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**File created:** 4/3/2023      **In control:** City Council/Public Finance and Economic Development Authority/Parking Authority

**On agenda:** 6/5/2023      **Final action:** 6/5/2023

**Title:** SUBJECT: Final Public Hearing (Continued) - Receipt of Final Public Comment and Approval of the U.S. Department of Housing and Urban Development (HUD) 2023 Annual Action Plan

REPORT IN BRIEF

Re-open and hold the Final/Second Public Hearing that was continued from the May 1, 2023, Council Meeting, in order to provide the public opportunity for final comment to the Final Draft 2023 Annual Action Plan; Discuss and provide final direction to staff regarding any final changes to project funding or other items; Award of funding to the final list of 2023 projects as per previous Council Direction; Approval of the 2023 Annual Action Plan; and, Authorizing the City Manager or Deputy City Manager to execute all documents necessary to submit the finalized plan to HUD and to accept the Community Development Block Grant (CDBG) and Home Investment Partnership Program (HOME) grants after approval by HUD.

RECOMMENDATION

City Council -

A. Re-open and conduct the Public Hearing to receive any final public input regarding the Draft 2023 Annual Action Plan; and,

B. Discuss and provide final direction to staff regarding any section of the Plan;

and, Adopt a motion:

C. Awarding HUD funding to the final Subrecipients for their respective projects/programs, as listed in the Administrative Report, contingent upon HUD’s final approval and provided all National Objectives and HUD eligibility requirements, including environmental clearances, are met and obtained for each proposed project activity; and,

D. Adopting Resolution 2023-34, A Resolution of the City Council of the City of Merced, California, Approving the 2023 HUD Annual Action Plan, certifying compliance with the requirements of the Community Development Block Grant (CDBG) Program and Home Investment Partnership (HOME) Program.

Sponsors:

Indexes:

Code sections:

**Attachments:** 1. Final Draft - 2023 Annual Action Plan, 2. Admin Report: December 5, 2022 - Intro of Public Participation Opportunities, 3. Admin Report: March 20, 2023 First Public Hearing - Intro of Project Funding, 4. Admin Report: April 17, 2023 - Project Funding Options, 5. Admin Report: May 1, 2023 - Continue Public Hearing and Extend Comment Period, 6. Resolution 2023-34, 7. Presentation

Date	Ver.	Action By	Action	Result
6/5/2023	1	City Council/Public Finance and Economic Development Authority/Parking Authority	approved	Pass

*Report Prepared by: Kimberly Nutt, Housing Program Supervisor, Housing Division/Development Services Department*

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## **REPORT IN BRIEF**

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## **RECOMMENDATION**

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A. Re-open and conduct the Public Hearing to receive any final public input regarding the Draft 2023 Annual Action Plan; and,

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D. Adopting **Resolution 2023-34**, A Resolution of the City Council of the City of Merced, California, Approving the 2023 HUD Annual Action Plan, certifying compliance with the requirements of the Community Development Block Grant (CDBG) Program and Home Investment Partnership (HOME) Program.

## **ALTERNATIVES**

1. Approve, as recommended by staff; or,
2. Approve, as revised by the City Council; or,
3. Deny the request; or,
4. Refer back to staff for reconsideration of specific items (specific items to be addressed in City Council motion); or,
5. Continue to a future City Council meeting (date and time to be specified in City Council motion).

## **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 Citizen Participation Plan, as Amended;

and, the Charter of the City of Merced, Section 405, 409, and 411 et seq.

## **CITY COUNCIL PRIORITIES**

As provided for in the 2022-23 Adopted Budget and 2023-24 Council Goals and Priorities.

## **DISCUSSION**

After re-opening the Public Hearing continued from the May 1, 2023, City Council meeting and accepting final public comment, staff requests that Council hold a final discussion and provide any last direction to staff before approving the Final Draft 2023 Annual Action Plan (Attachment 1) at this meeting.

