



ADMINISTRATIVE REPORT

File #: 22-243

Meeting Date: 4/4/2022

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SUBJECT: Public Hearing - Introduction and Preliminary Review of Proposed Expenditures of Community Development Block Grant and Home Investment Partnership Program Funds for Fiscal Year 2022-2023, to be Included in the Draft U.S Department of Housing and Urban Development (HUD) 2022 Annual Action Plan; and Receipt of Public Comment During the Public Hearing

REPORT IN BRIEF

Introduction and Review of Preliminary Program Year 2022 proposed Public Service project funding and other expenditures of Federal funding for inclusion in the Draft HUD 2022 Annual Action Plan; and Public Hearing to provide the Public an opportunity to comment.

RECOMMENDATION

City Council -

- A. Conduct a Public Hearing to receive public comment regarding the anticipated funding, projects, focused community needs, and proposed distribution of Federal funding to be included in the Draft of the 2022 Annual Action Plan; and,
- B. Discuss and provide comment, if any, on staff recommendations regarding the anticipated funding, projects, focused community needs, and proposed distribution of Federal funding to be included in the Draft of the 2022 Annual Action Plan; and,
- C. Discuss and provide additional direction regarding potential prioritization of requested Public Service project funding using Community Development Block Grant Program Year/Fiscal Year 2022-2023, in the event the City's 2022 Community Development Block Grant allocation is lower than anticipated.

ALTERNATIVES

No Council Motion or Approval is necessary for this Public Hearing.

AUTHORITY

HUD requires, per Title 24 of the Code of Federal Regulations Section 91, that participating local government jurisdictions involve citizens in the development of the Annual Action Plan and any subsequent substantial amendments; the City of Merced Housing Division Citizen Participation Plan

(Amended); and, the Charter of the City of Merced, Section 405, 409, and 411 et seq.

CITY COUNCIL PRIORITIES

As provided for in the 2021-22 Adopted Budget; and both 2021-22 and 2022-23 Council Priorities under Housing and Homelessness.

DISCUSSION

Staff is requesting that Council hold a Public Hearing to receive public comment regarding the expected funding, preliminary project funding, and proposed distribution and expenditure of Federal funds, which includes the City of Merced's 2022 Community Development Block Grant (CDBG) and Home Investment Partnership Program (HOME) anticipated grant allocations, as well as projects funded from reallocated prior-year CDBG and HOME carryover and program income funding.

Additionally, staff is requesting comments from the City Council regarding the same above items, as well as requesting "contingency" direction on prioritization of CDBG Public Service project funding, in the event HUD's allocation to the City of CDBG funds is less than anticipated.

The Housing Division has successfully implemented projects approved with the First-Year 2020 and Second Year 2021 Annual Action Plans that meet and carry out these goals and objectives. The 2022 Annual Action Plan will be the third year of the current ConPlan cycle, beginning July 1, 2022, to June 30, 2023 (the 2022 Program Year).

2022 HUD Allocations and Total Funds Available

As of the writing of this report, HUD has not yet announced the nationwide 2022 allocations of CDBG and HOME program funding - this is later than usual, as allocations are typically announced in February each year. Therefore, for now, budgeting of all 2022 CDBG and HOME grant funding is estimated.

Based on recent allocations and the upward trend observed over the last three years, Housing Division staff anticipates receiving the same or slightly more than last year's allocations (\$1,132,674 CDBG and \$548,734 HOME). A total of \$90,000 in CDBG program income is expected by the end of the 2022 program year, with \$66,000 of HOME program income expected.

Last year's Annual Action Plan set aside \$1,743,030 of CDBG for public infrastructure projects that, due to other high-priority Engineering/Public Works projects, were not implemented. Therefore, there is a large amount of carryover CDBG funds that must either be re-implemented for public facilities/infrastructure projects in 2022-23 or re-allocated to other eligible CDBG activities, such as, but not limited to, rental housing rehabilitation, acquisition of real property for a public purpose, clearance/demolition, or a combination of these (CDBG funds cannot be used for new housing construction). Because of the continuing pandemic-related impacts to jurisdictions, HUD has allowed Grantees leniency on "Timeliness" penalties through the end of the 2022-23 program year - therefore, the City will not be penalized for having more than 1.5% of its 2021-22 CDBG allocation on its normal timeliness deadline of May 1, 2022.

