1st Substantial Amendment – 2023 Annual Action Plan

December 2023

Summary of Changes to Projects and Amendment Details

Introduction and Reason for Amendment:

Through an amendment to the 2023 Annual Action Plan (AAP), the City of Merced intends to make several changes to previously approved Community Development Block Grant (CDBG) projects in the existing AAP, which also involves projects that were approved in the 2021 and 2022 Annual Action Plan but are not moving forward using the prior-approved funding. The primary reason for these changes is to expedite expenditure of CDBG funds by April 30, 2024, in order to meet certain regulatory expenditures deadlines of the City's CDBG funding. Secondarily, these changes also seek to address the urgent need for additional affordable rental housing units in Merced City. As such, the City intends to move $2,612,845 of CDBG funds to an existing project in the AAP that originally planned to use only Home Investment Partnership Program (HOME) funding.

This summary has been prepared to explain what items in the existing AAP will be amended, added, or deleted.

Please see the tables and information on the pages that follow below.

2023 Projects to be Changed as a part of this Amendment:

2023 AAP Project #	Project Name	Goal	Funding Source/Amount	Use of Funds	Summary - Project Details Amended
Original: #15 **No change to project number**	**Original:** HSG – HOME: Construction of Affordable Rental Housing (23/24) **Amend to:** HSG – CDBG/HOME: Affordable Rental Housing – Land Acquisition and Construction (23/26)	**Original:** 2B, 2C **Amend to delete:** Goal 2C	**Original:** HOME $4,403,129 **Amend to add:** CDBG $2,612,845	**Original:** HOME: Rental Housing Construction **Amend to add:** CDBG: Acquisition of Land for Affordable Housing HOME: a portion of HOME funds may be used towards Land Acquisition, in addition to Rental Unit Construction	1. **Project Name** – changed to: *HSG - CDBG/HOME: Affordable Rental Housing - Land Acquisition and Construction (23/26)*; 2. **Goals Supported -** Delete Goal 2C from project, as project will not include units for Permanent Supportive Housing 3. **Funding** - Add additional funding: CDBG funds in the amount of $2,612,845 4. **Description** - Add CDBG funds to project narrative. CDBG funding will be split as follows: $2,375,314 for land acquisition; $237,531 for activity delivery costs (10% of CDBG funds used for acquisition); HOME funding will be used for both Acquisition of Land and Housing Unit Construction (no change to total amount; however, if HOME funds are used for acquisition, ADC is charged at 10% of the amount used towards acquisition) 5. **Location Description** - 1535 Devonwood Drive, Merced 6. **Planned Activities** - CDBG: IDIS Matrix Code/Activity: 01/Acquisition of Real Property; Eligibility: 24 CFR 570.201(e); CDBG National Objective Met: LMH/Low-Mod Housing Benefit - 24 CFR 570.208(a)(2)(iv) 7. **Goal Outcome Indicator (AP-20)**- unchanged
#5 **No change**	**Original:** PSA – CDBG: Project Sentinel "Tenant-Landlord Services" (23/24) **No change**	**Original:** 3A, 5 **Amend to delete:** Goal 5	**Original:** CDBG $51,385 **No change**	**Original:** Public Services – Tenant and Landlord Counseling **No change to use**	Minor changes are being made to this project at the advice of HUD, as follows: 1. **Goals Supported** – remove Goal 5 (Enhance Fair Housing Knowledge and Resources) and decrease by $56,445. This project is more appropriate under only Goal 3A. Increase Goal 3A by $45,069. ($11,376 difference is attributed to spread of Direct and Indirect Administrative activities over all projects based on percentage of total funding)

2023 Projects to be Deleted by this Amendment:

2023 AAP Project #	Project Name	Goal Affected	Funding Source Affected	Amount Deleted and Added Back to Available Resources and Subtracted from Associated Goal	Reason Cancelled
#7	PFI - CDBG: City of Merced McNamara Park Memorial Plunge Pool Improvements (23/24)	1A	CDBG	$258,122	This project is not moving forward due to higher priority projects. Funds are needed for Project #15 described in the above table. Goal Outcome Indicator (Table AP-20) is reduced by 1 Public Facility ("Other"), and 900 Persons Assisted
#17	HSG – CDBG: Rehabilitation Project to be Determined (23/24)	2A	CDBG	$126,563	In the original Annual Plan, this project was intended as a "holding" project, with no specific use determined until an amendment to the plan was processed. As such, with this First Substantial Amendment, this holding project will be deleted and the funds will be used towards the changes described in Project #15 in the above table. Goal Outcome Indicator reduced by 1 Housing Unit

Other amendments to the 2023-24 Annual Action Plan:

1. Increase in Program Income: thus far in PY2023, more program income has been received than originally anticipated (original estimate: $93,000). This amendment will specifically direct $27,095 of this unanticipated program income towards Project #15. Total program income of $120,095.
2. Increase in Carryover Resources Expected: As a result of changes to 2021 and 2022 projects, more carryover funds have become available. These changes were:
   a. Disencumber/repurpose a total of $19,891 of PY2021 and PY2022 Public Service program funding not utilized by three subrecipient programs (PY2021 Alliance for Community Transformations $624.05; PY2021/Project #13 Symple Equazion $11.995.85; and PY2022 Harvest Time $7,271.71)
   b. Disencumber/repurpose a total of $872,506 of previously approved funding to the S. Canal/W Childs Avenue Street and Sidewalk Improvement Project (PY2021/Project #5/$825,000; and PY2022/Project #7/$47,506).
   c. Disencumber/repurpose a total of $1,092,333 of PY2021 CDBG from infrastructure projects that are not moving forward (Project #'s 6, 7, 8, 9, and 10).
   d. PY2014, 2015, and 2016 CDBG funds totaling $216,335 that have become available for re-use after repayment of an ineligible infrastructure activity early in the 2023 program year.

3. As a result of project changes and deletions, the following adjustments to 2023 CDBG Annual Goals and Objectives (Section AP-20 in AAP) are necessary: a) Goal 1A – decrease by $331,697; b) Goal 2A – decrease by $148,582; c) Goal 2B – increase by $2,721,833; d) Goal 3A – increase by $45,069; e) Goal 4A – decrease by $2,018; f) Goal 5 – decrease by $56,445.
4. Minor text amendments and other corrections related to these adjustments will be made to sections where these projects and goals are mentioned.