Staff requests that the final project funding to be awarded to the Subrecipients and projects listed in the Final Draft be included in the motion to approve. Any requested final Council changes and public comment received at this meeting will be incorporated into the final approved draft to be submitted to HUD.

Following submittal, HUD may require City staff to edit elements of the plan, including project funding, in order to meet specific HUD requirements and regulations that will enable acceptance and approval of the plan. As such, staff requests permission, through the City Manager's authority and the adopted resolution, to complete these changes to Council-approved final draft. The approved Final Draft will be submitted to HUD as soon as possible following Council approval, in order to meet HUD statutory deadlines and to be able to start the 2023 Program Year on time, which ensures the success of the awarded Subrecipient projects and Housing Division's ability to meet HUD expenditure deadlines.

### Eligible Activities Using CDBG and HOME Funds - Quick Review

Expenditure of CDBG and HOME funds is entirely regulated by HUD and the City, by accepting HUD's allocation of those funds, is required to follow those laws. CDBG is regulated under Title 24 of the Code of Federal Regulations (CFR) Part 570, and HOME by 24 CFR Part 92.

CDBG can only be spent on certain eligible activities under the general categories of Acquisition/Disposition, Public Facilities and Improvements, Public Services, and Housing - but not construction of new housing. In addition, CDBG activities must meet at least one of the three HUD National Objectives, being: 1) activities benefitting low- and moderate-income persons; 2) activities which aid in the prevention or elimination of slum or blight; and 3) activities designed to meet community development needs having a particular urgency (such as during a national or locally declared emergency). At least 70% of all CDBG funds must be directed to benefitting low- to moderate-income persons and households, and a maximum of 15% of the combined sum of the yearly CDBG allocation plus previous year (2022-23) program income can be - but is not required to be - directed to activities HUD considers public services. Therefore, the City is limited to this sum as to how much we can fund to local organizations for public service funding. Administration costs are strictly limited to 20% of the year's allocation, and public facility/infrastructure and housing-related projects, such as homeowner-occupied rehabilitation, is not a public service and is not subject to the 15% cap. Finally, the City is required to spend all or most of its CDBG allocation each year and have no more than 1.5% of funds remaining by May 1st of each year ("timeliness deadline") or HUD may penalize with a smaller allocation of funding in ensuing years.

HOME funds, unlike CDBG, can be directed specifically to construction of new rental housing units, and all HOME funds must benefit low- to moderate-income persons. Administrative costs are limited to 10% of the HOME allocation, and HUD requires HOME grantees to set aside a minimum of 15% towards activities to be carried out by a Community Housing Development Organization (CHDO), which can also be directed to construction of rental housing units. Other eligible uses of HOME funds include homeowner rehabilitation, homebuyer activities (acquisition, new construction, or rehabilitation), and tenant-based rental assistance (TBRA) activities.

Final 2023 Project Funding - Public Services, Housing, Infrastructure, and Administrative Projects

Initial proposed project funding was introduced at the March 20, 2023, Public Hearing (see Attachment 3), where staff presented the full list of funding requests received, an initial overview of project type, nature and National Objective of the program, and staff’s recommendations regarding funding. As a result of Council discussion at that meeting, staff received initial direction regarding Public Service project funding to meet the 15% public services cap limit and agreed to return to Council at the previously unscheduled meeting of April 17, 2023, with alternative project options to potentially replace two projects which councilmembers questioned upon their initial review. Staff also returned with more information about one of those projects, as requested (see Attachment 4).

On the next pages of this report are the final lists of Subrecipient project/program funding and amounts, as well as other project funding which includes City public infrastructure and facility projects and administrative funding. Each listed project meets a basic HUD-eligible activity, one of the three HUD National Objectives, and addresses a priority community need as reported in the City’s adopted 2020-2024 Five Year Consolidation Plan (ConPlan) and as surveyed and received through resident participation and comment during the preparation of this 2023 Annual Action Plan.

