



Legislation Text

File #: 19-295, **Version:** 1

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SUBJECT: Public Hearing to Consider Adoption of Resolution Approving the Department of Housing and Urban Development (HUD) 2019 Annual Action Plan, Allocating Funding for Various Administrative, Development, and Public Service Activities Including the Appropriation of Program Income Received for the CalHome and State Home Programs

REPORT IN BRIEF

Public Hearing for Adoption of the Federal Department of Housing and Urban Development (HUD) 2019 Annual Action Plan, allocation of funding for related activities, and Approval of a Resolution authorizing the submission of the 2019 HUD Annual Action Plan to HUD prior to the July 1, 2019, deadline.

RECOMMENDATION

City Council - Adopt a Motion:

- A. Approving **Resolution 2019-30**, a Resolution of the City Council of the City of Merced, California, approving the 2019-2020 HUD Annual Action Plan, certifying compliance with the requirements of the Community Development Block Grant (CDBG) Program and Home Investment Partnership (HOME) Program, and authorizing staff to submit all approved documents to the U.S. Department of Housing and Urban Development; and,
- B. Authorizing the City Manager or the Assistant City Manager to execute the necessary documents to accept the Community Development Block Grant program and HOME Investment Partnership Program appropriation of funds awarded to the City of Merced as an Entitlement Community from the U. S. Department of Housing and Urban Development (HUD); and,
- C. Authorizing the City Manager or the Assistant City Manager to sign the SF 424, SF 424D, and HUD Certificates documents required to be submitted with the 2019 HUD Annual Action Plan; and,
- D. Requesting Council to recommend funding one eligible administrative activity as submitted. The amount awarded to applicants may not exceed \$38,000 for this activity in the 2019 HUD Annual Action Plan; and,
- E. Requesting Council to recommend funding the six (6) eligible development projects and activities as submitted. The amount awarded to applicants may not exceed \$1,941,700 for these activities in the 2019 HUD Annual Action Plan; and,
- F. Requesting Council to recommend funding eight (8) eligible public service applications. The

amount awarded to applicants may not exceed \$164,920 for public service activities in the 2019 HUD Annual Action Plan; and,

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 the City Manager 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

Charter of the City of Merced, Section 200. CFR 570.201 - Eligible Activities; CFR 570.208 - National Objectives.

CITY COUNCIL PRIORITIES

As recommended for funding in the "2019-20 Housing Budget."

DISCUSSION

In order to receive the Community Development Block Grant (CDBG) and HOME Investment Partnerships Program (HOME) funds for Fiscal Year 2019-20, the City of Merced is required to submit a Resolution adopting the Annual Action Plan describing how funds will be used during the Fiscal Year (Attachment 1). A Public Hearing is required to give citizens the opportunity to comment on projects that might affect them or to request funding, and for the City Council to give direction. The Resolution and Plan must be submitted to HUD by July 1, 2019.

Process

Prior to this meeting, the Housing Division hosted three community meetings, mailed over 100 letters to various non-profit organizations, and presented this to City Council in January to gain public input and encourage the submittal of applications for funding. Legal and Public notices/advertisements appeared in the Merced County Times, Merced Sun-Star, and on the City's website prior to each community meeting and the June 17, 2019, Public Hearing. Staff has consulted with our HUD representative throughout the year to ensure the Draft 2019 Annual Action Plan met their requirements.

On April 15, 2019, a draft list of activities and an anticipated budget allocation was considered by Council. Based upon the comments received, Housing Staff budgeted the various activities accordingly into the 2019 HUD Annual Action Plan. Once approved, the 2019 HUD Annual Action Plan is the Housing Division's budget which allocates funding for various administrative and project oriented-activities. Adoption of the Plan must take place prior to July 1, 2019, for submission to HUD. Only those activities and programs outlined in the plan that meet HUD guidelines are eligible for funding.

Funds Available

The City was notified by HUD the City's Fiscal Year 2019/20 allocation for CDBG would be \$1,099,563 and the HOME Investment Partnership Program (HOME) allocation would be \$499,892. Combine HUD's Allocation with an additional \$144,000 anticipated to be generated in program income for these programs, the total amount of new revenues for eligible CDBG and HOME programs is estimated to be \$1,743,455.

