



## Legislation Text

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**File #:** 20-012, **Version:** 1

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**SUBJECT:** Approval of Allocation of an Additional Portion of the 2019/20 Community Development Block Grant (CDBG) Program to Fund a Sub-Recipient Agreement with Merced Gateway Investors II, LP (\$250,000) for the Primary Purpose of Assisting with the Cost of Necessary On- and Off-Site City Water and Sewer Main Repairs and ADA Sidewalk Improvements Related to the Gateway Terrace II Apartments, Approval of the Deed Restriction Covenant and Grant Agreement, and Cooperative Agreement

### REPORT IN BRIEF

Considers approving a sub-grantee agreement with the Developer for the use of CDBG funds and an amended and restated interdepartmental cooperative agreement that authorizes the City's Engineering Department to administer same funds and oversee the design and construction of the project.

### RECOMMENDATION

**City Council** - Adopt a motion:

A. Approving agreements for the project identified as "Gateway Terrace II Apartments - Change Order" ("Project") in the 2019 Department of Housing and Urban Development (HUD) Annual Plan with Community Development Block Grant (CDBG) funds for the 2019/20 Fiscal Year (Account 018-1301-552-29.00-Proj 117050), per previous City Council recommendation, for:

1. An agreement with Merced Gateway Investors II, LP, for use of CDBG funds towards Project in the amount of \$250,000; and,
2. Amended and restated interdepartmental cooperative agreement with the Engineering Department for project in the amount of \$250,000 towards overseeing the design and construction of the project; and,

B. Authorizing the City Manager or the Assistant City Manager to execute, and if necessary, make minor modifications to the agreements described above and attached to this report, and all associated documents; and,

C. Authorizing the Finance Officer to make any necessary budget adjustments.

### ALTERNATIVES

1. Approve, as recommended by staff; or,

2. Approve, subject to conditions other than recommended by staff; or,
3. Deny; or,
4. Refer to City staff for reconsideration of specific items (specific items to be addressed in the motion); or,
5. Continue to a future meeting (date and time to be specified in the motion).

## **AUTHORITY**

Section 200 of the City of Merced Charter; City of Merced 2019 HUD Annual Action Plan; and, Title 24 of the Code of Federal Regulations, Part 570 (the U.S. Housing and Urban Development regulations concerning CDBG funds, including Subpart K of these regulations).

## **CITY COUNCIL PRIORITIES**

The Project meets the FY 2019/20 Council Priority #8 of Homelessness, under which the Gateway Terrace II Apartments is listed as a goal. Once completed, the project will house up to 10 homeless veterans and 40 low-income households.

## **DISCUSSION**

### *Project History and Past Actions*

The Gateway Terrace II Apartments has received permit clearance to break ground and begin construction of this 50-unit affordable apartment complex to be located on K Street, between W. 13<sup>th</sup> and W. 12<sup>th</sup> Streets.

Planning and development for the pending 50-unit Gateway Terrace II Apartment complex at the southwest corner of W. 13<sup>th</sup> and K Streets first began in 2007 by the Merced County Housing Authority and its developer, the Central Valley Coalition for Affordable Housing (CVCAH).

In April of 2015, the City Council reviewed and approved an application for State grant funding, which although not awarded, resulted in the redesign of the project to its current 50 units.

In July of 2017, the City Council approved a City Loan Commitment Agreement with CVCAH that committed financial assistance totaling \$1,385,000 from the City's HUD Community Development Block Grant (CDBG; \$370,590), HOME Investment Partnership Program (HOME; \$500,000), and HOME Community Housing Development Organization (CHDO; \$514,410) program funds.

The \$370,590 in CDBG funds from the 2017 commitment agreement are to be used in combination with City Sewer and Water Enterprise Funds towards assisting the developer replace failing water and sewer mains and non ADA-compliant sidewalks and ramps in the project area. Sections of each of the failing mains are located on and run through the project site itself, while the rest run eastward towards Martin Luther King Jr. Way. At that time, an Interdepartmental Cooperative Agreement was also approved by City Council for coordination of related work between the Housing Division and Engineering Department to ensure compliance with City Standards and requirements.

Under the 2017 commitment, directly-connected adjacent sections of water and sewer mains located off-site and running eastward through the alley towards Martin Luther King Jr. Way will be replaced in same trench up to Martin Luther King Jr. Way.

### Expanded Plans for Off-Site Water and Sewer Main Infrastructure

With the previous plans still in place, Engineering staff see an opportunity to replace the additional section of failing sewer main that runs underneath Martin Luther King Jr. Way.

Working with the project's civil engineering firm, it was determined that trenching down at-grade to reach the sewer main will be cost-prohibitive, be too disruptive to heavy commercial truck transport and regular vehicle traffic on the State Highway, and would involve acquiring permit approval from the State Department of Transportation.

Therefore, instead of trenching, the sewer main will be repaired with a less intrusive method, which involves insertion of a liner into the existing sewer pipe, which is then expanded to fill and lift the collapsed portions. The liner will be placed in and through the existing sewer main that runs underneath Martin Luther King Jr. Way and connects to the opposite side. This method of repair avoids tearing up the roadway, large-volume traffic detours, and the associated State permits.

The additional cost involved in repairing this additional section requires the appropriation of the additional \$250,000 of CDBG funds previously approved with the 2019-2020 HUD Annual Action Plan and additional appropriations from the Water System and Wastewater System funds as detailed further in this report.

Lastly, the previous Interdepartmental Cooperative Agreement needs to be amended to include the additional funding, field work, and oversight involved with the project by the Housing Division and Engineering Departments.

### **IMPACT ON CITY RESOURCES**

The agreements for the use and administration of this CDBG project will not require funding from the General Fund. This Expanded Plans for Off-site Water and Sewer Main Replacement project is funded by CDBG and it is budgeted under account 018-1301-552-29.00-Other Materials Supplies. A portion of the cost will also be funded by Water System - Fund 557 and Wastewater System - Fund 553.

The total cost for the Expanded Plans for Off-site Water and Sewer Main Replacement related to the Gateway Terrace II Apartments project is \$801,739. As discussed in this admin report and in the proposed Amended and Restated Interdepartmental Cooperative Agreement (Attachment 3), an additional \$250,000 plus \$25,000 activity delivery cost to be funded by account 018-1301-552-29-00 and \$54,989 already budgeted under account 018-1301-559-29-00, project 117050. The remaining cost to be funded by Water System - Fund 557 is \$255,362 under account 557-1106-637-65.00 and Wastewater System - Fund 553 is \$216,388 under account 553-1108-637-65.00.

### **ATTACHMENTS**

1. Project Area Map
2. Draft Deed Restriction Covenant and Grant Agreement with Merced Gateway Investors II, LP
3. Amended and Restated Interdepartmental Cooperative Agreement