



ADMINISTRATIVE REPORT

File #: 25-279

Meeting Date: 4/21/2025

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SUBJECT: Report on Introduction of Program Year 2025 Project Funding Scoring Results and Recommendations for the U.S. Department of Housing and Urban Development (HUD) 2025 Annual Action Plan; and Update Regarding the Expected 2025 HUD Allocation Announcement

REPORT IN BRIEF

Introduces the list of funding request applications received for the coming 2025 program year, explanation of project scoring procedures implemented to align with HUD's subrecipient management guidelines, and results of 2025 program year scoring; and provides a brief update regarding the expected timeline for the 2025 CDBG and HOME annual allocation announcement.

RECOMMENDATION

Provide comment, if any, on staff recommendations regarding the anticipated projects and proposed distribution of public service program funding for the 2025 Program Year.

ALTERNATIVES

No Council motion or Approval is necessary for this item.

AUTHORITY

Per Title 24 of the Code of Federal Regulations Section 91, local government jurisdictions that receive Community Development Block Grant (CDBG) and Home Investment Partnership Program (HOME) funding involve citizens in the development of the Consolidated Plan, Annual Action Plan, Consolidated Annual Performance and Evaluation Report (CAPER), and any substantial amendments; the adopted City of Merced HUD Citizen Participation Plan (CPP); and, the Charter of the City of Merced, Section 405, 409, and 411, et seq.

CITY COUNCIL PRIORITIES

As provided for in the 2024-25 adopted budget, the draft 2025-26 budget, and the 2024-25 Council Priorities covering Quality of Life, Economic Development, Public Safety, and Community Investment.

DISCUSSION

On February 18, 2025, the City Council held the first of two planned public hearings in conjunction with the preparation of the 2025-2029 Consolidated Plan (Con Plan) and 2025 Annual Action Plan (both plans are contained in one document).

At the public hearing, a preliminary draft of the Con Plan was introduced, as well as the draft goals

and objectives that had been tentatively determined as a result of all the needs assessment efforts that had been completed. Housing staff has since been working on refining and clarifying these goals further, to enable a wider range of eligible projects to be considered for funding through the next five-year period.

Also at the February 18 hearing, Housing Division staff explained that, because the annual funding request was still ongoing and applications were not due until later that week, a preliminary list of 2025 projects was not available at that time. Since, the applications that were received have been thoroughly evaluated, screened, and scored against a comprehensive checklist of requirements and risk analysis considerations, including ensuring that each proposed project, once completed, would meet one of the three required CDBG National Objectives, as well as meet eligible activity requirements, organizational capacity, past performance, financial management, timely completion, and other consideration factors that can affect the efficient and compliant completion of projects each year.

Additionally, the February hearing was too early to be able to provide any expected timeline with regards to the announcements by HUD of the annual CDBG and HOME allocations.

Project Funding Application and Implemented Scoring Process

The application period for 2025 project funding requests was held the month of January through February 21, 2025, during the Notice of Funding Opportunity (NOFO) process, which included two workshops that provided important information for interested non-profit organizations to understand and follow, should they choose to apply.

Since the application deadline, Housing staff has thoroughly reviewed each application to ensure that each potential project included costs and activities that are eligible under HUD's current CDBG and HOME regulations and would meet one of the high priority community needs and Goal and Objective categories that will be included in the final five-year Consolidated Plan.

In an ongoing effort to improve overall compliance to HUD's recommended risk analysis model on project selection and subrecipient oversight, CDBG regulations, and best practices recommendations for effective and efficient grant management, this year, Housing staff has implemented an application scoring system, taken directly from HUD's recommended templates, that rates the check-listed areas of Project Eligibility, Program Design, Implementation and Management, Experience and Past Performance, and Project Budget and Financial Capacity. As applications were scored, consideration was also given to the current staffing size of the Housing Division and the associated time that can realistically be dedicated to implementing multiple subrecipient projects, as well as risk analysis and consideration of known or apparent deficiencies that would potentially take additional time to correct.

Once individually scored, applications were ranked on a simple A through D grade scale, with "F" scores of 59.9% and below cut from consideration due to not meeting the passing score of 60% and above.

One application did not meet the minimum score, one application was incomplete, and two potential non-public service projects from the same organization, while both having merit, are conceptual in

nature and not yet ready to move forward this year.

The results of the application and scoring process is provided at Attachment 1.