Additionally, a large amount of HOME funding that was targeted towards affordable housing projects for the 2021 Program Year was not formally committed to projects, so those funds still remain as carryover funds for the same purpose. With conditional commitment letters recently approved by Council, those funds are getting closer to being formally committed and spent.

In summary, the total estimated/anticipated available funding for the 2022-23 Program Year, including anticipated activity delivery costs (ADC), is \$6,741,551, which comprises of \$2,832,364 of CDBG and \$3,909,187 of HOME funding.

2022 Annual Action Plan

Community Service Organization and Resident Community Needs Input Process:

A Notice of Funding Availability (NOFA) was published in the Merced Sun-Star and Merced County Times on January 6, 2022, notifying the public and community organizations of the availability of project funding and inviting proposals during the application period held from December 30, 2021, to February 25, 2022. Letters were also mailed directly to over 120 community organizations and interested groups inviting proposals.

The NOFA notice was two-fold - inviting both residents and community service organizations to attend one of three in-person, socially distanced/masked community input/information meetings that were held on January 24, January 27, and January 28, 2022. Additionally, a quarter-page ad in multiple languages (English, Spanish, and Hmong) was placed in both newspapers requesting the public's input in two ways - by attendance at the meetings and/or by submitting their input through an online community needs survey. Two of these meetings were broadcast live on Microsoft Teams, with meeting links posted on the City's website and social media. Staff was able to answer several questions asked live through the Teams software. In total, nine organizations and three residents attended the in-person meetings with several other residents attending through Teams, and 141 residents responded through the online community needs survey. Survey responses were also solicited through the February utility bill newsletter and through multiple social media posts in multiple languages. The in-person meetings were held in the first-floor Sam Pipes Room at City Hall, a large, ADA-accessible room and facility where social distancing was possible during the Coronavirus surge the Merced area was experiencing at that time.

As a result of the NOFA process, Housing staff received seven (7) project funding applications, and two are pending receipt (Merced City and County Continuum of Care and Project Sentinel, Inc. - both non-competitive yearly administratively funded projects). The proposed projects are discussed further below.

2022 Community Needs Survey - Preliminary Results

The results of the online Community Needs Survey are still being evaluated by Housing staff in detail, but thus far, responses remain closely consistent with the ConPlan's assessed community needs from 2020, with the top three needs by category listed below:

- **Housing needs:** 1) Decent, safe, affordable housing; 2) building new rental apartments for low-

- to moderate-income (LMI) households; and 3) repairing homes owned by LMI homeowners
- Public Service needs: 1) services for people with special needs (including elderly, domestic violence victims, and disabled); 2) service for people who are homeless; and 3) after school programs and childcare for children/youth under 13 years of age
- Neighborhood Improvement needs: 1) building/improving neighborhood infrastructure (including streetscapes, water/sewer lines, sidewalks/crosswalks); 2) eliminating environmental hazards (litter/dumped items, vacant/dilapidated buildings, and overgrown lots); and 3) upgrading parks and recreation facilities
- Economic Development needs: 1) projects that increase jobs; 2) business development financing for LMI business owners; and 3) financing for job training programs

The above results will be helpful in the Council's prioritization of public service program funding, in the event CDBG (and therefore public service) funding is less than expected, and it is worthwhile to note that program proposals/funding requests submitted during the NOFA process and that are listed further will address a majority of the needs above.

Additionally, it should be especially noted that over 40% of survey respondents, in combination, reported that they have experienced a difficulty paying rent/mortgage and utilities and have had to make difficult trade-off decisions between essential expenses like food, utilities, or transportation in order to meet their housing payment. For this reason, additional emphasis and consideration should continue to be placed on programs that assist with these four essentials.

2022 Project Funding - Preliminary

Public Service Projects:

Per CDBG regulations, the City can use a maximum 15% of the sum of its CDBG allocation and prior -year program income totals towards public service projects (Public Service Cap), which includes supportive services for homeless, youth, disabled, elderly, and LMI families and individuals. As such, the estimated total that may be available for public services activities is approximately \$193,164. Total funds requested for Public Service projects is \$182,788.

