



## Legislation Text

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Department/Housing Division*

**SUBJECT:** Public Hearing to Consider Adoption of Resolution Approving Substantial Amendments to the 2015-2020 Consolidated Plan and Program Year 2019-2020 Annual Action Plan to Identify and Allocate Additional Funds Made Available Through the Coronavirus Aid, Relief, and Economic Security Act, and to Reallocate 2019-2020 Community Development Block Grant (CDBG) Funds; and, Approval of an Amendment to the Citizen Participation Plan to Add Federally-Declared Disaster Exceptions

### REPORT IN BRIEF

Considers expedited substantial amendments to the current Consolidated and Annual Action Plans for identification and allocation of HUD CDBG-CV funds to prevent, prepare for, and respond to the COVID-19 Coronavirus; and, considers other substantial amendments to the 2019-2020 Annual Action Plan necessary to realign current and planned activities that will occur this program year; and, considers an amendment to the adopted Citizen Participation Plan to add HUD exception guidelines for Federally-declared emergencies.

### RECOMMENDATION

**City Council** - Adopt a motion:

A. Adopting **Resolution 2020-25**, a Resolution of the City Council of the City of Merced, California, approving an amendment to the City of Merced Fiscal Year 2015-2020 Consolidated Plan and Amendment #2 to the Program Year 2019-2020 Annual Action Plan to allocate the additional funds made available through the Coronavirus, Aid, Relief, and Economic Security Act reallocating Fiscal Year 2019-2020 CDBG funding towards COVID-19 Coronavirus response; approving amendments to the Citizen Participation Plan; authorizing the City Manager or Assistant City Manager to execute any related documents and/or sub-recipient agreements resulting from this allocation; certifying compliance with the requirements of the Community Development Block Grant (CDBG) Program, and authorizing staff to submit all approved documents to the U.S. Department of Housing and Urban Development and,

B. Approving a Substantial Amendment to the Fiscal Year 2015-2020 Consolidated Plan to amend the Plan to accommodate new Community Development Block Grant Coronavirus (CDBG-CV) funding resources allocated to the City by HUD in the amount of \$661,246; and,

C. Approving the Amendment #2 to the Program Year 2019-2020 Annual Action Plan for the insertion of new goals and priorities that prevent, prepare for, and respond to the Coronavirus, and amending the 2019-2020 Program Funding to add the anticipated funding resource to the current program year;

and,

D. Approving the Amendments to the Citizen Participation Plan that establishes amended public notice, public review and comment, and citizen participation procedures during times of federally-declared disasters or other unforeseen events when HUD provides opportunity for waiver of Citizen Participation Plan Requirements; and,

E. Appropriating \$500,000 of new CDBG-CV resources to fund Economic Development activities, including any necessary administration, oversight, and management of related projects; and,

F. Appropriating \$100,000 of new CDBG-CV resources to fund Public Services Subsistence Payments activities that assist with arrears payments of past due rents, mortgages, and electricity/gas utility bills; and,

G. Appropriating the remaining \$61,246 of new CDBG-CV resources to fund Public Services Food Bank activities that assist with operating costs of food banks or other food delivery organizations; and,

H. Appropriating \$38,754 of 2019-2020 CDBG Unanticipated Program Income to fund Public Service Food Bank activities that assist with operating costs of food banks or other food delivery organizations; and,

I. Reallocating \$81,565 of 2019-2020 CDBG funds from Development Projects/HUD 108 Loan Payment to Public Service activities (project to be determined); and,

J. Reallocating \$4,920 of 2019-2020 CDBG funds from Public Services/First Time Home Buyer Classes to Public Services activities (project to be determined); and,

K. Reallocating \$30,000 for funding of Project Sentinel-Fair Housing activities from 2019-2020 CDBG Public Services funds to HOME Administrative Funds; and,

L. Authorizing the City Manager or the Assistant City Manager to execute all associated documents and agreements; and,

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

## **ALTERNATIVES**

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

## **AUTHORITY**

Charter of the City of Merced, Section 200.

## **CITY COUNCIL PRIORITIES**

As provided for in the 2019-20 Adopted Budget and 2015-2020 Consolidated Plan/Strategic Plan Goals Summary

## **DISCUSSION**

### Introduction

As an entitlement community under the U.S. Department of Housing and Urban Development (HUD), the City is required to adopt a five-year Consolidated Plan for the use of HUD Office of Community Planning and Development (CPD) Funds, such as Community Development Block Grant (CDBG) and HOME Investment Partnerships Program (HOME). In addition, each fiscal year, the City must submit an Annual Plan to outline the coming year's use of these two funding resources that will go towards addressing the Consolidated Plan's priority community needs. Each plan must also establish goals and objectives for its respective timeframes.

The City of Merced's Consolidated Plan was approved with a wide range of goals and objectives, to allow the City some flexibility from year-to-year as Council priorities change over time. Among others, the current plan includes goals for homelessness prevention, public services activities for low-moderate income housing benefit, and economic development categories such as small business assistance and job training using CDBG funds.

