



## Legislation Text

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**SUBJECT:** Report - Community Input Presentation by Housing Staff Regarding the 2019 Department of Housing and Urban Development (HUD) Annual Action Plan and Update on the Proposed Childs Avenue and B Street Affordable Housing Project

### REPORT IN BRIEF

Seeks input regarding the 2019 HUD Annual Action Plan and includes information on the proposed Childs Avenue and B Street affordable housing development project.

### RECOMMENDATION

Provide staff with input and direction on programs and activities for the upcoming fiscal year and HUD Annual Plan.

### DISCUSSION

Staff is providing information to Council regarding two programs administered by the Housing Division which are the Community Development Block Grant Program (CDBG) and the HOME Investment Partnership Program (HOME). Each year the City of Merced prepares an Annual Action Plan for submission to the U.S. Department of Housing and Urban Development (HUD). The framework for the Annual Action Plan finds its roots in the “*City of Merced 2015-20 Consolidated Plan*.” The *Consolidated Plan* is a five-year planning document, outlining the City's strategy for pursuing federal, state, and local resources to meet housing and community development needs of low- and moderate-income residents.

HUD considers the City of Merced to be an entitlement community because the City is incorporated and has a population of over 50,000 people. In order for the City to receive the entitlement allocation of funding, our program is required to follow HUD's Guidelines and Federal Regulations and submit an Annual Action Plan each year.

The Annual Action Plan consists of upcoming fiscal year housing priorities as well as a budget related to the programs and activities to be funded by CDBG and HOME funds. In order for an activity or program to become eligible, they must meet the HUD criteria, which includes National Goals and Objectives designed to eliminate blight and provide housing for low-income families. Before we know if an activity will achieve either a Council or Housing Goal, the project must go through the process. Each year staff discusses the proposed projects and activities with our HUD Representative to ensure project eligibility.

The creation of the Annual Plan includes multiple steps that are performed internally and publicly. Some of the public components of the process includes publishing public notices, facilitating

community meetings, hosting town hall meetings, having one on one meetings with community service or nonprofit organizations, and reviewing potential project applications for eligibility. Some of the internal components include working with various city departments on designing community infrastructure programs, drafting legal agreements, coordinating anticipated budget revenues with actual expenditures, and reporting our program accomplishments to the City Council and HUD through an end of year report.

The Housing Division typically budgets CDBG and HOME funds into five categories: Administrative, Infrastructure, Development Projects, Homeowner Assistance, and Public Services. Administrative Expenses assist with the reimbursement of direct and indirect administrative expenses allowing for the implementation and monitoring of programs within the community. Development Projects include assisting non-profit organizations with acquisition of property and providing the fiscal gap to help developers construct large apartment complexes. The Homeowner Rehabilitation program is a program that provides forgivable loans to eligible homeowners needing assistance with health and safety repairs to their homes who otherwise wouldn't be able to afford the costs of repairs. Lastly, the Housing Division provided funding to eligible non-profit organizations as a public service.

HUD allows entitlement communities the ability to provide funding to local non-profit organizations as a public service. These funds are to be used as seed money to help the organization start the program. However, the funds are not meant to become a yearly allocation to any one particular organization. HUD begins to heavily monitor and makes recommendations to un-fund or repay funds that were awarded to programs that have been funded for over 5 years. In the event HUD determines ineligibility, the City of Merced is required to pay these monies to HUD with monies. That repayment may be General Fund liability. Typically, the Housing Division budgets approximately \$50,000 for various public services, but has increased the amount of funds awarded to public services based upon our allocation and the amount of program income received in the prior fiscal year.

The amount awarded to various non-profit organizations in fiscal year 2018-2019 was \$156,400 to seven different organizations. This increase above the initial budget was allowed because the housing division had received additional program income from loan payoffs and debt service payments from developers. At this time, the Housing Division anticipates budgeting \$50,000 for public services in Fiscal Year 2019-2020 to ensure the division is able to cover all our current program fiscal obligations and to provide financing for the affordable housing project located at Childs Avenue and B Street Development.

