plan, has strived to continue to monitor the progress of all projects and programs, and has implemented new projects and programs that continue to work toward achieving its goals and objectives and meeting the needs of residents.

Identify the geographic distribution and location of investments

Target Area	Planned Percentage of Allocation	Actual Percentage of Allocation	Narrative Description
City Wide	59	25	The City allocated approximately 41 percent of its CDBG and HOME funds to eligible census tracts

Table 4 – Identify the geographic distribution and location of investments

Narrative

The 2024/25 Annual Action Plan, after the first substantial amendment, projected that over half (59%) of expenditures would be for activities benefiting low- and moderate-income persons citywide across all programs. The City is still on track to reaching this goal, however, as not all of the reimbursements planned have been fully processed and drawn through the HUD financial system.

Each year, a small number of Merced's subrecipients provide services and housing to residents living in the eligible census tracts, including Harvest Time (food distribution center) and Lifeline CDC (employment training).

Some of the remaining funds were targeted to the general population; however, because Merced is a relatively smaller community and low-income populations are distributed throughout, the City of Merced believes that those activities outside these census tracts will still serve low-income populations.

The City of Merced as a whole also contains more than 51% LMI residents.

Leveraging

Explain how federal funds leveraged additional resources (private, state and local funds), including a description of how matching requirements were satisfied, as well as how any publicly owned land or property located within the jurisdiction that were used to address the needs identified in the plan.

The City is dedicated to leveraging its funds towards increasing the number of affordable housing units available to City residents.

The City is actively partnering with affordable housing developer Visionary Home Builders Inc. to develop a 108-unit affordable apartment complex that will be rented to households with incomes between 0-60% of the AMI (Area Median Income) for Merced County, leveraging a State and Local Fiscal Recovery Funds (SLFRF) American Rescue Plan Act (ARPA) Grant, along with Project Based Voucher support through the local Housing Authority. Construction is expected to commence during PY 2025.

The City is currently in the early stages of partnering with affordable housing developer LINC Housing to bring a 54-unit apartment complex that will be restricted to income levels between 30%-80% AMI for Merced County. The City Council appropriated \$1,608,830 of PLHA (Permanent Local Housing Allocation funds) and \$2,497,538 of REAP funds (Regional Early Action Planning Grant).

The City is nearing completion of a unique 20-unit housing project by developer Certified Container/CC915 that will create transitional/permanent supportive housing units for currently unsheltered veterans. This project leverages funding from a California Homekey Round 2 grant, a private local grant, community partnerships with local organizations such as Merced Rescue Mission and the Veterans Administration office, and a small amount of City-provided funds. Occupancy is set to be ready PY 2025.

The City is working with UpHoldings on Mercy Village, a development of a 67-unit Permanent Supportive Housing project that is leveraging State Permanent Local Housing Allocation (PLHA) and HOME-ARP funding.

Additionally, the City leveraged some of its CDBG administration and planning activity funds to the Merced City and County Continuum of Care program's Collaborative Applicant, to support eligible costs of data collection and formulating strategies for homelessness planning for the City's homeless populations.

All Participating Jurisdictions (PJs) receiving HOME funds, like the City of Merced, must

contribute or match no less than 25 cents for each dollar of HOME funds spent on affordable housing. As PJs draw funds from HOME, they incur a match liability, which must be satisfied by the end each federal fiscal year. This being said, the HOME statute provides for a reduction of the matching contribution requirement under three conditions: 1) fiscal distress; 2) severe fiscal distress; and 3) for Presidentially declared major disasters covered under the Stafford Act. When a local jurisdiction meets both distress criteria in 24 CFR 92.222, it is determined to be in severe fiscal distress and receives a 100% reduction of match. Individual poverty rate and per capita income (PCI) are based on data obtained from the latest American Community Survey (ACS) estimates from Census data. In 2024, for a jurisdiction to qualify as distressed based on the poverty criterion, its percentage of persons in poverty must have been at least 16.44% , and to qualify as distressed based on the Per Capita Income (PCI) criterion, its average PCI must have been less than \$26,375. As of the most recent data released by Census Reporter, City of Merced’s estimated poverty rate of 22.99% and a PCI of \$25,003, the City of Merced’s match is reduced 100 percent for fiscal years 2024 and 2025.

Fiscal Year Summary – HOME Match	
1. Excess match from prior Federal fiscal year	25,393,312
2. Match contributed during current Federal fiscal year	0
3. Total match available for current Federal fiscal year (Line 1 plus Line 2)	25,393,312
4. Match liability for current Federal fiscal year	0
5. Excess match carried over to next Federal fiscal year (Line 3 minus Line 4)	25,393,312

Table 5 – Fiscal Year Summary - HOME Match Report

Match Contribution for the Federal Fiscal Year								
Project No. or Other ID	Date of Contribution	Cash (non-Federal sources)	Foregone Taxes, Fees, Charges	Appraised Land/Real Property	Required Infrastructure	Site Preparation, Construction Materials, Donated labor	Bond Financing	Total Match

Table 6 – Match Contribution for the Federal Fiscal Year

HOME MBE/WBE report

Program Income – Enter the program amounts for the reporting period				
Balance on hand at beginning of reporting period \$	Amount received during reporting period \$	Total amount expended during reporting period \$	Amount expended for TBRA \$	Balance on hand at end of reporting period \$
3,207,595	101,882	2,304,496	0	1,004,982

Table 7 – Program Income

Minority Business Enterprises and Women Business Enterprises – Indicate the number and dollar value of contracts for HOME projects completed during the reporting period						
	Total	Minority Business Enterprises				White Non-Hispanic
		Alaskan Native or American Indian	Asian or Pacific Islander	Black Non-Hispanic	Hispanic	
Contracts						
Dollar Amount	0	0	0	0	0	0
Number	0	0	0	0	0	0
Sub-Contracts						
Number	0	0	0	0	0	0
Dollar Amount	0	0	0	0	0	0
	Total	Women Business Enterprises	Male			
Contracts						
Dollar Amount	0	0	0			
Number	0	0	0			
Sub-Contracts						
Number	0	0	0			
Dollar Amount	0	0	0			

Table 8 - Minority Business and Women Business Enterprises

Minority Owners of Rental Property – Indicate the number of HOME assisted rental property owners and the total amount of HOME funds in these rental properties assisted						
	Total	Minority Property Owners				White Non-Hispanic
		Alaskan Native or American Indian	Asian or Pacific Islander	Black Non-Hispanic	Hispanic	
Number	0	0	0	0	0	0
Dollar Amount	0	0	0	0	0	0

Table 9 – Minority Owners of Rental Property

Relocation and Real Property Acquisition – Indicate the number of persons displaced, the cost of relocation payments, the number of parcels acquired, and the cost of acquisition						
Parcels Acquired		0		0		
Businesses Displaced		0		0		
Nonprofit Organizations Displaced		0		0		
Households Temporarily Relocated, not Displaced		0		0		
Households Displaced	Total	Minority Property Enterprises				White Non-Hispanic
		Alaskan Native or American Indian	Asian or Pacific Islander	Black Non-Hispanic	Hispanic	
Number	0	0	0	0	0	0
Cost	0	0	0	0	0	0

Table 10 – Relocation and Real Property Acquisition

CR-20 - Affordable Housing 91.520(b)

Evaluation of the jurisdiction's progress in providing affordable housing, including the number and types of families served, the number of extremely low-income, low-income, moderate-income, and middle-income persons served.

