



**CITY OF SALINAS
COUNCIL STAFF REPORT**

DATE: DECEMBER 1, 2020

DEPARTMENT: COMMUNITY DEVELOPMENT

FROM: MEGAN HUNTER, DIRECTOR

BY: ROD POWELL, MANAGEMENT ANALYST

TITLE: SUBMISSION OF CONSOLIDATED ANNUAL PERFORMANCE AND EVALUATION REPORT FOR FY 2019-20 TO UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

RECOMMENDED MOTION:

It is recommended that the City Council approve a resolution approving the Fiscal Year (FY) 2019-20 Consolidated Annual Performance and Evaluation Report (CAPER) and authorizing submittal to United States Department of Housing and Urban Development (HUD).

RECOMMENDATION:

The Community Development Department (CDD) recommends that the City Council approve a Resolution approving the FY 2019-20 CAPER and authorizing submittal to HUD.

EXECUTIVE SUMMARY:

The City of Salinas (City) is designated as an entitlement jurisdiction for the following three HUD programs; 1) Community Development Block Grant (CDBG) Program, 2) HOME Investment Partnerships Program (HOME) and 3) Emergency Solutions Grants (ESG) Program. In addition, the City received CDBG CARES Act COVID-19 (CDBG-CV) and ESG-CV funds to be used to respond to, prepare for and prevent COVID-19. As a result, the City is required to submit a CAPER to HUD annually for CDBG, CDBG-CV, HOME, ESG and ESG-CV for the period between July 1, 2019 – June 30, 2020. The CAPER summarizes the City's annual accomplishments for CDBG, CDBG-CV, HOME, ESG and ESG-CV funds. The CAPER provides the community with a concise statement regarding HUD funds available for activities undertaken, and an evaluation of the City's progress in carrying out goals and objectives as stated in the FY 2015-19 Consolidated Plan (Con Plan) and the FY 2019-20 Annual Action Plan (AAP). All activities and projects completed by the City were eligible under CDBG, CDBG-CV, HOME, ESG and ESG-CV. The CAPER is due to HUD by December 28, 2020.

BACKGROUND:

The CAPER is a one-year plan which describes the eligible projects, programs and activities that were undertaken with CDBG, CDBG-CV, HOME, ESG and ESG-CV funds during FY 2019-20 (July 1, 2019-June 30, 2020) and their relationship to the City's priorities in housing, homelessness and community development. HUD in accordance with the City's adopted Citizen Participation Plan (CPP) requires a minimum fifteen (15) day public comment period for the CAPER. As a result, the draft CAPER public notice was published in The Californian and El Sol newspapers on November 14, 2020. The draft CAPER was made available to the public at the City's website, Community Development Department and could be requested through mail. The minimum fifteen (15) day public comment period began on November 14, 2020 and ends on December 1, 2020. This City Council public hearing also provides an additional opportunity for the public to advise the City Council with comments regarding the draft CAPER and provide input on community development needs within the City. A summary of all public comments received during the public comment period will be included in the final CAPER along with any minor corrections.

The CAPER is due to HUD no later than ninety (90) days after the end of the City's FY 2019-20. However, due to the COVID-19 pandemic, the requirement that grantees submit a performance report within 90 days after the close of the jurisdiction's program year was waived, subject to the condition that within 180 days after the close of a jurisdiction's program year the jurisdiction shall submit its performance report. This year, the CAPER is due to HUD no later than December 28, 2020.

DISCUSSION:

This year's CAPER is unique from previous years as it includes CARES Act funding that was only allocated in April 2020. This placed a significant burden on expending these additional funds within FY 2019-20. Despite this challenge, Housing Division staff quickly initiated the Substantial Amendment to make these funds available to our community as quickly as possible. On May 26, 2020, the City Council approved a Substantial Amendment to program CDBG-CV and \$617,245 in ESG-CV funds. After the initial amendment in May, the City received an additional allocation of \$5,814,926 in ESG-CV funding. As a result, City Council approved a second Substantial Amendment to program these funds on June 23, 2020. On August 13, 2020, HUD finally approved the Substantial Amendment allowing the City to drawdown CARES Act expenditures. For this reason, the City programmed CDBG-CV and ESG-CV funds during FY 2019-20 but was unable to spend them within the same fiscal year.