Projects Recommended for Funding

The following projects are recommended to move forward to the final 2025 Annual Action Plan project list:

Funding Source: CDBG

Public Service projects:

1. Project Sentinel - Tenant and landlord dispute counseling

The January 2023 storms brought an awareness that there is a need in our community for an agency that serves as a mediator between tenants and their landlords to settle disputes and provide educational resources about the rights and responsibilities of their respective sides. While HUD requires the City of Merced to provide fair housing services, which provides tenants and landlords protections under federal Fair Housing laws - protecting against discrimination in the sale, rental, or financing of housing based on race, religion, national origin, gender, disability, and family status - these services cease at the point where it is determined that there has not been a violation of those protections. Project Sentinel responded to this need for the 2023 and 2024 program year. For 2025, Project Sentinel has applied to provide tenant and landlord counseling services to City of Merced residents, initially requesting \$50,000. This amount may need to be reduced if the CDBG allocation is too low to support it.

2. Harvest Time - Food box/homeless lunch distribution

This organization provides prepared lunches and food box distributions to the homeless and low-moderate income residents via a partnership with the Merced Rescue Mission and through its drive-thru food box distribution warehouse located on the property of the Calvary Assembly of God Church. To continue providing consistent, dependable distributions to the community, funding is requested to cover staffing, gas/electric utility, insurance, and mileage costs to collect food donations and purchases. Providing this dependable food source to families is an indirect way of preventing chronic or at-risk homelessness, as it offsets these basic living costs, making more of a family's income available to pay rent or mortgage. Harvest Time has initially requested \$75,820 for this program for 2025. This amount may need to be reduced if the CDBG allocation is too low to support it.

3. Dr. Jennifer Jones Foundation - Rent-utility assistance/mental-health-substance abuse services

The Dr. Jennifer Jones Foundation has applied for federal CDBG funding for the first time and is requesting financial assistance to expand their current "Legacy Project," which includes Enhanced Care Management and Community Support Services to Medi-Cal recipients through a partnership with Central California Alliance for Health, to include additional short-term rental and utility assistance resources and rapid re-housing funding, including rental security deposits. However, some aspects of a traditional rapid re-housing, such as medium-term rental assistance and/or voucher assistance, are

not eligible uses of CDBG funds. CDBG can assist with other requested costs, such as staffing for case coordination, purchase of equipment, telephone utilities, and purchase of a vehicle as a capital expenditure for exclusive use in the program. The Dr. Jennifer Jones Foundation has initially requested \$450,000 in their application, which far exceeds what will be available. Housing Division staff will work with the organization to pare down the budget to specific items of cost that are eligible and necessary for the goal of service expansion. This year, no other organization has applied for CDBG funding to provide short-term rental/utility assistance.

4. Love Never Fails/Bay Valley Foundation - Employment training

During the community needs assessment process for the development of the Consolidated Plan, economic development needs such as job training, business building, and job creation or retention were repeated, both in its own category as well as the overall greatest needs in the community (ranked 2nd greatest need). While general job training is not categorized by HUD as “economic development” in their regulation-based matrix of eligible activities, employment training in certain fields of work without being tied to a particular company or position can be accomplished as a public service program. Love Never Fails, Inc., a 501(c)(3) public charity organization, in collaboration with Bay Valley Foundation (the non-profit arm of Bay Valley Tech, or BVT) has requested \$120,000 to hold a series of three free 6-hour AI (Artificial Intelligence) Tools workshops, with the goal to improve participants’ employability and to support area entrepreneurs. Participants will acquire hands-on experience through BVT’s AI Tools training program, which will include learning in the following areas: marketing strategy, website/app design, project management, social media content, and app development. With \$120,000, approximately 60 residents can be trained - however, this amount will take a large bulk of the public service funding that will be available. As such, Housing Division staff is working with Love Never Fails to pare down the budget to eligible costs, which may reduce the number of beneficiaries.

Public Facility/Infrastructure projects:

No applications were received for CDBG-assisted housing projects (such as acquisition with rehab or homeowner-occupied rehab), resulting in the expectation that enough CDBG funding will be available to fund most or all of elements of the Joe Herb Park ADA Accessibility project that was included in the “alternative CDBG project list” presented to Council during the substantial amendment process for the 2024 Annual Plan (current year).

The Joe Herb Park ADA project was ranked as highest priority by the Parks and Community Services Director during those discussions. Housing staff is working with the Director to develop the scope of this project to match the potential 2025 available funding that may be available.