In April, an undetermined revenue source amount was the exact amount of the funds available that was presented to Council on April 15 was the amount of the Housing Division's Carry-Over balance. Since that time, the carry-over balance increased due to unanticipated loan payoffs and unrealized activities that were either cancelled or did not spend their full budget. The amount of non-appropriated funding available for Carry-Over from Fiscal Year 2018/19 needing to be budgeted to eligible projects in Fiscal Year 2019/20 is \$590,830 in CDBG funds and \$448,662 in HOME Funds. Additionally, Habitat for Humanity of Merced County chose to withdraw their application since April, which also allowed for additional funding to be appropriated to other activities.

Additionally, staff will continue to work with Habitat for Humanity of Merced County with the acquisition of land for the construction of new housing units through their "Sweat Equity" Program. Housing Staff will continue to work to find other funding sources suitable for their program even though they chose to withdraw their CDBG-eligible application. Housing Staff had budgeted \$80,000 to assist with acquisition fees and permit costs for that application, but will now readjust into assisting them with financing from our Housing Assets fund (071).

The property Habitat for Humanity of Merced County is now interested in moving forward with is located at 73 S. R Street. This property is a former Redevelopment Asset and Housing Staff will need to work with our City Attorney and the City's contracted outside legal staff to begin drafting the documents needed for consideration.

Due to the anticipated carry-over budget increasing and Habitat for Humanity of Merced County choosing to withdraw their application, the two acquisition projects (Sierra Saving Grace and Merced Rescue Mission) will receive additional funding, and the Homeowner Rehabilitation Program will also receive an increase in funding for those projects.

Activities and staffing are funded with entitlement funds received by HUD to carry out the CDBG and HOME programs. Each program provides a set percentage for administrative funding to cover salaries and supplies. In this case, CDBG allows 20% and HOME allows 10%. In addition, staff time can be charged as "Activity Delivery Costs" for actual time spent related to a specific activity. Staffing costs are divided between the CDBG, HOME, and other programs. The Annual Action Plan contains a summary of these revenues and recommended funding for program activities and mandated services.

Highlights

The City of Merced 2019 Annual Action Plan describes programs and activities planned to carry out the goals and objectives established in the 2015-2020 Consolidated Plan. The Action Plan also includes a description of how this year's funding will be used to address HUD's identified objectives for housing, homelessness, suitable living conditions, and economic development. Administrative funds budgeted this year include a continuing contract with Merced County to be the Collaborative applicant providing Continuum of Care services in the community.

Rehabilitation of Existing Housing Stock

The City Housing Division will continue to work with Habitat for Humanity of Stanislaus County assisting eligible households and property owners to rehabilitate existing residential properties within the community. The increase proposed for the Homeowner Rehabilitation Program will be used for the rehabilitation of five to six Homeowner Rehabilitation homes. While one of the rehabilitations will require an amount to exceed \$50,000, the homeowner rehabilitation projects under \$50,000 would remain as part of the forgivable loan program. The one substantial homeowner rehabilitation that exceeds the \$50,000 amount would have a traditional rehabilitation loan requiring reimbursement.

First Time Homebuyers

The City Housing Division will be working with eligible First Time Homebuyers to provide financial assistance up to \$35,000 to purchase a residence within the community. This program is funded with program income generated through the CalHome 06 and CalHome 12 Programs.

Acquisition

The City Housing Division will be working with the Merced Rescue Mission and with Sierra Saving Grace to acquire properties within the community. These properties may be vacant or existing housing units, but they will be used to provide permanent supportive housing within the community.

HUD 108 Loan

Even though the HUD 108 Loan is a City debt obligation, HUD allows Entitlement Communities to use CDBG funds to cover the debt payment, and the Housing Division has budgeted \$81,565 to cover the remaining balance needed to cover this payment. This year's payment was secured by a combination of payments received by Central Valley Coalition for Affordable Housing (CVCAH) for the Grove Apartments and CDBG funds.

