



## Legislation Text

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**File #:** 19-121, **Version:** 1

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*Report Prepared by: Mark E. Hamilton, Housing Program Supervisor, Housing Division, Department of Development Services*

**SUBJECT:** Public Hearing - Review and Consideration of the Prioritization of CDBG and HOME Project Funding Applications Received and Consideration of Projects for Inclusion in the 2019 HUD Annual Action Plan

### REPORT IN BRIEF

Conducts a Public hearing for the Community Development Block Grant (CDBG) and HOME Investment Partnership (HOME) Program to allow the public an opportunity to comment on the proposed project selections for Fiscal Year 2019-2020 and requests that the City Council consider prioritizing and provide modifications, if any, to proposed projects for inclusion in the City's Department of Housing and Urban Development (HUD) 2019 Annual Action Plan.

### RECOMMENDATION

**City Council** - Adopt a motion providing prioritization and modifications, if any, to the project selections based on the applications received and directing staff to fund them in order of priority as funding becomes available from the U.S. Department of Housing and Urban Development (HUD) after holding the required Public Hearing.

### 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

Housing staff is asking City Council to prioritize the applications received from various community organizations prior to incorporation into the 2019 HUD Annual Action Plan. Due to the U.S. Department of Housing and Urban Development (HUD) not yet publishing the CDBG and HOME

funding allocations for Fiscal Year 2019-20, Housing Staff can only ask for prioritization of the activities at this time. Once HUD publishes the City's allocation, Housing staff will include the activities into the 2019 HUD Annual Action Plan based upon City Council's priority (Attachment 3).

Due to the delay by HUD in publishing the 2019 funding allocations, HUD has given entitlement communities (including the City of Merced) additional time to prepare and submit the 2019 Annual Action Plan. Jurisdictions are not allowed to submit the HUD Annual Plan to HUD prior to the funding allocations being published. The Housing Division would be able to submit the HUD Annual Action Plan as early as June 25, 2019, but no later than August 16, 2019.

### Funds Available

Since HUD has not published the City's grant allocations for Fiscal Year 2019/20, Housing Staff can only prepare next year's budget using estimates based upon the current FY 2018/19 allocation, as we are anticipating the City of Merced will receive a similar amount. At this time, staff is estimating our CDBG allocation to be approximately \$1,128,771, with \$84,000 estimated in program income. Additionally, staff is estimating our HOME allocation will be approximately \$520,415, with \$60,000 estimated in program income. In total the combined CDBG allocation, HOME allocation, and projected program income is estimated at \$1,793,186.

Currently, the Housing Division is estimating an unencumbered balance of \$450,360 of CDBG Funds and \$449,541 of HOME Funds. Staff is recommending allocating the HOME portion of these funds towards the Childs Court Apartments and allocating the CDBG portion of these funds to fund other affordable housing projects. In the event the Childs Court Apartment project is not able to secure additional funding sources, these funds will be reallocated to other eligible Housing Development projects based upon council's prioritization of the submitted activities.

### Housing to Meet Special Needs (CHDO Set-Aside)

The Housing Division is working with the Central Valley Coalition for Affordable Housing (CVCAH) to develop an eligible project on property currently owned by the County of Merced known as the Childs Court Apartments. The City of Merced is combining HOME Community Housing Development Organization (CHDO) Funds from Fiscal Years 2018/19 (\$410,000) and 2019/20 (\$300,000) for a total amount being set aside of approximately \$710,000 towards the CHDO Project. In the event the Childs Court Apartment project is unsuccessful in securing additional resources, the Housing Division would work with CVCAH to move forward with an alternative project to be determined.

### Housing Activities (Homeowner Rehabilitation/Acquisition)

The Housing Division would continue to provide assistance to eligible households and property owners to rehabilitate existing residential properties within the community through existing agreements. For Rehabilitation projects, financial assistance is provided as a grant to fund necessary health and safety repairs to improve the homeowner's residence. Eligible improvements include, but are not limited to, window and HVAC replacements, sewer and water line repairs, and ADA improvements. Habitat for Humanity is continuing to use funds secured from last year's request to sustain and implement the Homeowner Rehabilitation Program.