Another potential public improvement project may be the Applegate Park ADA project - however, more funding is needed from another source to complete it. To meet HUD timeliness requirements, project choice from year to year should take into consideration the ability to implement the project and expend the funds quickly.

Funding Source: HOME Housing projects:

The Housing Division did not receive project funding applications for any HOME-assisted housing projects that are ready to move forward. Therefore, available HOME funds will be placed in a 2025 Annual Plan project that pre-designates the use of the HOME funds towards affordable rental housing, rental or homeowner rehabilitation of existing units, and/or acquisition of land for new construction of affordable rental housing.

HOME funding from the 2024 (previous) program year was set aside in a similar way and is still available. HOME regulations give the City up to four years to commit (sign a contract) for each year of HOME funds that are allocated.

Options are available to find a qualified and beneficial use of the funding. Staff could begin discussions with previous housing developer partners for a new project or can republish the City's previous and successful (and still open) Request for Qualifications (RFQ) that enables staff to keep a "portfolio" of qualified affordable housing developers on hand for times when funding is available.

Funding Source: CDBG and HOME Administrative Funds
Administrative Projects and Activities:

1. Fair Housing Services: Project Sentinel, Inc.

Project Sentinel proposes to continue providing a fair housing services program to the City with a requested \$33,206.84 of available administrative funding, which the Housing Division will again budget out of its 10% HOME administrative funding cap (up to 10% of the 2025 HOME allocation). Project Sentinel provides comprehensive services of civil rights enforcement (audits and complaint-based investigations), community outreach, trainings to housing providers, and education to residents. Education and outreach activities inform community members of their fair housing rights and responsibilities and are provided throughout rental and homeownership processes and are available to home seekers, in-place residents, and housing providers. Provision of services helps create and maintain equitable, healthy communities and will assist the City in meeting its obligations to affirmatively further fair housing.

2. Merced City and County Continuum of Care - Merced County Human Services Agency

The Merced County Human Services Agency acts as the "Collaborative Applicant" (legal entity) for the Merced City and County Continuum of Care (CoC) and provides administrative support to the CoC board. The CoC holds monthly meetings to create and strategize funding to address homelessness in the City and County jurisdictions. This includes enlisting staff and consulting services to accomplish annual data collecting, which is used to inform these decisions and strategies. Data is collected through the annual Point In Time (PIT) count, the Housing Inventory Count (HIC), and grant monitoring. \$38,000 of CDBG administrative funds will be made available to the Human Services Agency to support the City/County cooperative effort to reduce and eliminate homelessness within the City of Merced and County areas.

3. City of Merced Housing Division

Typically, the City of Merced Housing Division staff and overhead has been funded exclusively by the cap percentages allowed by the CDBG (20% cap) and HOME (10% cap) grant funds. Additional revenue has come in the form of Activity Delivery Cost (ADC) percentages that have been added to housing, rehab, and infrastructure projects, pooled, then charged to all admin costs. However, a financial management monitoring from HUD in August 2024 revealed that the City has been calculating and charging these ADC costs incorrectly. Since then, Housing staff has sought HUD technical assistance (TA, or one-on-one training by a consultant assigned by the HUD regional office) and have recently begun to meet with the TA provider. As a result, the Housing Division will make some changes to ADC budgeting beginning with the pending Consolidated Plan and the 2025 Annual Action Plan.

One of these changes involves the ability to charge ADC to the hours that Housing staff typically spends on implementing and overseeing public services (PS) projects through to completion, in partnership with the awarded non-profit organizations. An informal audit of the last two years of Housing staff timesheets shows that the total tracked PS-related hours average to approximately 15% of the total amount of Public Service funding that was available that year. This time was previously charged only to the 20% General Admin cap, as the understanding was that staff could not charge ADC to PS projects. While the division may not see a net increase, this correction will help broaden the scope of funding that is available to the Housing Division throughout the year, with the drawback that it reduces the amount of public services funding that could be allocated to non-profit organizations, since all PS costs must keep within the 15% Cap that is a regulatory requirement of the funding (15% PS Cap = 15% of the total of CDBG allocation + prior year program income). Housing staff ADC costs will be budgeted against each individual PS project, as deemed appropriate to the number of hours that is anticipated to be spent on them. Some subrecipient projects require more hands-on Housing staff hours than others to implement and oversee through to completion for various reasons.