Housing to Meet Special Needs (CHDO Set-Aside)

The Housing Division is recommending this year's Community Housing Development Organization (CHDO) funding to be awarded to CVCAH in an amount of \$710,000. This will be used to assist with either the development of the Childs Court Apartments or with the development of additional affordable housing units within our community.

Continuum of Care Plan and 10-Year Plan to End Homelessness

The County of Merced oversees the Continuum of Care as the Collaborative Applicant. The City has budgeted \$38,000 to assist them with reimbursing their administrative costs associated with providing this service within the community.

Public Services

CDBG funds can be used for a number of activities if they meet the eligible activities criteria and contain one of the three National Objectives. No more than 15% of the CDBG grant can be awarded

for Public Services. Eligible applicants must be public agencies or non-profit organizations that meet the National Objectives and have CDBG Eligible Activities. As a result of three public meetings, a Council presentation, and a Public Hearing in April, staff developed a list of requesting programs and their proposed funding.

Staff met with all the organizations that applied for funding and screened all the activities for eligibility of a HUD National Objective. Since our funding allocation for this fiscal year was reduced slightly, the total amount available for Public Service Activities was also reduced. The total amount requested this year for public service activities was approximately \$225,000.

Because of the allocation reduction, staff contacted all applicants to find out if their program would still be viable if their original request was reduced. Following Council's direction to try to fund all the applications submitted, staff was able to work with all the organizations to fund either all or a portion of their program. The full list of public service activities received can be located at Attachment 2. Staff is recommending funding eight (8) public services in fiscal year 2019/2020 for a total amount funded of \$164,920.

The eight (8) recommended activities identified below:

1. Community Housing Council - First Time Homebuyer Education Classes
2. Healthy House - Senior Rental Assistance
3. Life Line Community - Empowering Loughborough Neighborhood
4. Merced Rescue Mission - Rapid Rehousing / Housing Deposits Program
5. Merced Rescue Mission - Warming Center
6. Project Sentinel - Fair Housing Services
7. Restore Merced - Neighborhood Clean-Up Program / Restore Jobs
8. Sierra Saving Grace - Emergency Shelter Assistance

LMI Housing Funded Projects

City Staff has been working with the County of Merced, Merced County Association of Governments, the Richman Group LLC, and Central Valley Coalition for Affordable Housing on an Affordable Housing Project located at Childs Avenue and B Street. The project will cost approximately \$45 million and include the development of 119 Affordable Housing Units, with 30 of the units being designated for Permanent Supportive Housing. In addition to the construction of the affordable housing units, the project also includes numerous public infrastructure improvements to the area, including full reconstruction of B Street from Childs Avenue to E. 15th Street, installation of a park, water main replacement, purchase of an electric bus, and a multi-modal bus stop.

The Developer submitted an application to the Strategic Growth Council (SGC) in February for funding under the Affordable Housing and Sustainable Communities (AHSC) program. Staff is anticipating SGC to announce which statewide projects will receive AHSC funding in late June. If this project is successful, staff has budgeted \$1.2 Million to be used to assist with the construction of the 30 permanent supportive housing units.

Another project anticipated to be funded with LMI Housing Funds is the "Sweat Equity" program being implemented through Habitat for Humanity of Merced County. Provided the project is eligible, and if Habitat for Humanity of Merced County is amenable to the State's terms for using a former

Redevelopment Asset, Housing Staff anticipates being able to move forward with the sale of 73 S. R Street to Habitat for construction of additional affordable housing.

IMPACT ON CITY RESOURCES

Funding for the 2019 HUD Annual Action Plan is representative of the proposed 2019 -20 Housing Budget. Funds presented as CDBG and HOME anticipated allocations are based upon information from the City's HUD representative. The full list of recommended activities is listed with Attachment 2.

If Council elects to fund one or more of the non-recommended activities, funding would need to be provided from an alternative funding source.

ATTACHMENTS

1. Draft 2019 HUD Annual Action Plan
2. List of Proposed Funded Applications
3. SF 424 Forms & Certificates
4. Tables 1, 2, & 3 - Revenues, Current Active Projects, and Proposed Projects
5. Public Notices
6. Resolution 2019-30
7. PowerPoint Presentation