	One-Year Goal	Actual
Number of Homeless households to be provided affordable housing units	0	0
Number of Non-Homeless households to be provided affordable housing units	38	0
Number of Special-Needs households to be provided affordable housing units	0	0
Total	38	0

Table 11 – Number of Households

	One-Year Goal	Actual
Number of households supported through Rental Assistance	33	0
Number of households supported through The Production of New Units	0	0
Number of households supported through Rehab of Existing Units	3	0
Number of households supported through Acquisition of Existing Units	2	0
Total	38	0

Table 12 – Number of Households Supported

Discuss the difference between goals and outcomes and problems encountered in meeting these goals.

During 2024 Annual Action Plan reporting, CDBG public services, acquisition with rehab projects, and homeowner rehab projects were documented under Section AP-55 “Affordable Housing” goals. This is incorrect as this section only reports on HOME funded projects. HOME funded projects have no completed projects to report during 2024-25 Program Year. The Housing Division continues to support and fund the completion of the 156-unit affordable housing project River Canyon Apartments (formerly

the Devonwood Apartments). Once this project is complete and occupied, accomplishments will be documented in the corresponding year's CAPER.

Discuss how these outcomes will impact future annual action plans.

The City continues to encourage the development of housing units for households earning 30 percent or less of the Median Family Income for Merced County. When possible, specific emphasis will be placed on the provision of family housing and non-traditional housing types such as single-resident occupancies, transitional facilities, and housing units serving temporary needs. The City will encourage development of housing for extremely low-income households through a variety of activities such as outreach to nonprofit and for-profit housing developers, land donations, providing in-kind technical assistance for housing developers, financing and funding assistance, fee deferrals, and expedited processing as appropriate. The City's objective shall be to encourage and facilitate construction of supportive housing units for extremely low-income housing units.

Include the number of extremely low-income, low-income, and moderate-income persons served by each activity where information on income by family size is required to determine the eligibility of the activity.

Number of Households Served	CDBG Actual	HOME Actual
Extremely Low-income	2,693	0
Low-income	356	0
Moderate-income	246	0
Total	3,295	0

Table 13 – Number of Households Served

Narrative Information

CDBG funds were used for activities benefitting low- to moderate-income persons and were in compliance with certifications that require no less than 70% of CDBG funding during the specified period on activities that benefit individuals and households in those income groups.

During the 2024 program year, approximately 99.38% of CDBG funding was directed towards LMI households and persons.

Additionally, included in the Attachments is the PR23 reports for both CDBG and HOME, which reflect matrix code/project categories, accomplishment type, beneficiaries by income category, including census data for persons, and number of household units.

Not reflected in this table are CDBG & HOME projects still underway, CDBG activities that benefit residents living in HUD Eligible Low/Mod Census Tracts of the City, all CDBG-CV project activity

(business/microenterprise assistance and rental/mortgage/utility assistance), Continuum of Care support, and fair housing services.

Additional 2024 Low-Mod Accomplishments - CDBG Public Services

- Harvest Time (Food Distribution): 3,068 total people assisted, which includes 2628 Extremely Low (0-30% AMI); 305 Low-Mod (31-50% AMI); 114 Moderate (51-80% AMI); and 22 Non-Low Moderate (81% and above AMI) - overall 99% LMI residents assisted
- Project Sentinel (Tenant/Landlord Counseling): 191 total people assisted, which includes 38 Extremely Low (0-30% AMI); 42 Low-Mod (31-50% AMI); 110 Moderate (51-80% AMI); - overall 42% LMI residents assisted
- Sierra Saving Grace (Emergency Subsistence): 36 total people assisted, which includes 27 Extremely Low (0-30% AMI); 9 Low-Mod (31-50% AMI); - overall 100% LMI residents assisted

Other Low-Mod Accomplishments - CDBG-CV (total to date)

- Salvation Army (rental/mortgage/utility) – overall 29 people: 14 Extremely Low (0-30% AMI); 15 Low-mod (31-50% AMI); 0 Moderate (51-80%); 0 Non-Low Moderate (81-100% AMI); - 100% LMI residents assisted

CR-25 - Homeless and Other Special Needs 91.220(d, e); 91.320(d, e); 91.520(c)

Evaluate the jurisdiction's progress in meeting its specific objectives for reducing and ending homelessness through:

Reaching out to homeless persons (especially unsheltered persons) and assessing their individual needs

The City closely follows the vision of the Merced City and County Continuum of Care (CoC) to aid in preventing and ending homelessness. The City is able to assist in this mission by providing funding for the Point-in Time Count, which is a critical and required project yearly. The City is also committed to funding non-profit organizations (CDBG-funded Public Service activities) to reach out directly to homeless and special needs individuals in need of these services.

Among others, the following standout positive outcomes helped to direct resources towards homeless programs and activities:

- The Sierra Saving Grace Homeless Project 2-unit acquisition with rehabilitation project is near completion and will house formerly homeless families who will also receive supportive services including case management. Demographic data will be reported in the 2025 CAPER.
- A total of 36 individuals in 15 households received emergency rental, mortgage, or utility payment assistance through Sierra Saving Grace's CDBG assistance program to prevent homelessness (non-COVID).
- The City of Merced provided the City and County Continuum of Care Collaborative Applicant (Merced County Human Services Agency) planning activities funding support in strategizing homeless support and prevention programs within the City Limits, for sheltered and unsheltered individuals.
- Harvest Time continued to provide meals to homeless individuals throughout the program year through a collaboration with Merced Rescue Mission.

The CoC advertises the Coordinated Entry (CE) process in ways that include: 1) leaving business cards of outreach workers; 2) leaving flyers that describe the process and include contact information; 3) leaving information at service sites; 4) leaving information at public locations; 5) educating mainstream service providers; 6) presence at events that attract homeless persons; 7) through the B Street Navigation Center; 8) via the 2-1-1 help line; and, 9) through meal programs at centers and parks.