The current 2019-2020 Annual Plan adopted by Council in May of 2019, lists public services, job creation, and homeless services, but did not plan to fund economic development activities this program year.

### The CARES Act - Community Development Block Grant Coronavirus (CDBG-CV) funds

On April 2, 2020, the City of Merced received notice from HUD of a special allocation of Community Development Block Grant Coronavirus (CDBG-CV) grant funds, made available by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), that was signed into Public Law on March 27, 2020. These funds are to be used specifically to prevent, prepare for, and respond to the immediate need and growing effects of the COVID-19 Coronavirus.

CDBG-CV grant funds will still be subject to the same oversight, monitoring, reporting, and other requirements as regular CDBG funds and programs are, but are not subject to the normal 15% public services cap. In addition, many of the same project activities as CDBG are listed as eligible activities for CDBG-CV funding, but must be coronavirus-related (Attachment 3). Regular CDBG funds can also be redirected to this effort, and if used towards Coronavirus relief, also receive the 15% cap removal, as long as the same activity is not funded by other HUD funds through another program or agency.

### Consolidated Plan - Public Participation Plan Waivers Issued by HUD

According, the City must amend its Consolidated and Annual Plans to include the new CDBG-CV funding source and the amounts, goals, objectives, and activities planned for them.

Given these regulatory requirements, it is necessary to process an expedited amendment to the

Consolidated and Annual Plans to facilitate their use and implementation as soon as possible. To speed up this process under these urgent circumstances, HUD has issued two waivers of certain regulatory requirements for the public participation process concerning Consolidated and Annual Plan amendments through June 2021: 1) allowing the regulatory 30-day comment period to be reduced to no less than five days, as long as the public is given reasonable notice and opportunity to comment; and 2) allowing the entitlement jurisdictions themselves to determine what is reasonable notice and opportunity to comment during this federally-declared national emergency.

On April 24, 2020, the Development Services Director notified HUD that the City of Merced would be implementing the above waivers. The Housing Division received receipt from HUD the same day granting permission to move forward with implementation (Attachments 4 and 5).

The City of Merced Housing Division published these reduced processes in its Public Notice that was published on Thursday, April 30, 2020, which opened a five-day comment period that began on Monday, May 4, and ended on Friday, May 8, 2020.

As of Monday, May 11, 2020, no public comment was received for any item discussed in this report.

#### *Amendment to Citizen Participation Plan*

Additionally, HUD requires that jurisdictions amend their Citizen Participation Plans (CPP) to include procedures to be used during states of emergency and other disasters such as the current crisis when HUD makes these waivers available.

Please see the draft Amended Citizen Participation Plan (Attachment 7) that inserts new language for flexibilities in Citizen Participation and Comment procedures during times of federally-declared disasters or other unforeseen circumstances. Insertions of the new language can be found on Pages 7, 11, 12, and 13 of the Attached Draft CPP. Amended procedures match those submitted to HUD to implement the waivers discussed in the above section and in the Public Notice (Attachment 6).

With this amendment, the City will have emergency citizen participation procedure guidelines in place for continuing and future occurrences. No other previously-adopted sections have been altered except to correct formatting.

#### *Plan Amendments for COVID-19 Prevention, Preparation, and Response*

The Plan amendments discussed below are necessary to accept and implement the CDBG-CV funds and focus them to activities that meet the immediate community need:

- Substantial Amendment to 2015-2020 Consolidated Plan (5-Year Strategic Plan)  
*Amend to add the CDBG-CV funding resource (\$661,246) - Small business assistance, job training, and revitalization for geographic areas with greater than 51% of low- to moderate-income residents are already listed as the needs addressed under the existing goal of Economic Development. Similarly, goals are also already included for support service activities such as rental and utility (subsistence) payment and food bank assistance (Attachment 1).*

- Amendment #2 to the 2019-2020 Annual Plan

*Amend to add the CDBG-CV funding resource (\$661,246)* - CDBG-CV funding resources will be focused towards economic development (\$500,000) and public service (\$161,246) goals, supporting small business assistance and special needs/support services for low- to moderate-income residents, respectively

*Amend to add new Goals and Objectives* - the 2019 Annual Action Plan's Goals and Objectives do not currently include expenditure of any HUD resources on economic development goals; therefore, goals, objectives, and outcome indicators must be inserted to meet HUD requirements. Additionally, public services' goals, objectives, and outcome income indicators must be amended to also use CDBG-CV as a resource for these activities (Attachment 2).

### Community Need and Appropriation CDBG-CV and CDBG funds

Through public comments gathered from the City Council meeting of April 20, 2020, when a COVID-19 Recovery Plan concept was introduced, as well as through emails and calls to City staff from local organizations and advocacy groups over the past weeks, three immediate needs have emerged within our community: 1) a need for small businesses to keep solvent and keep their staff employed; 2) a need to keep residents in their current housing units, with electricity and gas utilities, to avoid homelessness due to loss of income and inability to pay rent or mortgages; and, 3) a need to provide food to the increasing number of families and individuals who have lost income due to stay-at-home and business closure orders of the State and County Health officials.