Attachment 2 provides the estimated budget for the 2025 program year, including all estimated amounts to be used for administrative and ADC costs. Until the 2025 HUD allocations are announced, all amounts are estimated at this time.

2025 HUD CDBG and HOME Allocation Announcement and Con Plan/Annual Plan due date

With the U.S. Congress's Fiscal Year 2025 Continuing Appropriation and Extensions Act signed into law on March 15, 2025, which carries the current budget levels through the end of September 2025, it is estimated that the 2025 CDBG and HOME allocations may be announced by HUD in early- to mid-May 2025 (Congress gives HUD 60 days to calculate and announce the nationwide allocations).

After allocations are announced, according to HUD guidance issued in January, the City's Consolidated Plan and First Year (2025) Annual Action Plan should be submitted to HUD for approval within 60 days from the allocation date. This would place the submittal deadline in early- to mid-July 2025. The regulatory deadline (submit it or lose it) deadline is August 15th of each year.

The Housing Division recently published a new Public Notice which sets a new/extended Public Review and Comment Period for the final draft of the Con Plan/Annual Plan to be posted for comment from April 23 to May 23, 2025. This coincides well with the expected allocation

announcement and submission timeline. A final public hearing is tentatively targeted for the Council meeting of June 16, 2025.

Pending the mid-May allocation announcement, the preliminary 2025 Annual Action Plan budget, calculated on estimated allocation amounts, is included at Attachment 2.

IMPACT ON CITY RESOURCES

No budget or appropriation action is needed at this time.

Funding for the 2025 Annual Action Plan is represented in the concurrent development of the 2025-26 Housing Division budget in the overall City budget for the upcoming City fiscal year. At this time, the 2025 Annual Plan budget is being prepared with best estimates based on the most recent years' allocations and the current advisement of the City's assigned HUD CPD Representative.

Once announced, all estimated figures will be adjusted based on the contingency provisions currently being developed for the final draft plan that will be posted to the public for a 30-day review period scheduled for April 23 through May 23, 2025.

ATTACHMENTS

1. Funding Application Scoring Results
2. Preliminary 2025 CDBG and HOME budget (estimates)

City of Merced Housing Division

PY2025 Project Scoring Results

Organization Name	Project Name	Funding/Category	Score	Status	Rank	Amount Requested
CDBG						
Applications recommended for funding in PY2025:						
Project Sentinel	Tenant/landlord counseling	CDBG – Public Service 05K - TLL Counseling	85.5%	Accepted Advance to award	1	\$50,000
Harvest Time	Food 4 You	CDBG – Public Service 05W - Food bank/distribution	84.9%	Accepted Advance to award	2	\$75,820
Dr. Jennifer Jones Foundation	Legacy Fund	CDBG – Public Service 05Z – Multiple services	65.9%	Accepted Advance to award	3	\$450,000
Love Never Fails	Bay Valley	CDBG – Public Service 05H – Employment Training	65.5%	Accepted Advance to award	4	\$120,000
Applications not recommended for funding in PY2025:						
Symple Equazion	Symple Soul	CDBG - Public Service	52.7%	Accepted 60% minimum score not met	N/A	\$59,315.52
Mercy Culture Assembly of God	“Splash Pad”	CDBG - Recreation Facility	35%	Accepted Project not ready to fund during PY2025	N/A	\$100,000
Chance Dobbins Sr. Charity	Club 6-7	CDBG – Public Service	N/A	Rejected Incomplete Application	N/A	\$100,000
HOME						
Applications recommended for funding in PY2025:						
None						
Applications not recommended for funding in PY2025:						
Mercy Culture Assembly of God	Affordable Housing	HOME (New construction SFD/duplex housing)	48%	Accepted Project not ready to fund during PY2025	N/A	\$500,000