Entitlement Funding & Program Income (PI)

As mentioned above, the City is an entitlement jurisdiction for CDBG, CDBG-CV, HOME, ESG and ESG-CV programs. HUD provides annual grants on a formula basis to entitled cities and counties to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low and moderate-income persons. The City also utilizes program income (PI) to further fund certain eligible activities on an

annual basis. PI is the gross income received by the City from the use of CDBG, CDBG-CV, HOME, ESG and ESG-CV funds. The table below represents entitlement funding and PI available for FY 2019-20 for CDBG, CDBG-CV, HOME, ESG and ESG-CV.

Fiscal Year	Funding Source	Entitlement Amount	Program Income	Total Available Funding
2019-20	CDBG	\$2,037,160	\$28,246.00	\$2,065,406
	CDBG-CV	\$2,400,157	\$0	\$2,400,157
	HOME	\$763,800	\$595,728.00	\$1,359,528
	ESG	\$177,658	\$0	\$177,658
	ESG-CV	\$6,432,171	\$0	\$6,432,171
	Total	\$11,810,946	\$623,974	\$12,434,920

The table below represents entitlement and PI expenditures incurred in FY 2019-20 for CDBG, CDBG -CV, HOME, ESG and ESG-CV.

Fiscal Year	Funding Source	Entitlement Amount Expended	Program Income Expended	Total Expenditures
2019-20	CDBG	\$1,792,143	\$28,246	\$1,820,389
	CDBG-CV	\$35,281	\$0	\$35,281
	HOME	\$1,619,888	\$213,517	\$1,833,405
	ESG	\$197,208	\$0	\$197,208
	ESG-CV	\$0	\$0	\$0
	Total	\$3,644,520	\$241,763	\$3,886,283

Program Administration

Annually, the City may utilize a percentage of CDBG, HOME, and ESG for program administration. The City may also utilize 20 percent of CDBG-CV and 10 percent ESG-CV for program administration. HUD caps program administration for CDBG at 20 percent, HOME at 10 percent and ESG at 7.5 percent. In addition, CDBG regulations allow 20 percent of PI towards program administration and HOME regulations allow up to 25 percent of funds (PI and entitlement) to be allocated toward program administration due to COVID-19. The City utilized 10 percent of entitlement funds and 25 percent of PI for HOME program administration. The table below represents the total program administration available and expended for FY 2019-20 CDBG, CDBG-CV, HOME, ESG and ESG-CV.

Funding Source	Program Administration			Expenditures
	FY 18-19 (Carryover)	FY 19-20	Available Funding	
CDBG	\$0	\$413,081	\$413,081	\$413,081
CDBG-CV	\$0	\$238,156	\$238,156	\$35,280
HOME	\$60,426	\$225,312	\$285,738	\$117,221
ESG	\$3,899	\$13,324	\$17,223	\$9,572
ESG-CV	\$0	\$643,217	\$643,217	\$0
Total	\$539,860	\$1,541,016	\$1,597,415	\$575,154

CDBG and CDBG-CV Public Services

A portion of the annual CDBG and CDBG-CV entitlement amount (up to 15%) may be used specifically for public service activities. For CDBG-CV funds, HUD has waived the 15% public services cap. In addition to housing activities, CDBG regulations allow the use of grant funds for a wide range of public service activities, which may include, but are not limited to:

- Employment services (e.g., job training)
- Crime prevention and public safety
- Childcare
- Health services
- Substance abuse services (e.g., counseling and treatment)
- Fair housing counseling
- Education programs
- Energy conservation
- Services for senior citizens
- Services for homeless persons
- Recreational services

For FY 2019-20 the City utilized CDBG funding to support eight non-profit agency programs totaling \$311,574 for public service activities that addressed the needs of the elderly, youth, disabled and other important segments of our community. In addition, the City allocated \$595,392 of CDBG-CV funds to prevent, prepare for, and respond to the Coronavirus pandemic.