Addressing the emergency shelter and transitional housing needs of homeless persons

The City of Merced participates in the Merced City and County Continuum of Care which is linked to a wide range of public & private agencies working together to address emergency and transitional housing needs of homeless persons. Each year, the Continuum of Care produces a Housing Inventory Count Report (HIC). As of December 2024, the HIC reported the following bed/emergency shelter options

were available in the Merced City & County CoC area:

- Emergency Shelter Beds available (includes centers/motel vouchers/bridge housing): 352
- Transitional Housing Beds: 114
- Permanent Supportive Housing: 40
- Rapid Re-Housing: 326
- Emergency Housing Vouchers: 68

Please note: “bed” relates to the number of beds and units available on the night designated for the count by program type, and include beds dedicated to serve persons who are homeless as well as persons in Permanent Supportive Housing.

This past year, the City of Merced collaborated with the following organizations to provide immediate shelter to chronically homeless individuals or individuals at-risk of becoming homeless:

- Sierra Saving Grace - Emergency rental, mortgage, and utility payment assistance
- Merced County - CoC Collaborative Applicant for homelessness strategies
- A Healthy House within a Match Coalition - Homelessness prevention/case management for seniors; rental assistance
- Project Sentinel - Tenant/landlord mediation services

Helping low-income individuals and families avoid becoming homeless, especially extremely low-income individuals and families and those who are: likely to become homeless after 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); and, receiving assistance from public or private agencies that address housing, health, social services, employment, education, or youth needs

In partnership with the Merced City and County Continuum of Care, the Merced County Rescue Mission operates a Respite Care program that focuses on helping homeless persons discharged from local hospital and healthcare facilities. The Respite Care program offers such persons a safe and supportive environment, as well as meals and oversight of medical treatment, while helping them explore long-term housing options through case management.

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 collaborative partnership to strategize assistance to homeless persons and to prevent homelessness in the City exists as the Merced City and County Continuum of Care, and includes includes:

- Focusing more intensely on chronically homeless individuals and families through street outreach and engagement into areas and encampments where chronically homeless persons are known to live;
- Engaging chronically homeless households through the Coordinated Entry System, to help link them to the appropriate permanent supportive housing provider and level of supportive services;
- Increasing resources to provide bridge housing for chronically homeless households who need a short-term stay while awaiting permanent housing availability that includes low-barrier shelter and vouchered stays in motels;
- Connecting chronically homeless households to mainstream resources, including Medi-Cal and behavioral health services while awaiting PSH placement;
- Connecting chronically homeless households to community resources such as food, transportation, money management, housing counseling services, etc., to ensure they maintain their housing; and,
- Emphasizing a consumer-driven mindset that is choice-based.

The Coordinated Entry System (CES) plays a critical role in providing the right intervention for each homeless family to effectively house them within 30 days. CES helps families avoid entering shelters by offering assistance to help them remain in their housing or live with friends and families for a short period of time in order to gain time to move into permanent housing. If emergency shelter is needed, rapid rehousing assistance and supportive services are provided to help ensure a stay of no more than 30 days. Services are provided within a housing first and low-barrier environment. Assistance is flexible, so that families with lower barriers receive modest financial assistance and those with higher barriers receive moderate assistance.

The Continuum of Care has also developed more effective coordination between prevention efforts and mainstream benefits and programs.

Merced County Regional Homeless Plan

In 2019, the City and County began work on a Regional Homeless Plan that would bring coordination of jurisdictions county-wide to address concerns associated with homelessness and the homeless population. Meetings between regional leaders to potential fruition of the concept, with CA Governor Gavin Newsom's willingness to support regional solutions for homelessness in the State budget pivoted this effort. The County's conceptual plan also includes the County's Continuum of Care program and business owners within the County. The County Regional Homeless Plan includes a housing-first concept that increases low-barrier temporary and permanent housing.

CR-30 - Public Housing 91.220(h); 91.320(j)

Actions taken to address the needs of public housing

The Housing Authority of Merced County (HAMC) is the public housing agency serving those needs within the City of Merced. HAMC is independent of the City of Merced, and the City retains no control or decision-making over its funding, voucher programs, or implementation of programs. HAMC owns and manages 182 public housing units, where low-moderate income families and individuals are provided rental assistance to occupy. The City does not own any public housing.

The City of Merced continues to work closely with non-profit organizations who, in association, work closely with HAMC to provide assistance to low-income families in the development of housing projects in Merced. In this connection, the City and HAMC each strive to address the public housing needs of the community, though our combined funds are insufficient to address the extent of the affordable housing crisis.

The Housing Authority provides and manages the Housing Choice Voucher program, formerly known as Section 8. Due to the lack of available units and the community's low vacancy rate, many voucher recipients still have trouble finding and securing housing.

The success of the HAMC assistance within the City of Merced continues to hinge on the shortage of available units, and the lack of affordable, decent housing is a major issue in Merced County as a whole. The HAMC has begun construction of 11 project-based small homes that will be designated as housing for elderly and/or disabled families.

The City is currently working with affordable housing developers to increase affordable housing stock. Current projects are:

- CC915 - Veterans Housing (73 South R Street): This State Homekey-funded project will include 20 VASH vouchers to house formerly homeless veterans.
- Up Holdings, Inc. - Mercy Village (3015 Park Avenue): Once constructed, this will be a 67-unit affordable housing complex that will include voucher assistance for special needs individuals.
- Partnership with Merced County Human Services Agency, Continuum of Care, and Coordinated Entry Systems: Set-aside vouchers for vulnerable populations in emergency housing situations.
- Visionary Home Builders – Bella Vista Apartments: This is a 108-unit affordable housing project that will offer Housing Authority-issued housing voucher support to farmworkers and low-income households.

Actions taken to encourage public housing residents to become more involved in management and participate in homeownership

The Housing Authority of Merced County (HAMC) created a Homeownership Program (HOP) for tenants

residing in public housing. The Homeownership Program was established to create a pathway for low-income families to purchase a home. Families are required to meet normal eligibility requirements for public housing and demonstrate the potential to achieve homeownership status. Prospective tenants are required to attend a variety of classes which include homeownership, credit counseling, home maintenance, etc.

The Housing Authority of Merced County (HAMC) encourages residents to participate in policy, procedure, and program implementation and development through its Board, particularly focusing on self-sufficiency and enhancing the quality of one's own life. HAMC connects residents and participants to services, activities, and other organizations that promote that vision. There are community and network center partnerships for residents to utilize, including public computer centers. On the HAMC website, residents can locate relevant services and service providers in dedicated resident and resident services sections. Additionally, HAMC distributes information via webpage and mail-outs to participants about the status of its programs and residents for current and future participants, relevant news, information on training and employment opportunities, and other community resources available. Public housing residents also participate in the development of the HAMC five-year and annual plans. The HAMC distributes a survey to prioritize residents' needs and schedule short- and long-term improvements.