Listed below are descriptions of the Public Service project funding applications received from area community service organizations for the 2022 program year. Staff has done an initial assessment of each project to determine that each meets HUD's requirements for basic eligible activities and one of three National Objectives (to benefit LMI individuals, eliminate slum/blight, or address particular urgencies).

Regarding past Council requests for first-time homebuyer (FTHB) counseling or classes that would be available for all residents city-wide, upon further research and consultation with HUD over income eligibility concerns, staff has determined that these classes likely could not be guaranteed to meet HUD's CDBG requirement that the activity meet one of the three National Objectives (being that at least 51% of attendees must be LMI). HOME requirements are even stricter, requiring 100% of attendees to be LMI individuals. On the contrary, if this type of education is included or coordinated as part of a FTHB assistance lending program that strictly limits FTHB assistance to LMI households, such as through State CalHome funding, risk of not meeting the income threshold requirements for

the classes would be abated.

The sum of the requested project funding amounts for 2022 may potentially be over the 15% Public Service Cap if HUD's CDBG allocation is less than expected. As such, Housing staff requests Council's direction as to handling of public service funding awards in that event, such as reducing each proposal by an equal percentage, or by prioritizing by community need, in order to maintain compliance with the Public Service Cap limitation.

1. Organization: Sierra Saving Grace Homeless Project
Program: Emergency Assistance Program
Requested: \$30,000 (CDBG)
Program Description: Sierra Saving Grace requests funding to provide short-term/one-time rental, mortgage, utility and security deposit assistance to homeless and low-income households at risk of homelessness. Payments will be made to the landlords, mortgage holders, or electric/gas utility company on behalf of the tenant/homeowner. Goal of the program is to prevent homelessness and enable safe, healthy living environments for residents.
2. Organization: Alliance for Community Transformations - (ACT - Valley Crisis Center)
Program: Housing Navigation for Survivors of Violence
Requested: \$42,616 (CDBG)
Program Description: Valley Crisis Center is an existing emergency shelter for individuals impacted by domestic violence, sexual assault, and human trafficking. ACT requests 2022-23 funding to support a new, part-time "Housing Navigator" staff person and direct supervisory costs, to provide eligible clients with case management services focused on client housing needs and elimination of housing barriers, and the provision of educational workshops, eligible transportation, and assistance for one-time costs associated with obtaining housing. The program will also network with local housing partners.
3. Organization: Harvest Time
Program: Food 4 You
Requested: \$54,442 (CDBG)
Program Description: This organization provides food distribution to the homeless and low-income residents by on-site delivery to homeless encampments and from drive-by pickup at the church site of Calvary Assembly of God, respectively. Harvest Time requests funding for direct staff costs, gas/electric utility and liability insurance costs for the program's food storage warehouse on the church site, and assistance with mileage costs for delivery of food to the encampments that are within the city limits.
4. Organization: Boys and Girls Club of Merced County *
Program: Journey Upward Merced Program (JUMP)
Requested: \$55,730 (CDBG)
Program Description: The Boys and Girls Club requests funding to expand and target their existing Power Hour and Career Launch programs towards low- to moderate-income families by: 1) providing youth enrichment programs after school and during school breaks to LMI youth, and, 2) preparing youth for the workforce through literacy, character development, self-

sufficiency, life skills, and career and college exploration. Transportation will be provided from schools to the center to allow more LMI youth to participate who otherwise miss out due to a lack of transportation.

** Staff is coordinating with Parks and Recreation staff regarding other City funding commitments and sources regarding these and same/similar activities, to ensure there is no supplanting of funds and duplication of funding activities.*

Housing Projects:

Total CDBG funds requested for Housing projects is \$2,136,200. Total HOME funds requested for housing projects is \$3,377,762. Activity Delivery Cost revenue generated from these housing projects is discussed in the Administrative funding section further below.