CDBG Public Services				
Agency	Program Name	Funding Amount	Expenditures	Unduplicated Persons Served
Girl Scouts of California	Girl Scouts Alisal Program Center	\$35,000	\$35,000	282
Boys & Girls Clubs of Monterey County	Catch the Bus (CTB) Transportation Program	\$30,000	\$30,000	554
Partners for Peace	Families are the Heart of the Community	\$30,785	\$30,785	135
Alliance on Aging, Inc.	Tax Counseling for the Elderly (TCE) and Ombudsman	\$25,000	\$25,000	596
Girls Inc. of the Central Coast	Girls Inc. of the Central Coast	\$25,000	\$25,000	146
Food Bank for Monterey County	Food Bank for Monterey County	\$126,005	\$126,005	5,856
Eden Council for Hope and Opportunity	Fair Housing and Tenant/Landlord Services	\$14,784	\$14,784	113
Legal Services for Seniors	Legal Services for Seniors	\$25,000	\$25,000	599
Total		\$311,574	\$311,574	8,281

CDBG–CV Public Services				
Agency	Program Name	Funding Amount	Expenditures	Unduplicated Persons Served
Food Bank for Monterey County	Food Bank for Monterey County - COVID-19	\$311,392	\$0	0
Eden Council for Hope and Opportunity	Fair Housing & Tenant/Landlord - COVID-19	\$84,000	\$0	0
City of Salinas	Housing Information and Referral Services – COVID-19	\$160,000	\$0	0
City of Salinas	Fair Housing – COVID-19	\$40,000	\$0	0
Total		\$595,392	\$0	0

ESG Public Services

The ESG and ESG-CV programs utilize federal funds to support communities in providing street outreach, emergency shelter, rental assistance, and related services. These programs provide resources for adults and families with children experiencing or at-risk of homelessness. The purpose of the ESG and ESG-CV programs is to provide homelessness prevention assistance to households who would otherwise become homeless and assistance to rapidly re-house persons who are experiencing homelessness. ESG and ESG-CV funds provide a variety of assistance, including short-term or medium-term rental assistance, housing navigation and placement, and housing stability case management. ESG and ESG-CV regulations allow the use of grant funds for a wide range of program components and activities. The street outreach and emergency shelter program components are capped at 60 percent of the ESG total funding. This 60 percent cap was waived by HUD for ESG-CV funds. The following are eligible ESG and ESG-CV activities:

- Street Outreach
- Emergency Shelter
- Homelessness Prevention
- Rapid Re-housing
- Homeless Management Information System (HMIS)
- Administrative Activities

For FY 2019-20 the City received a HUD ESG allocation of \$177,658 and \$6,432,171 in ESG-CV funds. The City utilized ESG funding to support four non-profit agency programs and program administration totaling \$171,278, which included \$6,944 of unspent FY 2018-19 funding, to address the needs of the homeless community. In addition, the City allocated \$6,432,171 of ESG-CV to respond, prepare for and prevent Covid-19.

ESG Public Services				
Agency	Program Name	Funding Amount	Expenditures	Unduplicated Persons Served
Interim, Inc.	MCHOME	\$75,427	\$75,427	76
Central Coast Center for Independent Living	CCCIL Rapid Re-Housing and Homeless Prevention Program	\$56,249	\$37,641	29
Community Homeless Solutions	Warming Shelter	\$32,658	\$32,658	151
Housing Resource Center	Housing Resource Center Rapid Rehousing Plan*	\$6,944*	\$6,805	4
Total		\$171,278	\$152,531	260

**Unspent FY 18-19 funds carried over to FY 19-20*

ESG – CV Public Services				
Agency	Program Name	Funding Amount	Expenditures	Unduplicated Persons Served
City of Salinas	Warming Shelter Trailer Set-up	\$21,800	\$0	0
City of Salinas	Chinatown Navigation Center Sprung & Trailer Installation	\$788,069	\$0	0
Central Coast Center for Independent Living	Rapid Rehousing, Homeless Prevention, and Emergency Shelter Services	\$1,024,950	\$0	0
Community Homeless Solutions	Warming Shelter and Trailers Operations	\$489,285	\$0	0
Community Homeless Solutions	Chinatown Navigation Center, Trailers and Sprung Operations	\$1,042,238	\$0	0
Downtown Streets Team	Salinas Downtown Streets Team - Street Outreach	\$688,633	\$0	0
Interim, Inc.	MCHOME	\$100,000	\$0	0

Salvation Army	Homeless Encampments Food Distribution	\$78,098	\$0	0
Step up Second Street, Inc.	Homekey Project	\$250,000	\$0	0
Homeless Prevention - Agency TBD	Homeless Prevention - Agency TBD	\$596,788	\$0	0
Rapid Re-housing - Agency TBD	Rapid Re-housing - Program TBD	\$424,093	\$0	0
Total		\$5,788,954	\$0	0

CDBG Capital Improvement Projects (CIP's)