Actions taken to provide assistance to troubled PHAs

It was noted in the HAMC 2024 Annual Plan that it was determined to be in troubled PHA status and a performance improvement plan was pending with HUD. However, during the review period with City of Merced on the CA023 5-Year & Annual PHA Plan FY 2025-draft, it was determined that HACM is now in Standard PHA status.

CR-35 - Other Actions 91.220(j)-(k); 91.320(i)-(j)

Actions taken to remove or ameliorate the negative effects of public policies that serve as barriers to affordable housing such as land use controls, tax policies affecting land, zoning ordinances, building codes, fees and charges, growth limitations, and policies affecting the return on residential investment. 91.220 (j); 91.320 (i)

In 2024, the City of Merced drafted its Multi-jurisdictional Housing Element for the years 2024-2032. This helped the City evaluate and reshape its vision and goals for providing housing opportunities. During this process, a number of factors were considered in mitigating barriers to affordable housing, such as:

- Residential Infill Study - compiled a list of vacant and developable land for residential development. This helped the City to conclude that there is still sufficient land designated for multifamily development for extremely low-, very low-, and low-income households.
- Streamlined building permit review process - allows the developer to submit specific house plans; or, in the case of multifamily development, develop specific building plans for review, then pull subsequent building permits with only a site plan and any other required documents for an expedited review (masterplans). This process is used within all zones in the city.
- Density Bonus Provision - encourages the use of the Density Bonus Zoning Ordinance provision to allow a 50% increase in number of units allowed in medium- and high-density land use zones dedicated exclusively for senior housing, if at least 50% of the units are affordable to very low-income households.
- Lot Split Process - encourages developers of affordable housing to consider subdividing large lots into smaller lots that may be more suitable for affordable housing. This process is done through staff-level approval with no public hearings before the City Council or Planning Commission. This expedited process takes approximately 3 weeks.

The Housing Program continues to service existing First Time Homebuyer Program (FTHB) loans funded by the previous-year HOME program funds, Neighborhood Stabilization Program (NSP) funds, and previous-year CalHome funds.

The City was awarded \$2.5 million of 2021 CalHome Program funding from the State of California Housing and Community Development (HCD) on April 19, 2022. This amount is split towards the following activities and amounts: 1) homeowner occupied rehabilitation - \$1,375,000; and 2) first time homebuyer for mortgage assistance - \$1,125,000. The City enlisted the partnership of Self-Help Enterprises for their expertise in both applying for and managing the programs post-award.

To date, five households have completed successful home purchase escrow closings using Calhome 21 funding under the First Time Homebuyer program. Homebuyer loan amounts ranged between \$95,000 to \$146,000 to use towards down payment, gap funding, and closing costs. Additionally, one Merced homeowner has successfully used the Homeowner Occupied Rehabilitation program in receiving

\$50,000 of assistance to complete necessary repairs of their home. The total amount of CalHome 2021 funds that have been expended between both programs is \$603,000.

In February 2020, the City received an award of State SB2 Planning Grant Program funds that funded planning activities directed at accelerating the production of new housing units in the City. These funds were directed towards several activities, including updating the Accessory Dwelling Units (ADU) Ordinance, developing pre-approved ADU and duplex plans to streamline permitting processes and encourage the construction of housing units by home and landowners, and to strategize use of permanent Local Housing Allocations (PLHA) funds towards activities that reduce the cost and policy barriers for residents.

Actions taken to address obstacles to meeting underserved needs. 91.220(k); 91.320(j)

The City of Merced Housing Division has partnered with the Merced County Human Services Agency as Collaborative Applicant to identify planning strategies that the Continuum of Care program can oversee within the City of Merced and County of Merced jurisdictional lines. Almost three-fourths of Merced County's homeless reside within the city limits. Through the Annual Plan, the City of Merced continues to provide CDBG planning activity funding to support staff and consultant costs of the Merced County Human Services Agency Collaborative Applicant homelessness planning role. Several positive activities identified by the Continuum of Care can be found throughout this document and past year performance reports.

In 2011, the City and County of Merced took a lead role in providing resources to the homeless in Merced and the County outlying areas and smaller communities by adopting the 10-Year Strategy to End Homelessness. The plan discussed the extent of homelessness in Merced County, recommended best practices, identified potential local resources, described solutions, and ultimately rendered area organizations eligible for federal Continuum of Care grant funding. The City intentionally supports and complements the goals of the County of Merced Community Regional Homeless Plan by striving to fund any of the following activities each year through public services and housing provider partnerships, as funding availability, non-profit organization capacity, and community need allows:

- Rental and utility assistance/homeless prevention
- Security deposit assistance/support for rapid re-housing programs
- Owner occupied rehabilitation
- Housing navigation services
- Homeless program operating cost support
- Health services
- Mental health services
- Legal aid services to homeless and low-income persons
- Services for victims of domestic violence
- Permanent supportive housing
- Employment training

- Programs to address barriers to employment, such as self-sufficiency skills and personal finance education
- Childcare services, including parenting skills classes
- Food bank operating costs
- Construction of affordable housing units
- Provide set-aside units within housing projects for homeless and special needs
- Fair housing services

As the Housing Division does not have the staff capacity to provide these services, the City relies heavily on existing and new non-profit organizations as subrecipients to carry out these activities.

Actions taken to reduce lead-based paint hazards. 91.220(k); 91.320(j)

Since a majority of housing units in the City of Merced were built before 1978, the City requires lead-based paint testing for all acquisition and rehabilitation projects. If lead-based paint is detected within the project area, the Housing Division requires that the problem is abated prior to the final reimbursement, closeout of the project, and occupancy of the unit. As required by Federal and State funding sources, housing rehabilitation programs must comply with the Residential Lead-Based Paint Hazard Reduction Act of 1992 (Title X) and subsequent changes made since its enactment.

As part of its procedures, the City requirements include:

- Notification of potential lead-based paint hazards
- Identification
- Treatment, if necessary

The City works with its Acquisition with Rehabilitation and Homeowner Occupied Rehab subrecipient partners to abate properties that are identified as potentially containing lead-based paint by requiring testing for every project. The practice of automatic testing for all relevant projects was fully implemented in the 2019 Annual Plan for all contracts and programs, no matter the age of the structure involved.

The 2024 Annual Plan continued a project with Habitat for Humanity of Merced/Stanislaus County (HHMSC) for the third year of a three-year homeowner occupied rehabilitation program. The program assists homeowners with abating properties of any lead paint hazards, as well as helping with needed repairs.