CDBG: (Allocation: \$1,034,373; Carryover: \$798,197; Program Income to 3/31/23: \$ 380,809)

Organization/Agency	Description	Project Type	Activity Delivery	Project Costs
<b>Public Services:</b>				
Sierra Saving Grace	Short-term rental assistance	Homelessness Prevention	--	\$ 35,500
Harvest Time	Food Distribution to LMI/homeless	LMI/homeless services	--	61,660
Lifeline CDC	Afterschool support/job training for Loughborough area LMI families	Employment Training	--	25,000
Boys and Girls Club of Merced County	Youth services - youth workforce training and internship programs	Youth Services	--	40,694

Project Sentinel, Inc*	Tenant/landlord counseling service for city residents	Housing Counseling	--	49,423*
<b>Total CDBG Public Service funding (meets 15% cap*) - no ADC:</b>				<b>\$ 212,277*</b>
<b>Other CDBG Projects:</b>				
City of Merced - Recreation and Parks*	Energy efficiency and ADA upgrades to McNamara Park pool/bathrooms (10% ADC)	Public Facility	\$ 13,753*	\$ 207,066*
CVCAH / City of Merced	Water/Sewer Main/ADA Improvements for GTII and surrounding area (10% ADC)	Public Infrastructure	25,000	250,000
Merced City Fire Department	Purchase of 2 HEART vehicles (ambulances) and 1 EMS off-road EAV SUV	Public Facility	0	632,000
Habitat for Humanity, Merced/Stanslaus	Owner-Occupied Rehab to enable repairs for LMI homeowners (Funding Year 2 of 3) (20% ADC)	Housing	30,000	150,000
Habitat for Humanity, Merced/Stanslaus	Change of funding source to enable completion 241 E Main St project (20% ADC)	Housing	30,000	150,000
<b>Total ADC and Project Costs - other CDBG Projects:</b>			<b>\$ 98,753*</b>	<b>\$ 1,389,066*</b>
<b>CDBG - Administrative:</b>				
Merced County Human Services Agency/CoC Collaborative Applicant	Homelessness planning activities by the Merced City and County Continuum of Care	Admin	--	\$ 38,000
Housing Division	Direct Administration costs	Admin	\$ 74,737	N/A
Housing Division	Indirect Administration costs	Admin	112,737	N/A
<b>Total Administrative Funding - CDBG:</b>			<b>\$ 187,474</b>	<b>\$ 38,000</b>
<b>Total 2023 Program Year - CDBG:</b>				<b>\$ 1,925,570*</b>

*Please Note: Projects and amounts with Asterisk (\*) above will be adjusted with any Program Income that we are able to fully receipt prior to submittal of Plan to HUD.*

**HOME (2023 Allocation \$573,200; Carryover: \$4,029,944; Est 2023-24 PI: \$54,000)**

Organization/Agency	Description	Project Type	Activity Delivery	Project Costs
<b>Housing Activities:</b>				
TBD - HOME	Affordable Rental Housing	New Rental Housing Construction	\$ 731,345	\$ 3,656,730

Certified Community Housing Development Organization (CVCAH) - CHDO HOME	Eligible CHDO HOME project TBD (can be combined with regular HOME funds if CVCAH is developer partner)	New rental housing construction, - OR - Multi-Family rental rehab	35,291	176,458
<b>Total ADC &amp; Project Costs - Housing Projects:</b>			<b>\$ 766,636</b>	<b>\$ 3,833,188</b>
<b>HOME - Administrative:</b>				
Project Sentinel, Inc	Fair Housing Services for city residents	Admin Fair Housing	--	\$ 33,360
Housing Division	Direct Administration costs	Admin	\$ 23,960	N/A
<b>Total Administrative Funding - HOME:</b>			<b>\$ 23,960</b>	<b>\$ 33,360</b>
<b>Total 2023 Program Year - HOME:</b>				<b>\$ 4,657,144</b>