CDBG CIP's help the City enhance the overall quality of life of its residents by improving physical structures, systems, and facilities that provide services to the community. Each year, a portion of the City's CDBG funds are allocated to CIP's. CDBG regulations allow the use of grant funds for a wide range of program components and activities not limited to the following:

- Public Facilities/Services
- Establish/upgrade water supply distribution systems
- Upgrade sanitary sewers
- Improve water treatment facilities
- Maintain and improve streets
- Health and safety centers
- Senior citizens centers
- Recreation facilities

Sherwood Recreation Center (Old Municipal Pool)

The Sherwood Recreation Center, located at 920 N. Main Street was built in 1949. In 2009, after completion of the New Aquatic Center, the old municipal pool was drained, and the building has not been used since. The Sherwood Recreation Center project includes remodeling the old municipal pool into a recreational sports facility for City residents. The Sherwood Recreation Center is in the final stages of Phase III of the project and will start Phase IV in FY 2020-21. No funding was allocated in FY 2019-20. The table below shows the funding amount, expenditures, and estimated completion date for Phase III.

Sherwood Recreation Center (Old Municipal Swimming Pool) Phase III			
Fiscal Year	Funding Amount	Expenditures	Est. Completion Date
FY 2019-20	\$0	\$786,907	12/31/20

First United Methodist Church Kitchen Remodel

The First United Methodist Church, located at 404 Lincoln Avenue finalized the preliminary plans and submitted for a building permit to remodel the existing kitchen. Building Permit approval is pending. Accomplishments for this project include: a published RFP for demolition and asbestos removal, interviews of applicant firms, the selection of a project consultant, and the start of the design process in coordination with architects. Additionally, a project design has been completed, plans have been submitted to the City’s Permit Services Division, and a budget estimate has been completed by the IR consultant. The table below shows the funding amount, expenditures, and estimated completion date for this project.

The First United Methodist Church Kitchen Remodel			
Fiscal Year	Funding Amount	Expenditures	Est. Completion Date
FY 2019-20	\$0	\$125,691	12/31/21

Buckhorn Early Childhood Development Center

The Alisal Union School District (AUSD) was able to continue their fundraising efforts and has raised enough funding to move the Early Childhood Development Center forward. The City and AUSD have extended the Exclusive Negotiating Rights Agreement (ENRA) to allow the necessary time to continue working on the completion of the Environmental Assessment for the project, which is 90 percent complete. Construction drawings for the site improvements have been completed and construction drawings for the building structures are very close to completion. AUSD has submitted the project to the California Division of the State Architect for review and approval. Buckhorn Early Childhood Development Center received \$968,000 in CDBG funding. No expenditures were made in FY 2019-20. The City and AUSD are continuing to work on moving this project forward and the City has submitted a request to HUD for the Release of Funds and is awaiting a response.

Catalyst Apartments Rehabilitation Project

The City and non-profit developer, Interim Inc., have completed the Environmental Review Record (ERR), which is Categorically Excluded subject to Section 58.5 level (CEST). The architectural drawings are complete and an application for building permits have been submitted. The Catalyst Apartments received \$550,000 in CDBG funding. No expenditures were made in FY 2019-20. Interim Inc. plans to go out to bid for a contractor and start the project in early 2021.

Natividad Creek and Closter Park Restroom Rehabilitation Projects

These projects are coordinated internally by the City’s Community Development (CDD), Public Works (PW), and Library and Community Services (LCS) Departments. FY 2019-20 CDBG

funding in the amount of \$442,070 has been allocated towards these projects. CDD, LCS, and PW continue to coordinate work on these projects.

CDBG Housing Services Program

In FY 2019-20, the City used a portion of its CDBG funds for the following Housing Services Programs: 1) Low Interest Loan Program (Direct and Deferred Loans), 2) Housing Accessibility Assistance (HAA) Grant, 3) Lead-Based Paint (LBP) Grant and 4) GRID Alternatives Solar Program. Below is a brief description of each program.

- Low Interest Loan Program (Direct and Deferred Loans): Low interest loans are for home repairs and improvements for low-income property owners. Eligible improvements and repairs include roofs, plumbing, windows, foundations, floors, electrical systems, bathrooms and kitchens.
- Housing Accessibility Assistance (HAA) Grant: These grants assist qualifying property owners in removing architectural barriers that limit access or impede mobility and allow grant recipients to install fixtures which may reduce hazards for those with a disability.
- Lead-Based Paint (LBP) Grant: These grants assist qualifying property owners with lead-based paint remediation.
- GRID Alternatives Solar Program: This program provides for residential photovoltaic solar upgrades at no-cost to eligible low-income homeowners.

