



ADMINISTRATIVE REPORT

File #: 22-378

Meeting Date: 5/16/2022

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SUBJECT: Second Public Hearing for Receipt of Public Comment Regarding the U.S. Department of Housing and Urban Development (HUD) 2022 Annual Action Plan; Review Changes to Proposed Expenditures of Community Development Block Grant and Home Investment Partnership Program Funds for Fiscal Year 2022-2023; Update on 2022 HUD Allocation; and Continue the Public Hearing to June 21, 2022

REPORT IN BRIEF

Provides an update on the delayed announcement by HUD of 2022 Community Development Block Grant (CDBG) and Home Investment Partnership Program (HOME) grant allocation amounts, as well as review of changes to anticipated project funding categories and amounts since the First Public Hearing on April 4, 2022; conduct a Public Hearing to receive any new public comments; and, continue this Public Hearing to June 21, 2022, after receiving all comments.

RECOMMENDATION

City Council -

- A. Open the Public Hearing to receive any new public comment regarding the Draft 2022 Annual Action Plan; and,
- B. Discuss and provide any additional direction and/or comment regarding the Draft 2022 Annual Action Plan, including changes to project funding; and,
- C. Adopt a motion continuing the Public Hearing to the June 21, 2022, Council meeting.

ALTERNATIVES

- 1. Refer to staff for reconsideration of specific items (specified items to be addressed in the motion to continue this Public Hearing); and,
- 2. In consideration of the delayed HUD allocation announcements, Council can choose to extend the 30-Day Comment Period for a specified number of additional days (specified number of additional days to be stated in the motion to continue 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

Background - Public Hearings and HUD Postponed Allocation Announcement

On March 17, 2022, Housing staff published Public Notices in both the Merced Sun-Star and the Merced County Times in multiple languages that informed interested Merced residents that two Public Hearings would be held for preparation and development of the 2022 Annual Action Plan, on April 4, 2022, and May 16, 2022. At the time of this publishing, City staff expected that HUD would soon publish the 2022 Federal funding announcements, which would include the amounts of CDBG and HOME funds that were to be allocated to the City of Merced, within their normal annual announcement timeframe of February/March.

On March 31, 2022, staff received Notice #CPD-22-05 dated March 25, 2022, from HUD informing all Federal Award "formula" grantees that grant award announcements were expected to occur on or around May 13, 2022, and providing guidance and instructions of how and when to submit their 2022 Annual Action Plans on a deferred schedule. Essentially, the notice instructed the City that our adjusted 2022 Annual Plan submission deadline would be 60 days from the actual date of allocation announcements. Given the HUD's estimated announcement date of May 13, this would place our Plan submission deadline at July 13, 2022. Once HUD announces the actual amounts, Housing and other City staff will need sufficient turnaround time to update and verify all resource and expenditure figures for preparation of the Final Plan that will be presented for approval at the continued final public hearing - thus staff's request to continue this Public Hearing no sooner than June 21, 2022.

HUD's March 25th Notice also instructed grantees to clearly state in Draft Plans presented to the public before actual allocations are announced that all expected resource/allocation, project funding, and other amounts tied to the 2022 allocation are based on an estimated allocation, not actual, and requires the City to provide a Contingency Plan within the Draft Plan that explains how these estimated amounts would be handled in the event the actual allocation is higher or lower than what has been estimated. As such, the Preliminary Draft of the 2022 Annual Action Plan was posted on April 16, 2022, with clearly stated estimated amounts in all appropriate sections and the required Contingency Plan included in the Executive Summary, in order to open the 30-day comment period that is currently running between April 16 - May 16, 2022. Staff included Council's direction provided at the April 4, 2022, Council meeting regarding Public Service project prioritization in the Contingency Plan.

As of the writing of this report, there have been no updates from HUD regarding 2022 grant award amounts. At this May 16th meeting, it is possible that HUD will have just recently announced actual allocations. If that is the case, staff will provide at least an initial overview of actual available funding resource and updated project funding amounts at the meeting for the benefit of the Public and

Council.

Finally, due to the updates that will have to be made to the Draft Plan after this Public Hearing to update the plan with actuals, and in the interest of transparency, staff would suggest that Council consider extending the 30-day Public Review and Comment period to May 31, 2022, to give the public additional opportunity to view and comment on actual figures. Updates to the Draft will be reposted up to this date as ongoing work to each section is completed. The City's adopted Citizen Participation Plan and HUD require only a minimum 30-day review and comment period.