1. Organization: Fuller Center for Housing of Merced County (FCHMC)
Program: Development Fee Assistance for HSA Affordable Housing
Requested: \$45,000 (HOME)
Program Description: funding support is requested to assist with eligible soft costs for new construction of affordable housing, which can include costs for preparation of architectural or engineering plans and drawings, title, appraisal, and recording fees, and building permit and impact fees, towards the development of four Housing Successor Agency (HSA) In-Fill Properties (sites 6-9: 1744 I Street, 49 W 18th Street, 150 W 19th Street, and 26 W 18th Street) that the applicant will be acquiring from the HSA and incurring costs for as they develop each site (note: formerly Habitat for Humanity of Merced County)

2. Organization: Central Valley Coalition for Affordable Housing
Program: Community Housing Development Organization (CHDO) project(s)
Requested: \$85,000 (estimated - minimum 15% of HOME allocation) - HOME-CHDO
Program Description: project to be determined -- the City is required to set aside at least 15% of the annual HOME allocation for CHDO projects. If no other CHDO organization is certified during the 2022 program year, these funds will be allocated to Central Valley Coalition for Affordable Housing, the City's current/only CHDO.

3. Organization: Habitat for Humanity of Stanislaus County (HFHSC)
Program: A Brush With Kindness
Requested (2022): \$150,000 (CDBG) - total of \$450,000/three years
Program Description: owner-occupied rehabilitation of single-family homes owned and occupied by LMI homeowners, to improve and preserve privately-owned homes and assist the homeowner with necessary, costly repairs that will allow the home to remain safe to occupy, including lead testing and remediation, roof repair/replacement, HVAC updates, energy efficient windows, and plumbing repairs. HFHSC requests a three-year contract through the end of the current ConPlan period (FY 22-23, FY 23-24, and FY 24-25) with a total request of \$450,000. Initial contract will be funded with available 2022 CDBG of \$150,000 to start the program, to be amended with additional funding when available/new funding to fulfill their total ask of \$450,000 over three years. A maximum of \$50,000 will be used per assisted residence, for a minimum total of nine (9) rehab projects over the three-year period. Housing staff will complete one "Tier One" NEPA environmental review for all three years prior to contract

execution, then a “Tier 2 - Site Specific” review as each homeowner is approved to the program.

4. Organization: Merced Rescue Mission (MRM)
Program: Hope for Families
Requested: \$400,000 (CDBG)
Program Description: acquire a 1- or 2- unit existing residence to repair/rehab, then rent to a formerly homeless or at-risk families with children. Case management and coordination of services is provided by the Merced Rescue Mission to ensure family is successful in finding work and permanent long-term housing.

5. Organization: Sierra Saving Grace Homeless Project (SSG)
Program: Supportive Homeless Project
Requested: \$1,586,200 (CDBG)
Program Description: SSG is seeking to expand their program from single-family to a multi-family project (more than four units). With requested funds, SSG will acquire an existing multi-unit rental housing site, repair/rehabilitate to current building codes, then rent to LMI individuals or families with supportive case management provided by Sierra Saving Grace, if needed. Benefits of program are 1) market-rate multi-family sites are converted to affordable housing, which addresses both the affordable rental housing unit shortage and homelessness; and 2) neighborhoods are improved by the rehabilitation of the units; 3) preserves housing, as units may need major repairs.

5. Organization: Upholdings (or, To Be Determined, if project financing can't be secured)
Program: 1213 - Studio 6 (Transitional, Permanent-Supportive Housing)
Requested: \$1,347,762 (HOME)
Program Description: funding will be set aside for this project while the project secures other financing. Proposed project would convert an existing two-story motel to 80 units of permanent supportive housing for special needs individuals. An Environmental Assessment under NEPA/HUD requirements is underway. HOME funds could be used towards acquisition or rehab/conversion of units.

6. Organization: Meta Housing Corp. (or, To Be Determined, if project financing can't be secured)
Program: Devonwood Village (Affordable Housing)
Requested: \$1,900,000 (HOME)
Program Description: funding will be set aside for this project while the project secures other financing. Proposed project would construct 156 multi-family affordable housing units within five three-story buildings and a one-story community building. An Environmental Assessment under NEPA/HUD requirements is underway. HOME funds would be used towards site acquisition.

7. Organization: Visionary Home Builders, Inc.
Program: Parsons Avenue Apartments
Requested: \$0 (CDBG or HOME - eligible costs only)
Program Description: in the event either CDBG or HOME funding becomes available during the 2022 Program Year, the 2022 Annual Action Plan will include as a planned project this 108-

unit affordable rental housing project, located at 1808 Parsons Avenue, in southeast Merced and Census Tract 17.00. Amenities planned for the five-building, three-story complex would include a community center/office building, a sports court, playground area, and associated parking in a gated community.