Housing Services Programs			
Program Name	Households Served	Funding Amount	Expenditures
Low Interest Loan Program (Direct and Deferred Loans)	1	\$293,963	\$118,358
Housing Accessibility Assistance (HAA) Grants	1		
Lead-Based Paint (LBP) Grants	8		
Grid Alternatives Solar Program	7	\$50,000	\$38,455
Housing Services Program Activity Delivery	N/A	\$34,531	\$34,531
Total	14	\$378,494	\$191,344

HOME Affordable Housing Multi-Family Projects

In FY 2019-20, the City used HOME grant funds for various housing activities that expanded the supply of decent, safe and affordable housing. The bulk of HOME housing development funds were passed through to developers including the Monterey County Housing Authority Development Corporation (MCHADC) and Mid-Peninsula Housing Inc. (MidPen). These organizations used these funds to fill in financing gaps for affordable housing projects.

Below is a description of each HOME affordable housing multi-family project for FY 2019-20.

- Haciendas Phase III (Hikari): The developer, Monterey County Housing Authority Development Corporation (MCHADC), received a final Certificate of Occupancy for this 50-unit modular multi-family residential new construction project on March 18, 2019. A total of nine (9) HOME-assisted units were generated as a result of this project. This project was completed in HUD IDIS on January 30, 2020
- Mid-Peninsula Moon Gate Plaza (formerly 21 Soledad Street): The non-profit developer, MidPen Housing, completed construction on the 90-unit Mixed-Use Moon Gate Plaza project, parking structure, and miscellaneous amenities. MidPen received its Certificate of Occupancy on September 24, 2020 and continues to work on construction of the project’s ground floor commercial retail space.

The table below shows the agency, project name, description, type, total number of units, FY 19-20 funding amount, expenditures, and completion date.

Project Name	Description	# of Units	Funding Source	Funding Amount	Expenditures	Completion Date
Haciendas Phase III (Hikari)	New Construction Multi-Family	50	HOME	\$0	\$50,333*	March 18, 2019
Moon Gate Plaza (21 Soledad Street)	New Construction Mixed-Use	90	HOME	\$918,556	\$1,665,851*	September 24, 2020
Total				\$918,566	\$1,716,184	

**Expenditures include previous years allocated funding*

CEQA CONSIDERATION:

The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) per Guidelines Section 15378. CEQA Guidelines Section 15061 includes the general rule that CEQA applies only to activities which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Because the proposed action and this matter

have no potential to cause any effect on the environment, or because it falls within a category of activities excluded as projects pursuant to CEQA Guidelines section 15378, this matter is not a project. Because the matter does not cause a direct or foreseeable indirect physical change on or in the environment, this matter is not a project. Any subsequent discretionary projects resulting from this action will be assessed for CEQA applicability.

STRATEGIC PLAN INITIATIVE:

CDBG, CDBG-CV, HOME, ESG and ESG-CV funding received by the City allows the undertaking of a variety of programs that are instrumental in providing affordable housing and homeless services, improving public facilities and infrastructure in low and moderate income communities, and furthering partnerships with public service organizations. CDBG, CDBG-CV, HOME, ESG and ESG-CV funding supports activities and projects that implement all City Council’s strategic goals: 1) Investment Strategies/Risk Management; 2) New Revenue; 3) Operational Efficiencies; and 4) Public Safety. Additionally, CDBG-CV and ESG-CV funding assists the City in responding to, preparing for and preventing the spread of Covid-19.

DEPARTMENT COORDINATION:

This agenda item originates from CDD’s Housing Division. However, other City departments as outlined below have also contributed staff time and resources to these efforts.

Department	Contribution
Finance	Assists with controlling expenditures and obligations, the receipt and deposit of all revenues, and accounting for all assets and capital project expenditures.
Legal	Assists in providing legal advice and examining and approving grant and loan contracts.
Public Works	Assists with the planning, management, and construction of CIP’s.
Library & Community Services	Assists the with the planning and management of CIP’s.

FISCAL AND SUSTAINABILITY IMPACT:

There is no General Fund impact associated with this agenda item. CDBG, CDBG-CV, HOME, ESG and ESG-CV funds are provided directly to the City by HUD and are non-General Fund dollars.

ATTACHMENTS:

- Resolution
- Draft CAPER