2023 HUD Allocations and Total Funds Available

HUD’s CDBG allocation to the City of Merced of funding for Fiscal Year 2023-24 is \$1,034,373, plus estimated \$93,000 of 2023-24 program income (PI), and \$798,197 in prior-year carryover. The FY 2023 HOME allocation is \$573,200, with an estimated \$54,000 in program income during the year and \$4,029,944 in prior-year resources. Combined, the total of HUD FY 2023 program allocations and other budgeted funds is \$6,582,714. The Housing Division does not receive any revenue from the General Fund.

Citizen Participation

Three Community Needs Input and Community Organization Information Meetings were held in December 2022, concurrent with the Community Needs Assessment survey that was pushed via website, social media (Facebook and Instagram), radio spots on KYOS, at Town Hall meetings, and utility bill inserts. All of the three Community Input meetings were held hybrid in-person and via Microsoft Teams links. In total, 338 residents responded to the Community Needs Survey, a large increase from previous years due to a concentrated effort by Housing staff for more outreach via social media, wider disbursement of flyers, direct communication with residents at Town Hall meetings, and other avenues.

An extended 46-day public review and comment period (including an additional 14 days added by Council at the meeting of May 1, 2023) was held from March 31 through May 15, 2023, and Housing staff received no written, in-person, or other comments during the comment period. The draft plan was posted for public viewing on the Housing Division website ([www.cityofmerced.org/housing](http://www.cityofmerced.org/housing)) and viewing locations and comment submission methods were published in the Merced Sun-Star and Merced County Times newspapers on March 2, 2023, with the Public Hearing Notice that noticed the March 20, 2023, and May 1, 2023, public hearing dates, as well as on the Housing webpage.

Citizen participation in this process is crucial to a complete and thorough plan. Community needs input workshops and informational meetings, announcements of project funding availability, online community needs assessment surveys, town hall meetings, public hearings, and even social media comments on the City’s Instagram and Facebook pages provide citizens the opportunity to participate

in and give input to the community's needs and this plan as it is being developed. These plans are essentially guided by the needs and the priorities expressed by residents and community stakeholders who participated in the process.

The 2023 Annual Action Plan implements the fourth year of the 2020-2024 Consolidated Plan that was approved by Council on November 30, 2020, and by HUD on March 10, 2021. Together with our current subrecipient partners, Housing Division staff continues to work diligently to finish and close out programs that were allocated funding for the 2022-23 program year that ends June 30, 2023 (note: one 2021-22 program is finishing final invoicing for reimbursement but has completed all activities). The 2023 plan includes a description of how this year's funding will be used to address identified objectives for housing, homelessness, and other one-year goals, and describes the vast accomplishments over the last year regarding affordable housing policy and funding awards, including State Homekey and other funding awards.

For more details, please refer to the attached prior Administrative Reports for all Council Meetings held during the preparation of this 2023 Annual Action Plan (list of attached reports below). We thank the residents of Merced for their participation in this year's plan during this process.

### **IMPACT ON CITY RESOURCES**

No budget appropriation action is required at this time. The Housing Division expects that it will not need any funding from General Fund as a supplement for the 2023-24 Fiscal Year, as all administrative costs are covered by the CDBG and HOME admin allowances and activity delivery costs. The Division does depend on activities that generate activity delivery cost (ADC) revenue to fund staffing and other administrative costs, as noted in the charts above.

### **ATTACHMENTS**

1. Final Draft - 2023 Annual Action Plan
2. Admin Report: December 5, 2022 (Introduction of Public Participation Opportunities)
3. Admin Report: March 20, 2023 (First Public Hearing - Intro of Project Funding)
4. Admin Report: April 17, 2023 (Project Funding Options)
5. Admin Report: May 1, 2023 (Continued Public Hearing)
6. Resolution 2023-34
7. Presentation