To respond to those needs, after considering additional public comment and discussion, Council approved a COVID-19 Recovery Plan on May 4, 2020, that directs staff to focus CDBG-CV and CDBG funding activities on: 1) a small business loan program aimed at retaining and rehiring former employees; 2) rental and utility assistance program; and, 3) operating cost assistance to food banks that would go toward helping to feed families in need. Council directed staff to seek out vendors and community partners who could assist the City with setting up these programs.

To that end, the following appropriations and re-allocations are necessary:

- Appropriate \$500,000 of CDBG-CV funds to Economic Development programs and activities to support new or existing small businesses with loans or grants designed to help create, keep, or rehire local jobs for low- to moderate-income business owners and employees.
- Appropriate \$100,000 of CDBG-CV funds to Public Services Projects, to fund Subsistence Payment programs and activities that provide rental and utility (electricity/gas) payment assistance in order to keep residents housed, with electricity and means of cooking and heating, in order to prevent homelessness due to evictions or foreclosures due to loss of income.
- Appropriate \$61,246 of CDBG-CV funds and \$38,754 of 2019 CDBG Unanticipated Program Income to Public Services Projects, to fund Food Bank assistance programs (\$100,000 total) to help with the increase in daily operating costs of food banks due to the increased demand for food support four times the normal need.

- Reallocating \$81,565 of 2019-2020 CDBG funds from Development Projects/HUD 108 Loan Payment (the Grove Apartments) to Public Services activities (project to be determined).

Explanation: the 2019 Annual Action Plan budget included this amount to cover the loan payment in case a HUD 108 Loan payment from the Grove Apartments was not received; however, in August 2019, the City received a payment from the complex for the payment of the loan, plus an additional amount of \$416,111 that will carry over to the next fiscal year as a credit towards that existing loan. Therefore, the \$81,565 originally budgeted in CDBG must be re-appropriated to another use.

Suggested re-use: CDBG funds may also be used towards response to the effects of COVID-19; thus, these funds may be better spent on activities of immediate need, such as additional rental or food bank assistance. They also can be carried-over to be used during the 2020-21 program year.

- Reallocate \$4,920 of 2019-2020 CDBG funds from Public Services/First Time Homebuyer Classes to Public Services activities (project to be determined).

Explanation: staff was not able to implement this activity during the current year due to social distancing requirements. As a result, 2019-2020 CDBG funds are available to be re-purpose. With the understanding that this activity remains a priority to the community, staff recommends that funding be set aside for this activity in the 2020-2021 CDBG allocation.

Suggested re-use: CDBG funds may also be used towards response to the effects of COVID-19; thus, these funds may be better spent on activities of immediate need, such as additional rental or food bank assistance. They also can be carried-over to be used during the 2020-21 program year.

- Reallocate \$30,000 from 2019-2020 CDBG Public Services/Project Sentinel - Fair Housing Services to HOME Administrative Activities. This is necessary to move funding of this project to HOME Administrative funds to balance Housing's budget at year-end.

It is important to note that programs created for use of the new CDBG-CV and re-use of CDBG funds would be contracted to start immediately and end at the end of the 2020 program year (ending June 30, 2021). HUD waivers of Citizen Participation Plan requirements that have already been implemented are also valid through June 30, 2021. Environmental reviews for all new projects must be completed before funding is committed.

Additional waivers for a later submission of the next Consolidated Plan period spanning program years 2020-2024, as well as later submission of the Consolidated Annual Performance and Evaluation Report (CAPER) are also available from HUD, which the Housing Division will furthermore be implementing.

## IMPACT ON CITY RESOURCES

Due to this new allocation of HUD CDBG-CV funding, the City's total HUD CDBG entitlement grant funds will increase by the allocation amount of \$661,246, and there is no anticipated impact to the

City's General Fund.

Funding for the new \$661,246 CDBG-CV allocation will be from Fund 018. Additionally, appropriation of additional CDBG Program Income received, disencumbered HUD 108 Loan Payment, and unencumbered projects will increase CDBG Fund 018 expenditures by \$125,239.

And finally, changes to the funding source of Fair Housing activities will move from CDBG Fund to HOME Fund.

## **ATTACHMENTS**

1. 2015-2020 Consolidated Plan Anticipated Resources and Goals Summary
2. Program Year 2019 Annual Plan Goals and Objectives
3. Quick Guide to CDBG Eligible Activities to Support Coronavirus...Response
4. Letter - Notification of Implementation of Available Consolidated Plan Waivers
5. HUD Email - Permission to Proceed with Consolidated Plan Waivers
6. Public Notice - Consolidated/Annual Plan Amendments and HUD CPP Waivers
7. Draft Amended Citizen Participation Plan
8. Draft Resolution