2025 Annual Plan Project Applications & Preliminary Budget (Estimated)

Funding Source: CDBG

Available Resource:		Amount of Resource =		Total Estimated CDBG Available =	
HUD CDBG Allocation <i>(estimated)</i>		\$ 1,000,000.00		\$ 1,130,593.00 <i>(cents rounded down)</i>	
Estimated 2025 Program Income		\$ 108,000.00			
Prior Year Carryover <i>(as of 4/4/2025)</i>		\$ 22,593.69			
Organization/Agency	Description	HUD Project Type	REQUESTED	Initial Estimated Recommendation	
Public Service Activities	Maximum Available for Public Services = \$175,706 (rounded estimate) Calculation = CDBG Allocation (estimated) \$1,000,000 + unallocated prior year program income \$171,376.26 (as of 3/25/25) x 15%				
Project Sentinel, Inc	Tenant/landlord counseling service for city residents	05K/Tenant Landlord Counseling	\$ 50,000	\$ 31,451	
Harvest Time	Food distribution to LMI/homeless	05W/Food Bank/Distribution	\$ 75,820	\$ 40,000	
Dr. Jennifer Jones Foundation	Short term emergency rental/utility assistance; security deposits; mental/health/substance abuse services; employment training	05Z/Multiple Services	\$ 450,000	\$ 37,900	
Love Never Fails	Workshops for employment training in tech industry	05H/Employment Training	\$ 120,000	\$ 40,000	
Housing Division	Eligible costs of implementing all public Services activities (Activity Delivery)	All public services (est. 15%)	N/A	\$ 26,355	
Total public service funding (proposed/recommended):			\$ 695,820	\$ 175,706	
PUBLIC SERVICES 15% CAP (estimated as of 4/4/25):			- \$ 175,706	- \$ 175,706	
Over/under public service cap:			\$ 520,114	0	
Housing & Infrastructure Activities	Maximum available = \$ 733,287 (rounded estimate)				
(Tentative) Joe Herb Park ADA Improvements	Includes installation of a new ADA accessible bathroom and upgrade of existing; repaving of buckled walkways; installation of ADA ramps where needed	03B/Facilities for Persons with Disabilities		\$ 698,370	
Housing Division	Activity Delivery Costs (estimated 5%)	03B/Facilities for Persons with Disabilities		\$ 34,917	
Total Housing & Infrastructure ADC & Project Costs – CDBG:			\$ 733,287		
Administrative Activities	Maximum available for CDBG administrative activities = \$221,600 (rounded estimate) Calculation = CDBG Allocation (estimated) \$1,000,000 + Estimated 2025 Program Income \$108,000 x 20%				
Housing Division	Direct Administration costs	Admin	\$ 72,800	\$ 72,800	
Housing Division	Indirect Administration costs	Admin	\$ 110,800	\$ 110,800	
Merced County HSA	Continuum of Care	Admin	\$ 38,000	\$38,000	
Total Admin Projects - CDBG:			\$ 221,600		
TOTAL - CDBG:			\$ 1,130,593		

2025 Annual Plan Project Applications & Preliminary Budget (Estimated)

Funding Source: HOME

Available Resource:		Amount of Resource =		Total Estimated HOME Available =	
HUD HOME Allocation <i>(estimated)</i>		\$ 450,000.00		\$ 1,728,701.00 <i>(cents rounded down)</i>	
Estimated 2025 Program Income		\$ 60,000.00			
Prior Year Carryover <i>(as of 4/4/2025)</i>		\$ 1,218,701.87			
Organization/Agency	Description	Project Type	Project Costs (Estimated)	Activity Delivery (Estimated)	Initial Estimated Recommendation
Housing Activities	Maximum Available for Housing Activities = \$1,683,701 (rounded estimate)				
Certified Community Housing Development Organization (CVCAH)	Required CHDO 15% Reserves (2023: \$85,980; 2024: \$67,585)	Eligible Single-/Multi-family rental rehab or new affordable rental housing projects	\$ 67,500	\$ 2,025 <i>(3% of project cost)</i>	\$ 69,525
To Be Determined	TBD project for new rental housing construction, rehab of existing rental units, and/or acquisition of property for rental housing	Multi-family affordable rental housing	\$ 1,582,527	\$ 31,649 <i>(2% of project cost)</i>	\$ 1,614,176
Total Housing ADC & Project Costs – HOME:			\$ 1,650,027	\$ 33,674	\$ 1,683,701
Administrative Activities	Maximum available for HOME administrative activities = \$ 45,000 (rounded estimate) Calculation = HOME Allocation (estimated) \$450,000 x 20%				
Project Sentinel, Inc	Fair Housing Services for city residents	Admin Fair Housing	\$ 33,207	N/A	\$ 33,207
Housing Division	Direct Administration costs	Admin	\$ 11,793	N/A	\$ 11,793
Total Admin Projects - HOME:					\$ 45,000
TOTAL - HOME:					\$ 1,728,701