The City Housing Division received applications this year from Sierra Saving Grace Homeless Project

and Merced Rescue Mission to finance the acquisition of property to be used for their Permanent Supportive Housing Programs.

### HUD 108 Loan

The HUD 108 Loan is an obligation of the City of Merced with the yearly payments coming from either the residual receipts received from the Grove Apartments or the Housing Division's yearly allocation. This year's HUD 108 Loan payment is \$250,360. Currently, the Housing Division has \$168,974 cash available from payments received from the Grove Apartments, which leaves an amount of \$81,386 needed to pay this year's HUD 108 Loan payment.

Instead of funding \$500,000 of our CDBG yearly allocation for the Childs Court Apartments for the next 4 years, Housing staff is asking for Council direction to continue initial conversations with HUD regarding using a HUD 108 Loan to assist with financing the \$2 Million needed for the Childs Court Apartment. HUD strongly recommends the City pursue financing the \$2 Million through this program.

There are a couple reasons why this can be beneficial to our community. First, it would give the Housing Division the flexibility to better utilize our resources for affordable housing projects. Staff would be able to finance the amount over a period up to 20 years (\$100k per year for 20 years, plus interest and administrative fees), instead of paying for the amount over 4 years at \$500k per year. This will allow us to be able to finance other projects. Secondly, we would be able to finance the Housing Division's Activity Delivery Costs into the loan. This would allow staff to bank our administrative costs into the loan, thereby enabling us to draw down amounts as needed over time to cover staff costs associated with the project. Lastly, a HUD 108 Loan would allow us to fund additional development projects with this year's allocation, instead of having the bulk of our allocation prioritized to one project.

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

The Continuum of Care will continue to be funded this fiscal year. The Merced Continuum of Care (COC) is currently being managed by the County of Merced. The Housing Division is proposing to enter into an agreement with the County of Merced for the same amount as the current fiscal year (\$38,000).

### 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 estimated CDBG grant (\$169,315.65) can be awarded towards eligible Public Services activities this fiscal year.

Following three public meetings that provided information to local non-profit organizations, applications were received from these groups requesting CDBG and HOME funding for various eligible activities (Attachment 2). Eligible applicants must be either a public agency or a non-profit organization with a 501.(c).3 in good standing by the Federal government. The projects requesting funding are required to meet a National Objective and serve either eligible clientele or be located within an eligible census tract. During the public meetings, staff informed those in attendance that we would have limited funding and would be budgeting \$50,000 in total for all public service activities for 2019/20.

Staff met with most of the agencies the applied for funds, and all applications (Attachments 6-19) were screened for eligibility of a HUD National Objective (Attachment 4). The total amount requested this year for public service projects was \$227,000, which exceeds our estimated 15% allowable Public Cap by \$57,684.35. However, once the funding allocations from HUD have been posted, the Housing Division will fund as many as possible with the funding resources available (Attachment 1). Copies of the applications are available in the City Clerk's office.

## **IMPACT ON CITY RESOURCES**

Funding for the 2019 HUD Annual Action Plan is representative of the proposed 2019-2020 Housing Budget. Funds presented as CDBG and HOME anticipated allocations are based upon information from the City's HUD representative.

## **ATTACHMENTS**

1. List of Activities Submitted for Consideration
2. Comments from the Community Input Meetings
3. CPD Notice 19 - 01
4. 2019 HUD Matrix Codes
5. Presentation
6. Fresno Housing Council - First Time Homebuyer Courses
7. Habitat for Humanity - First Time Homebuyer Courses
8. Habitat for Humanity - Property Acquisition - Merced Avenue
9. Habitat for Humanity - Homeowner Rehabilitation
10. Habitat for Humanity - Homeowner Rehabilitation of 8201/2 K Street
11. Healthy House - Elder Housing Program
12. Lifeline - Employment Training
13. Merced Rescue Mission - Property Acquisition
14. Merced Rescue Mission - Rental Deposit Program
15. Merced Rescue Mission - Warming Center
16. Project Sentinel - Fair Housing Services
17. Restore Merced - Merced Jobs
18. Sierra Saving Grace - Homeless Assistance
19. Sierra Saving Grace - Acquisition of Property