Changes to Project Funding Since Last Meeting (April 4, 2022):

Since the April 4, 2022, Council meeting, when 2022 Project funding was introduced, there have been changes to anticipated CDBG and HOME projects, as follows:

1. *Merced Rescue Mission (MRM) - Acquisition and Rehabilitation Project (CDBG: \$440,000):*
 - Due to an extremely competitive housing market, the MRM program has had a difficult time in successfully opening escrow on an appropriate single-family home using their current 2021 awarded funds. As these funds cannot be used to purchase a home over its appraised value, MRM has continually been overbid in its multiple attempts to purchase. It can be reasonably foreseen that MRM will continue to have these same difficulties with any new 2022 funding; thus, MRM has formally withdrawn its 2022 project funding request, in hopes that the housing market will be friendlier for 2023 funding next year.

The \$440,000 of CDBG funding will be spread over other projects, as explained in #2 through #4 below.

2. *CDBG: \$88,000 - Neighborhood Parks ADA Improvements:*
 - The proposed ADA access improvements to five neighborhood parks in South Merced can be fully funded with \$80,000 of project costs and \$8,000 of activity delivery costs (ADC), for a total of \$88,000 of CDBG funding.
3. *CDBG: \$180,000 - Habitat for Humanity of Stanislaus County - Homeowner Rehabilitation:*
 - Additional 2022 CDBG funding can be added that would fully fund the first year of this three-year contract. The \$180,000 includes 20% of ADC in the amount of \$30,000 (previously, all but \$12,775 of the ADC could be funded).
4. *New 2022 CDBG project funding - remaining CDBG (approximately \$339,225):*
 - Engineering staff is currently beginning work on a 2021 CDBG-funded infrastructure project at the southeast corner of S. Canal Street and W. Childs Avenue that will now be supplemented with 2022 funds in order to fully accomplish the goals of the project, which is to provide full ADA pedestrian access for Low- to Moderate-income residents living south of the future grocery store site to amenities to the north, as well as to pre-install public improvements adjacent to the shopping center site to make it more attractive to potential investors. With the additional \$339,225 of 2022 CDBG added to previously approved 2021 CDBG project funding of \$825,000, this project will now have

a budget of \$1,164,225 (includes 10% for ADC).

5. *HOME: \$3,233,214: Affordable Housing Projects (estimate):*

- Meta Housing Corp - Devonwood Apartments: when initial 2022 project funding was introduced, staff was expecting to partner with Meta Housing Corporation for a 156-unit affordable housing development that would use \$1.9 million of HOME funds to acquire the subject property. However, staff recently received unfortunate news from the developer that their State Tax Credit application was not awarded; therefore, this project will not be moving forward.
- UP Holdings' project - 80-unit motel conversion at 1213 V Street: Proposed project funding presented at the meeting on April 4, 2022, informed Council that approximately \$1,347,000 of HOME funding would be set aside to supplement State-awarded Homekey funding to aid in rehabilitation and conversion of this existing motel to 80 affordable and permanent supportive units. This was stated incorrectly, as it was HOME-ARP funds that was originally being considered to help finance the project. However, due to timing conflicts related to the actual/expected availability of HOME-ARP funds relative to the speed at which funds will be needed by the developer to meet strict Homekey completion deadlines, this project will now use ARPA funds.
- The use of HOME funds will remain targeted specifically to affordable housing projects. Development Services staff is currently in discussions with at least three other potential affordable housing developments that could benefit from these funds.

Next Steps - Revised:

As previously discussed, HUD's delayed formula grant allocation announcement has altered the timeline to which the final version of the 2022 Annual Action Plan is expected to be presented and approved by Council, as when the Plan is expected to be submitted to HUD for approval of projects, yearly goals, and other plan sections.

Following HUD's estimated "on or around May 13" announcement date, and following anticipated City Council approval at the continued meeting of June 21, 2022, Housing staff will finalize and submit the Annual Plan within the 60 day deadline that HUD has extended through its March 25, 2022, notice. Thereafter, HUD approval is expected within approximately 45 days, or by late August/early September.

Following this anticipated timeline, the City may have access to 2022 CDBG and HOME funds by approximately mid- to late-September, and contracts with subrecipients will commence. Subrecipient agreements over the 2022 formal bid threshold will come back to Council for approval.

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 same period.

ATTACHMENTS

1. Presentation