Infrastructure/Capital Improvement Projects

If additional CDBG funding becomes available during the 2022 program year, approximately \$80,000 is needed to supplement several park upgrade projects being planned by the Public Works Department where ADA improvements are needed, which can be funded with CDBG funds.

Those parks, all located in areas where HUD requires at least 51% of the residential households are of low- to moderate-income in order to use the funds for this purpose, are:

- Frederick Douglas Park (V & W. 8th Streets)
- Benjamin Tanager Park (T & W. 3rd Streets)
- The Love Veasley Family Park (Canal & W. 6th Streets)
- Parque de Los Angelitos - Little Angels Park (H & W. 11th Streets)
- 12th and G Street Park (E. 12th Street, between E and G Streets)

2022 Administrative/Other Funding

1. Organization: Self-Help Enterprises
Program: Administration of CalHome funded programs
Requested: \$12,000 (CDBG - Admin)
Program Description: In December 2021, with the assistance of Self-Help Enterprises, the City of Merced applied for \$2.5 million in State CalHome funding for a First Time Homebuyer Program and a Homeowner Rehab Program. Award announcements are expected to be announced at any time. If awarded, Self-Help Enterprises, Inc. will be administering both programs over the next three years with \$12,000 of CDBG Administrative funding each year.
2. Organization: Project Sentinel, Inc.
Program: Project Sentinel Fair Housing
Requested: \$30,000 (HOME - Admin)
Program Description: Providing Fair Housing services, education, and outreach to City of Merced residents. Project Sentinel provides comprehensive fair housing services of civil rights enforcement (audits and complaint-based investigations) and community outreach and education. Education and outreach activities inform community members of their fair housing rights and responsibilities. These services are provided throughout the rental and homeownership process and are available to home seekers, in-place residents, and housing providers. Provision of these services will help create and maintain healthy communities and will assist the City of Merced in meeting its obligations to affirmatively further fair housing. Project Sentinel proposes to emphasize education of general housing rights to low-income tenants and housing providers (property owners, managers, property management companies).

3. Organization: Merced County Human Services Agency
Program: Merced City and County Continuum of Care Collaborative Applicant
Requested: \$38,000 (CDBG - Admin)
Program Description: The purpose of the Collaborative Applicant is to act as the legal entity for the Merced City and County Continuum of Care Board and to provide administrative support. This includes completing the annual Grant Inventory Worksheet, CoC Application for funding, annual Homeless Count, HIC/PIT/AHAR reporting, grant monitoring, CoC meetings, ESG Grant Application, 10 Year Plan to End Homelessness, HEARTH Regulation Implantation, Coordinated Entry System, and apply for any new funding available for homeless services. CDBG administrative funds will support the Collaborative Applicant staff position for the CoC and the City/County cooperative effort to reduce and eliminate homelessness within the City and County of Merced.

4. Organization: City of Merced Housing Division
Program: Housing Program Administration - CDBG, HOME
Budget - all figures estimated at this time:

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|---|------------------|
| Housing Division - Direct Admin (CDBG): | \$ 72,011 |
| Housing Division - Direct Admin (HOME): | \$ 24,873 |
| Housing Division - Indirect Admin (CDBG): | <u>\$122,000</u> |
| Total Direct/Indirect Admin - CDBG and HOME: <u>\$218,884</u> | |

Projected Activity Delivery Cost (ADC) Revenue (from certain projects above):

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|---|------------------|
| ADC (CDBG): | \$258,989 |
| ADC (HOME): | <u>\$476,552</u> |
| Total ADC from projects - CDBG and HOME: <u>\$735,541</u> | |