Actions taken to reduce the number of poverty-level families. 91.220(k); 91.320(j)

The City's anti-poverty strategy is based on funding and supporting a range of housing, employment, and family service opportunities aimed at enabling those in poverty to move into or increase their skills in the workforce. Also, the City, in cooperative efforts, continues important planning strategies with the

Continuum of Care and its partnering cities and non-profit agencies to identify resources available to reduce the number of persons living below the poverty level and address the needs of the community. We continue to encourage job and life skills training programs and the provision of connections to employment agencies.

For the last few program years, the City partnered with LifeLine CDC to deliver employment training and healthy, meaningful afterschool activities to poverty-level residents living in the Loughborough Area of Merced. This program has brought these neighborhoods together for clean up events and is able to assist adults members of households with workforce connections, employment training, sometimes healthy nutrition supplementation if needed, and personal finance management skills, as well as afterschool childcare for their little ones.

Additionally, City of Merced partnered with United Way using CDBG-CV funds to implement a workplace stabilization program which was implemented August 2021. This program provided assistance to microenterprise and small businesses responding to difficult economic effects of the Coronavirus pandemic. This program allowed businesses to retain jobs, retain or rehire LMI persons, help prevent overall loss of the community's workforce, and help ensure the continuance, stability, and economic recovery of Merced's business community.

The City also hosted its first annual "Fall into Success" Job Fair in October 2024, which connects City of Merced residents to a wide variety of companies in the area.

Actions taken to develop institutional structure. 91.220(k); 91.320(j)

The City continues to support and encourage institution-wide - even interagency - cooperation and partnership with developers, non-profit organizations, and other organizations through the provision of financial and/or technical assistance in working towards the shared goal of providing affordable housing opportunities to extremely low-, very-low, low- and moderate-income households. As we continue these relationships, we are constantly evaluating and striving to improve their effectiveness when addressing the community's housing issues. The City continues to find ways to provide support by way of multi-agency partnerships, technical assistance, funding support, expedited permit processing, fee deferrals, land write-downs, and incentives and concessions that meet or exceed State density bonus law as appropriate.

The Housing Division resolves to be diligent and thorough in the approach to working with developers, monitoring the progress of projects at all stages, and remaining compliant with HUD rules, laws, and authorities. The Division is deep into the process of drafting environmental, monitoring, and other policies and procedures in an effort to remain compliant with HUD requirements. The completed draft policies and procedures will need to receive City Council final approval and adoption.

The Housing Division also continues to work with the all City departments, particularly Code Enforcement, Police/Fire, and Inspection Services, to identify substandard housing and encourage the

owners to contact the Housing Division. If the homeowner is living in a non-compliant residence, Housing staff will contact its current partners, such as Habitat for Humanity, to see if the homeowner is eligible for the Homeowner Rehabilitation Program. If the property owner is not living on-site and would like to sell the substandard unit, Housing staff will assist the property owner in connecting with local non-profit organizations who may be interested in purchasing the unit, thereby transforming the unit from market rate to affordable housing. Whether by homeowner rehab or acquisition and rehab, these measures to identify and improve these units in this way also stabilizes the neighborhoods in which they are located and improves the lives of the residents in them.

Lastly, the City continues to encourage the creation of housing units for households earning 30% or less of Median Family Income, with emphasis on housing for families, single-occupant units, transitional facilities, and housing units serving temporary needs.

Actions taken to enhance coordination between public and private housing and social service agencies. 91.220(k); 91.320(j)

The City actively collaborates and provides CDBG funding to the Continuum of Care (CoC) in planning for the fight against homelessness, joining other governmental agencies, service providers, and community members in sharing information on existing programs, identifying areas for improvement in the coordination of services, and exchanging knowledge of best practices to better understand and address the community's needs as a whole. The Continuum of Care holds quarterly board meetings to provide a platform for agencies to coordinate services and exchange information. Board Members of the Continuum of Care include public housing authorities, service providers, community stakeholders, and people who have experienced homelessness themselves. These meetings are held to address unmet needs and ensure that resources are leveraged and not duplicated.

The Merced County Human Services Agency became the Collaborative Applicant in 2017 and still oversees the CoC. A staff member is designated to serve on the Board as a liaison between the department and homeless clients and service providers who may be experiencing barriers in receiving assistance. The County has had a significant presence in the Project Homeless Connect events held each year pre-COVID-19. At these events, the needs of at-risk individuals and people experiencing homelessness were assessed on-the-spot to get them connected to services immediately. These linkages increased the community's efforts to avoid discharge into homelessness, as well as to serve the existing homeless population.

In addition to the actions listed above, the City will continue to try to enhance coordination and work with the Housing Authority of Merced County, housing and service providers, and faith-based organizations to identify services, housing, and other needs. Other agencies that we will continue to collaborate with include the Central Valley Coalition for Affordable Housing and Habitat for Humanity Merced/Stanslaus Counties. These and other such relationships are extremely important in providing safe, affordable housing to residents in need.

Identify actions taken to overcome the effects of any impediments identified in the jurisdictions analysis of impediments to fair housing choice. 91.520(a)

Insufficient supply of affordable rental housing:

The City of Merced has identified the provision of affordable housing as a high priority in nearly all policy documents and reports involving topics surrounding the City's housing supply, and it is a need expressed continually and vocally by the residents of our community. The City continually works to be able to provide these crucial housing units.

While the City is not a direct provider of affordable housing, it does assist developers and non-profit organizations with affordable housing funding and National Environmental Policy Act (NEPA) Part 58 "Responsible Entity" support. The City is currently working with several affordable housing developers on projects that will further alleviate the impediments to housing choice that the affordable housing crisis continues to present.

Whenever possible, the City funds acquisition and rehabilitation of existing affordable rental units in collaboration with non-profit organizations and leverages other City monies to assist with financing new construction.

As a result of feedback from the public regarding the City's ordinances and policies that may be unintentionally causing barriers to housing construction and affordability, staff and City Council have proactively looked for ways to increase the number of affordable units, whether by creating workable, custom-fit policies unique to Merced, adjusting fee schedules to encourage the construction of affordable units either directly by developers or via a Council-appropriated Housing Opportunity Fund, by seeking funding opportunities and creative subsidy layering strategies, or a combination of these.

Unfair Lending Practices:

Residents who will be taking advantage of First Time Homebuyer Program through 2021 CalHome funding will receive homebuyer education training. These classes give residents the knowledge they need to help them recognize any unfair lending practices in their future home purchase transactions.