Over the past seven years, the Housing Division has awarded funds to numerous organizations and the total amounts have fluctuated. The amounts are the total CDBG funds budgeted for each fiscal year:

Fiscal Year	No. of Programs	Total Amount Budgeted	Average Award
FY 2012/2013	8	\$56,600	\$7,075
FY 2013/2014	6	\$43,632	\$7,272
FY 2014/2015	7	\$62,000	\$8,857
FY 2015/2016	7	\$65,617	\$9,374
FY 2016/2017	7	\$102,500	\$14,643

FY 2017/2018	6	\$98,500	\$16,417
FY 2018/2019	7	\$156,400	\$22,343

Additionally, over the past five years, the Housing Division has funded numerous programs, projects, and organizations within the community. While our yearly entitlement allocation from HUD has fluctuated over the past few years, our goal of investing non-city resources within the community has not ceased.

The total amount of CDBG and HOME funds expended with in the community over the past five fiscal years:

Fiscal Year	CDBG Allocation	HOME Allocation	Total Amount Expended*
FY 2013/2014	\$940,877	\$354,406	\$1,486,516
FY 2014/2015	\$949,593	\$350,123	\$1,388,043
FY 2015/2016	\$923,257	\$305,810	\$1,196,856
FY 2016/2017	\$959,615	\$329,958	\$1,973,662
FY 2017/2018	\$977,648	\$332,769	\$911,742
Total	\$4,750,990	\$1,673,066	\$6,956,819

\*Amount expended includes program income received.

With the Childs Avenue and B Street affordable housing development project moving forward with grant applications in February to the Affordable and Housing Sustainable Communities Program (AHSC) and in March to the Low Income Housing Tax Credit Program, the City will be required to pre-award or commit future CDBG funding allocations to this project. Prior to submission of the grant applications, the Housing Division will be presenting various items to Council for consideration. These actions are anticipated to be on the Council Agendas in late January and early February for consideration and possible action. These items include a City Loan Commitment Agreement, Grant Resolutions, and the Developer Disposition Agreement (DDA). Since the project includes various off-site improvements in combination with the construction of 119 new affordable units on site, the project as a whole will require funding assistance from multiple sources. Since the project is located within an eligible census tract, CDBG funds are able to assist with the financing of the off-site improvements; and, the HOME funds would be able to assist with the construction of the units on site.

This information is being presented to you this evening to seek your input on programs and activities for the upcoming fiscal year and Annual Plan. It should be noted HUD reserves the right to review all projects and activities before making the final award approval. In the past HUD has denied the funding of eligible programs and activates programs that were approved by City Council. Should HUD exercise its discretion and not approve specific programs or activities in the Annual Plan it may require a later amendment action by the City Council.

Some Projects previous Councils have considered (2011 - 2019):

1. Homeowner Rehabilitation - Completed over 10 Rehabilitations
2. Property Acquisition
  - a. Sierra Saving Grace - 3 Units

- b. Valley Crisis Center - 2 Units
  - c. Merced Rescue Mission - 1 Unit
- 3. Water Main Replacement - 7<sup>th</sup> & T Streets
- 4. ADA Improvements - Replacement of non-compliant sidewalks and ramps
  - a. Buena Vista Drive Bike Path Crossing near Rivera School
  - b. Sidewalk and new crossing along 25<sup>th</sup> Street next to John Muir School
  - c. ADA Ramps installed along 7<sup>th</sup>, 8<sup>th</sup>, 9<sup>th</sup>, G, K, and S Streets
  - d. Stephen Leonard Park Improvements
- 5. First Time Homebuyer Program
- 6. Financing the Construction/Rehabilitation of Apartments Projects
  - a. Gateway Terrace I Apartments - 66 Units
  - b. Gateway Terrace II Apartments - 50 Units
  - c. Woodbridge Apartments - 75 Units
  - d. 2668 Hwy 59 Apartments - 4 Units
  - e. 1113 W. 2<sup>nd</sup> Street Apartment Renovation - 7 Units
- 7. Continuum of Care Administrative Services
- 8. Fair Housing Administrative Services
- 9. Types of Public Services
  - a. Youth Enrichment Programs
  - b. Disable Adults
  - c. Rapid Rehousing
  - d. Warming Center
  - e. Job Training
  - f. Homeless Services

## **ATTACHMENTS**

- 1. Community Input Slideshow Presentation