5. Organization: Community Economic Development Corporation
Program: Non-Profit Organization Capacity Building (Other - Technical Assistance)
Requested: \$0 (CDBG)
Program Description: in the event more CDBG funding becomes available during the 2022 Program Year, and with Council’s recommendation, the 2022 Annual Action Plan will include as a planned project capacity building training for non-profit organizations, with specific details to be worked out in that event. During the RFQ process last spring (April/May 2021) to create a ready-list of housing related partners, the Development Services Department received a qualifications portfolio and proposal from Community Economic Development Corporation (CEDC) for provision of capacity building training to Community Development Corporations (CDCs) and Community Housing Development Organizations (CHDOs) to “increase the human, financial, and technical resources” of these organizations that construct, rehab, repair, and purchase affordable housing in the City. HUD allows CDBG funds to be used for activities specifically designed to increase the capacity of non-profit organizations to carry out specific CDBG-eligible neighborhood revitalization or economic development activities, including specialized training to the staff of the non-profit organizations that will be carrying out revitalization/economic development projects that meet a National Objective (general operational/admin costs not eligible). If CDBG funding becomes available, and at Council’s direction, staff will explore specific revitalization/ economic development projects and non-profit organizations that could receive such training and assist in such projects, potential amendments that may need to be made to the Consolidated Plan to include neighborhood

revitalization projects in the expected projects list, as well as any specific regulatory requirements and restrictions that HUD may have for these endeavors.

Fair Housing Requirements:

Title VIII of the Civil Rights Act of 1968 (Fair Housing Act) requires that the recipients of Federal funds from HUD, such as the City of Merced, are obligated to determine who of its citizens lacks access to opportunity and address any inequities among protected groups (due to race, color, national origin, religion, gender/gender identity, familial status, and disability), work to reduce segregation, and endeavor to provide greater opportunities to racially or ethnically concentrated areas of poverty.

To help the City meet these responsibilities, the City uses a portion of its administrative funding annually to partner with Project Sentinel, Inc. (listed above) to ensure that housing opportunities in the City are provided fairly and equally to those protected groups and all residents. Project Sentinel provides education to tenants, landlords, and community members about fair housing laws, investigates complaints, advocates for those who are experiencing housing discrimination, and provides tenant-landlord dispute resolution and mediation.

National Environmental Protection Act (NEPA) Requirements:

All federally-funded projects and their related activities, regardless of the level of potential environmental impact, undertaken using the City's allocations of CDBG, HOME, HOME-ARP, and CDBG-CV funds are subject to the provisions of the National Environmental Protection Act of 1969 as amended (NEPA), which established national policies, goals, and procedures for protecting, restoring, and enhancing environmental quality. In addition to NEPA requirements, projects are also subject to other Federal laws related to environmental conditions, as well as similar authorities at the state and local levels.

In meeting these environmental responsibilities, as part of the development of this Annual Action Plan, staff will ensure that the intended use of the City's HUD entitlements as explained in this report and the Draft Annual Action Plan, when approved, will be fully evaluated for compliance with NEPA and an environmental review completed prior to execution of grant agreements or other documents legally committing the City to fund the projects. For most projects, an environmental review (or HUD-accepted tiered review) will either be underway or be completed and filed prior to Council approval of the Annual Action Plan in May 2022.

Next Steps

While a full-text draft of the 2022 Annual Action Plan is not ready to present with this report, a First Draft will be posted to the City's website by April 16, 2022, for a 30-day Public Review and Comment Period that will be held from April 16-May 16, 2022. A second and final public hearing will be held at the Council meeting of May 16, 2022, where Council will be asked to approve the final draft of the plan.

Housing staff is on track to submit a Council-approved 2022 Annual Action Plan to HUD by May 31, 2022, back in line with the normal submission timeline. An "on-time" submission ensures that the

programs funded with the plan are able to implement their programs in a timely fashion. Unlike the previous two program years, HUD has not issued any submission extensions or reduced public comment period waivers for 2022 plans to help compensate for Coronavirus Pandemic-related delays.

Shortly after submission of the Annual Action Plan to HUD, staff will begin the public participation and input process necessary for preparation, development, and submission of the HOME-ARP Allocation Plan through a required Substantial Amendment to the 2021 Annual Action Plan, both required for the eventual use of HOME-ARP funds allocated to the City of Merced by HUD on April 28, 2021 (\$1,988,778). There is no deadline for submission of the Allocation Plan/Substantial Amendment to HUD - however, all allocated funds must be spent by the end of September, 2030.

IMPACT ON CITY RESOURCES

No budget or appropriation action is required at this time.

Funding for the 2022 HUD Annual Action Plan is representative of the 2022-2023 Housing Division budget in the concurrent development of the overall City budget for the next City fiscal year. Funds presented as CDBG and HOME anticipated allocations are based on actual allocations from the last three program years.

ATTACHMENTS

1. Presentation