Fair Housing Education Efforts

Fair Housing Services are provided by Project Sentinel, Inc. During PY2024, Project Sentinel served - through Intake and Referral services - a total of 22 people and 8 households. Over the course of the year, they outreached to another 78 city residents through direct outreach and opened four fair housing case investigations (goal of 8 cases). Additionally, Project Sentinel distributed a total of 854 pieces of educational materials, which includes both mailers and brochures, such as those distributed to and available from the Housing Division. Project Sentinel staff also attended Continuum of Care meetings this year and updated their website to streamline how tenants can access fair housing resources

(website address: <https://www.housing.org/resources>). City Housing staff is committed to furthering those efforts throughout the remainder of this Consolidated Plan period, and possibly into ensuing years.

The City of Merced Housing Division has a dedicated Fair Housing Resources and Services webpage on its own website, providing multi-language downloadable resources to foreign-born, non-English speaking residents, families with children, and veterans, among others, and provides the website and direct contact information for Project Sentinel, to better connect residents who need assistance.

CR-40 - Monitoring 91.220 and 91.230

Describe the standards and procedures used to monitor activities carried out in furtherance of the plan and used to ensure long-term compliance with requirements of the programs involved, including minority business outreach and the comprehensive planning requirements

The City is currently deeply into the process of developing a comprehensive multi-topic Policy & Procedures manual that will include HUD-provided guidelines and policies regarding monitoring standards, compliance, and program requirements. The City expects to have this complete during program year 2025-26.

The Housing Division is responsible for oversight and monitoring all of the yearly public service and long term rental housing projects for both the CDBG and HOME-assisted projects through their various periods of affordability, as well as servicing the Division's housing loan portfolio.

The Division performs desk reviews as subrecipient reimbursement requests are submitted, and staff continues to communicate with each subrecipient by email, online meetings, and telephone calls as much as possible, to ensure programs remain compliant.

There were no problems with public service programs that needed mitigation as a result of these monitoring efforts.

Multi-Family Housing Program Monitoring

City Housing staff are required by HUD regulation to conduct site visits and audits annually to multi-family housing projects during the period of affordability to review record keeping, upkeep of facility, and ensure that tenant income eligibility requirements are being maintained.

If discrepancies are found, the manager or authorized agent will be informed during the on-site visit, provided a formal letter, and provided 30-days to correct any findings and/or work with staff for a reasonable timeline in achieving compliance for those items. Once compliance has been achieved, the manager or agent receives a clearance letter from the City. The City Council is informed of any unresolved problems during the budget process.

Before each monitoring, the City allows each manager or agent reasonable time to prepare for the monitoring.

Single-Family Housing Program Monitoring Single family, duplex, triplex, or quadplex homes

rehabilitated or purchased with CDBG and/or HOME funds for use as rental properties for moderate to low-income families should be monitored regularly, if not annually, by City staff. The owner is provided a letter requesting information and income verification of the current renters.

Given a small staff, City of Merced Housing visitations to all sites in one program year is not possible. Instead, staff should ensure that project sites are visited on a rotating yearly schedule. If discrepancies are found, the subrecipient and/or on-site manager will be informed during the in person visit, provided a formal letter, and provided 30-days to correct the problem; and/or work with staff for a reasonable timeline.

Public Service/Other Activity Monitoring

Although no written procedures are in place as yet, the City has established a history of monitoring procedures for monitoring of public service program subrecipients to ensure compliance with all CDBG and HOME activity requirements, income eligibility, and national objectives. Those procedures include written contracts and invoicing before funds are distributed; mandatory pre-application workshops with applicants and new subrecipients to ensure an understanding of reporting requirements; clear timelines for measured success; reporting forms that include hours, task, client demographic information, and income range; and, clear provision of information on HUD's cost and other principles. Reporting of demographics and other data points are required with each invoice, and year-end evaluations are required.

All subrecipients should normally receive one on-site visit during the program year.

For CDBG/HOME funded construction or rehabilitation projects, Minority Business Enterprise (MBE) requirements are monitored and reporting MBE certifications were obtained and maintained on file and submitted to HUD.

Citizen Participation Plan 91.105(d); 91.115(d)

Describe the efforts to provide citizens with reasonable notice and an opportunity to comment on performance reports.

The Housing Division held a public meeting on August 7, 2025, from 5:30-7:30 p.m. in the Sam Pipes Room in the Merced Civic Center, 678 W. 18th Street, Merced. At the meeting, accomplishment and expenditure information was provided about programs that had been completed during the year. One member of the public attended.

A 15-day Public Review and Comment Period was held from August 11 to August 25, 2025. The Housing Division received 0 comments on the CAPER during the public comment period.

Public Notices were published in the Merced County Times on July 31, 2025, and the Merced Sun Star on July 27, 2025. The notices invited residents to the public meeting and notified the public about the Public Review and Comment Period, including how to review the draft report and how to submit comment.

****This section will be completed after Council approval of the CAPER on September 15, 2025****

CR-45 - CDBG 91.520(c)

Specify the nature of, and reasons for, any changes in the jurisdiction's program objectives and indications of how the jurisdiction would change its programs as a result of its experiences.

During the 2024 Program Year, the fifth year of the Consolidated Plan, the City of Merced City Council approved Substantial Amendment #3 to the 2019 Annual Action Plan and Substantial Amendment #1 to the 2024 Annual Action Plan.

The overall purpose of both amendments was to shift excess CDBG and CDBG-CV funding to the 2023 program year K/13th Street/Hwy Water-Sewer Main & ADA Improvement project. In doing so, both plans created a new project within their respective project lists that added supplemental funding to the 2023 project.

All CDBG-CV funding must be spent by September 4, 2026. Specifically, the 2019 Annual Plan substantial amendment shifted the focus of the remaining COVID-19 funding from "Response" projects to prevention and planning activities - to prepare for the next pandemic, whenever that occurs.

While the 2019 Substantial Amendment is still pending submission to HUD while waiting for a final drawdown of prior project funding, the 2024 Annual Plan substantial amendment was acknowledged by HUD. The infrastructure project will move forward pending HUD acknowledgment of the 2019 amendment and an executed Interdepartmental MOU between the Housing Division and the Engineering Department to finalize the scope of work, budget, and division of responsibilities.

Does this Jurisdiction have any open Brownfields Economic Development Initiative (BEDI) grants?

No

[BEDI grantees] Describe accomplishments and program outcomes during the last year.

CR-50 - HOME 24 CFR 91.520(d)

Include the results of on-site inspections of affordable rental housing assisted under the program to determine compliance with housing codes and other applicable regulations

Please list those projects that should have been inspected on-site this program year based upon the schedule in 24 CFR §92.504(d). Indicate which of these were inspected and a summary of issues that were detected during the inspection. For those that were not inspected, please indicate the reason and how you will remedy the situation.

Single-Family Housing Program Monitoring

Homes rehabilitated or purchased with HOME funds for use as rental properties for moderate- to low-income families are normally monitored annually by Housing staff. The owner is provided a letter requesting information and income verification of the renter.

Given staffing constraints, City of Merced Housing Division monitoring visitations to all sites is not possible; instead, staff ensures that a minimum of one or two sites is visited. If discrepancies are found, the subrecipient and/or on-site manager will be informed during the on-site tour, provided a formal letter, and provided 30-days to correct the problem; and/or work with staff for a reasonable timeline.

Rental projects with 1-4 total units in the project are required to have an onsite monitoring visit every three years. Currently there are 18 single family units that are on the rotation to be monitored once every three years.

The Housing Division has worked very closely during PY 2024-25 with a consultant on developing a monitoring plan. The monitoring policies & procedures have not yet been formally adopted by City Council. Once this plan has been approved, it will be implemented during PY 2025-26. Thereafter, results of monitoring will be reported here beginning in the next CAPER.

Multi-Family Housing Program Monitoring

The City is required to monitor multi-family housing subrecipients to review record keeping, the upkeep of facilities, and to ensure eligibility requirements are being maintained. A City building inspector is part of this tour, and if discrepancies are found, the subrecipient is informed during the on-site tour, provided a formal letter, and provided 30-days to correct the finding and/or work with staff for a reasonable timeline.

Annual audits are required by these subrecipients for their programs. If discrepancies in this area are found, the subrecipient is informed immediately, and a formal letter is mailed. The subrecipient is given 30 days to correct the problem or provide a timeline for correction. The City will work with the organization to ensure the requirements are understood and that compliance is attained. Once compliance has been achieved, the subrecipient receives a clearance letter from the City. The City

Council is informed of any unresolved problems during the budget process.

These same procedures will be followed with non-housing subrecipients.

Multi-family Housing to be Monitored every 3 years

- Gateway Terrace Apartments
- 1113 W. 2nd Street
- Willowbrook Apartments I/II
- The Retreat Apartments
- Childs Avenue Apartments
- Sunnyview Apartments
- The Grove Apartments
- Woodbridge Apartments (Currently monitored on behalf of City of Merced by RSG, Inc.)
- River Canyon Apartments (formerly Devonwood Apartments -to be completed during PY 2025)

Continued (1)

Inspections and Property Standards for Projects Using HOME funds
The inspection schedule in 24 CFR 92.504(d) notes that inspections are required at two different stages of a project; at project completion, and during the period of affordability, to determine that the project meets the property standards contained in 24 CFR 92.251. These required Property Standards include specific requirements for new construction projects, rehabilitation projects, acquisition of standard/existing housing, occupied housing by tenants receiving HOME tenant-based rental assistance, manufactured housing, and ongoing property condition standards for rental housing.
New Construction Projects: Section 92.251
Property Standards for new construction projects require that, first, the project meet State and Local codes, ordinances, and zoning requirements. Second, all new construction projects must also meet: 1) accessibility requirements contained in 24 CFR Section 8 (Nondiscrimination Based on Handicap in Federally Assisted Programs and Activities), 2) any disaster mitigations, 3) written cost estimates and construction contracts/documents, 4) progress and final construction inspections, and 5) requirements for the provision of broadband infrastructure.
The Devonwood Apartments affordable housing project is expected to finish construction approximately October 2025 and likely will not be fully occupied until early Spring 2026.
Acquisition of Standard/Existing Housing and Rehabilitation Projects: Section 92.251
Property Standards for rehabilitation projects have specific standards that require health and safety or life-threatening deficiencies be addressed immediately if the unit is occupied, and that major systems, such as roofing and plumbing, be addressed in rehab activities. Lead based paint, accessibility, state and local codes, and broadband infrastructure requirement for projects involving more than four units.
The City of Merced has used HOME funds in past owner-occupied rehab projects. The last such project was in 2016 in partnership with Habitat for Humanity Merced/Stanslaus Counties with their Brush for Kindness program. Existing standard housing units that are acquired with HOME funds for rental housing and units that were built within a year before the commitment of funds must meet the new construction and rehabilitation standards.
The City of Merced typically utilizes CDBG funding for its

Acquisition with Rehabilitation projects. However, the City has used some HOME funds to supplement the use of CDBG funding in past years. The City generally follows the Section 92.251 acquisition and rehab property standards in CDBG assisted projects, with lead-based paint, health and safety, and accessibility being the first and most important focus of rehab activities. There were no HOME-funded acquisition with rehab or homeowner-occupied rehab projects planned or funded during the 2024 program year. Tenant-Based Rental Assistance and Manufactured Housing The City of Merced has not used HOME funds for tenant based rental assistance or manufactured housing. Ongoing Property Condition Standards for Rental Housing The City of Merced is in the process of extensively updating its Monitoring Policies and Procedures to include inspection checklists, property standards requirements, and a rotating monitoring schedule for the rental housing projects that have recently completed and are due for inspections. These Policies and Procedures are currently in draft form and will be taken to City Council for formal approval and adoption. Housing Division expects to have inspection results to report in the 2025 CAPER.

Provide an assessment of the jurisdiction's affirmative marketing actions for HOME units. 24 CFR 91.520(e) and 24 CFR 92.351(a)

The City of Merced continues to follow the Affirmative Marketing Policy as outlined in the Consolidated Plan and monitors compliance with the Policy by the City and participating property owners on an annual basis.

The City of Merced Housing Division is responsible for implementing the Affirmative Marketing Policy and evaluating its effectiveness concurrently with the HOME Program:

- The Housing Division shall inform the public about the Affirmative Marketing Policy through handouts and application forms, periodic advertisements in general circulation newspapers, and regularly scheduled public meetings.
- The City shall, at times, display informational posters in the Merced City Hall Lobby, which is open to the public. All graphic presentations concerning the HOME Program shall display the HUD Equal Housing Opportunity logo or slogan.
- The owners of buildings selected for rehabilitation shall likewise be informed about the City's Affirmative Marketing Policy at the time that an application is submitted to the Housing Division.
- The City shall also provide tenants and rental property owners with copies of the "Landlord-Tenant Fact Sheet" produced by the State Department of Consumer Affairs.
- The City shall continue its practice of providing general information and telephone reference numbers to persons contacting the Housing Division with questions regarding affirmative marketing, federal fair housing, tenant's rights, assisted housing, and correction of substandard conditions in tenant-occupied dwellings.

This year, the City continued the services of the Fair Housing Services provider (Project Sentinel) for all Merced residents. Services provided include: outreach activities, collaboration with Merced City and County Continuum of Care, provided residents educational materials, and attended community

events. Project Sentinel also met their annual goal of opening 8 total cases for Fair Housing disputes.

Refer to IDIS reports to describe the amount and use of program income for projects, including the number of projects and owner and tenant characteristics

The City received \$101,882.31 in program income during the 2024/25 program year. The City used 100% of program income received towards the affordable housing development River Canyon Apartments (Formerly Devonwood). The city expended a total of \$2,304,495.53 in program income during 2024/25 towards the affordable housing development River Canyon Apartments. Below is a representation of the total program income drawn during 2024/25 broken down by year the program income was received

- 2016-\$202,059.11
- 2020-\$66,715.89
- 2020-\$1,652,504.57
- 2021-\$353,138.44
- 2021-\$30,077.52

Total Drawn in FY 2024-2025 \$2,304,495.53

Describe other actions taken to foster and maintain affordable housing. 24 CFR 91.220(k) (STATES ONLY: Including the coordination of LIHTC with the development of affordable housing). 24 CFR 91.320(j)

The HOME program objectives continue with promoting, maintaining, and providing affordable housing by working with affordable housing developers and nonprofit organizations.

In April 2021, the City published an open RFQ (Request for Qualifications) to continuously recruit affordable housing developers as potential partners for both current and future affordable housing projects. The RFQ attracted several affordable housing developers, whom in 2024 we continued working with on several viable future and progressing projects in the City of Merced. This RFQ list will continue to be utilized for the foreseeable future.

During the 2024 program year, the City and Habitat for Humanity Merced/Stanislaus Counties continued the CDBG-funded homeowner occupied program, and Housing staff are currently preparing NEPA documents to continue utilizing these funds. Once cleared, 1 applicant will be moving forward with a forgivable loan through the homeowner occupied program.

Sierra Saving Grace completed rehab work on 2 properties purchased with 2024 CDBG funds. Final building inspection is pending. Sierra Saving Grace expects to have these units occupied in the very near future.

Finally, a 156-unit affordable housing project, River Canyon Apartments (Formerly known as Devonwood Apartments) broke ground in May 2024, and is near completion. Completion is expected to be somewhere near October 2025.

CR-58 – Section 3

Identify the number of individuals assisted and the types of assistance provided

Total Labor Hours	CDBG	HOME	ESG	HOPWA	HTF
Total Number of Activities	0	0	0	0	0
Total Labor Hours	0				
Total Section 3 Worker Hours	0				
Total Targeted Section 3 Worker Hours	0				

Table 14 – Total Labor Hours

Qualitative Efforts - Number of Activities by Program	CDBG	HOME	ESG	HOPWA	HTF
Outreach efforts to generate job applicants who are Public Housing Targeted Workers					
Outreach efforts to generate job applicants who are Other Funding Targeted Workers.					
Direct, on-the job training (including apprenticeships).					
Indirect training such as arranging for, contracting for, or paying tuition for, off-site training.					
Technical assistance to help Section 3 workers compete for jobs (e.g., resume assistance, coaching).					
Outreach efforts to identify and secure bids from Section 3 business concerns.					
Technical assistance to help Section 3 business concerns understand and bid on contracts.					
Division of contracts into smaller jobs to facilitate participation by Section 3 business concerns.					
Provided or connected residents with assistance in seeking employment including: drafting resumes, preparing for interviews, finding job opportunities, connecting residents to job placement services.	1				
Held one or more job fairs.	1				
Provided or connected residents with supportive services that can provide direct services or referrals.	1				
Provided or connected residents with supportive services that provide one or more of the following: work readiness health screenings, interview clothing, uniforms, test fees, transportation.					
Assisted residents with finding child care.	1				
Assisted residents to apply for, or attend community college or a four year educational institution.					
Assisted residents to apply for, or attend vocational/technical training.					
Assisted residents to obtain financial literacy training and/or coaching.	1				
Bonding assistance, guaranties, or other efforts to support viable bids from Section 3 business concerns.					
Provided or connected residents with training on computer use or online technologies.	1				
Promoting the use of a business registry designed to create opportunities for disadvantaged and small businesses.					
Outreach, engagement, or referrals with the state one-stop system, as designed in Section 121(e)(2) of the Workforce Innovation and Opportunity Act.					

Other.					
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Table 15 – Qualitative Efforts - Number of Activities by Program

Narrative

Section 3 is a provision of the Housing and Urban Development Act of 1968, since amended and expanded, for the purpose of ensuring that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing federal, state, and local laws and regulations, be directed to low- and very low-income persons, particularly those who are recipients of governmental assistance for housing and to business concerns which provide economic opportunities to low- and very low-income persons. The HUD Act of 1968 was enacted as a result of civil unrest in the 1960's, to which nationwide high unemployment was a contributing cause.

Training or employment opportunities resulting from public housing development or operating assistance including administration, management, clerical support, and construction, as well as those that arise in connection to a HUD-funded housing rehabilitation, housing construction, or other public construction project that exceeds \$200,000, are subject to compliance with Section 3. Additionally, contracting opportunities arising from public housing and other Section 3 projects are required to be given to business concerns that provide economic opportunities to low- and very-low persons.

The Final Rule to the Section 3 regulations took effect on November 30, 2020, and creates more effective incentives for employers to retain and invest in their targeted workers, streamline reporting by aligning them with typical business practices, provide for program-specific oversight, and clarify the obligations of entities covered by Section 3. This Final Rule requires certain benchmarks to be met, which are updated by the Secretary of HUD every three years. An update was published on October 5, 2023, that issued no changes to the prior benchmarks.

The 2024 program year is the fourth year of CAPER reporting required by the Section 3 Final Rule. As an entitlement jurisdiction that receives annual formula grants of CDBG and HOME and special allocations such as CDBG-CV and HOME-ARP funding, the City of Merced is required to comply with Section 3 regulations. The current benchmarks are:

- 25 percent of all labor hours must be performed by a Section 3 worker; and,
- 5 percent of labor hours must be performed by Targeted Section 3 workers

Sierra Saving Grace is near completion of an acquisition with rehabilitation project that met the threshold as a Section 3 project, since the rehab portion of the project was over \$200,000. This project is not yet completed. The Housing Division is currently working with Sierra Saving Grace to gather total labor hours, Section 3 hours, and targeted Section 3 hours information. These will be reported in the 2025 CAPER.

If the City had not been able to meet the above benchmarks in this or in any year for any qualifying project, Qualitative Effort reporting using the above table would have been necessary. Section 3 requirements do not apply to public service projects, since public services do not include housing rehab, construction, or other public construction activities. Therefore, public service projects typically would not be included on the table.

However, through CDBG funding and the City's Economic Development department, programs and events were offered that satisfies some Section 3 Qualitative Efforts such as:

- The City's Economic Development division started an annual "Fall into Success: Merced Job Fair" that connects City of Merced residents with local employers.
- Lifeline CDC/CDBG offered the Loughborough neighborhood a workforce training, outreach, afterschool care program.