

REPORT TO THE CITY COUNCIL

City of Salinas, California

DATE: May 6, 2014

FROM: Jeffrey H. Weir, C and ED Director, C and ED Dept.

THROUGH: Alan Stumpf, Assistant Director, C and ED Dept.

BY: Grace Aston, Planning Manager, Housing division

SUBJECT: **ACTION PLAN FOR FY 2014-15 FUNDS FROM THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD): COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG); HOME INVESTMENT PARTNERSHIPS (HOME); AND EMERGENCY SOLUTIONS GRANT (ESG) FUNDING PROPOSALS AND RECOMMENDATIONS; AMENDMENT OF FUNDING PARAMETERS FOR CDBG AND ESG FUNDS; AND TWO YEAR APPLICATION CYCLE FOR CDBG PUBLIC SERVICES FUNDING**

RECOMMENDATION:

It is recommended that the City Council:

- 1) Adopt a resolution approving the proposed FY 2014-15 ACTION PLAN, and direct staff to submit the PLAN to HUD;
- 2) Adopt a resolution approving amended Funding Parameters for CDBG and ESG Funds; and
- 3) Adopt a resolution approving a two year application cycle for CDBG Public Services Funding beginning in FY 2015-16.

DISCUSSION

ACTION PLAN

The City Council's consideration of these items includes a public hearing to allow for input from the public regarding the proposed Action Plan and the planned uses of HUD grant funds. A notice of the public hearing was published in *The Salinas Californian* on April 3, 2014, and in the *El Sol* on March 29, 2014.

The draft FY 2014-15 ACTION PLAN describes proposed projects and programs to be funded by the three HUD grant programs: Community Development Block Grant (CDBG), Home Investment Partnerships (HOME), and Emergency Solutions Grant (ESG). The budget presented in the draft ACTION PLAN is based on the final FY 2014-15 allocation released by HUD on March 18, 2014: \$1,995,167 of CDBG; \$591,448 of HOME; and \$159,590 of ESG.

The following reviews the proposed allocations according to general categories: administration; affordable housing; public facilities and improvements; public services; homeless services; economic development; fair housing; and relocation and contingency.

ADMINISTRATION (ADMIN)

The Housing Division administers the three HUD grants (CDBG, HOME, and ESG), the ARRA stimulus grants such as the Neighborhood Stabilization Program (NSP), as well as a variety of the City's housing activities including: housing rehabilitation loan program; first-time homebuyer loan program; multi-family affordable housing (funded by HUD and the Successor Housing Agency) and inclusionary and density bonus housing. NSP, a stimulus grant, which provided a minimal amount for administration costs, concluded last fiscal year on July 30, 2013.

Each HUD program has a cap or maximum percentage of the grant that may be spent on administration and program delivery costs. Prior to FY 2013-14, available HUD funds for administration and delivery costs had been sufficient to maintain 8.5 staff positions, cover materials and supplies, rent and overhead charges paid to the General Fund. However, the significant decline of CDBG and HOME funds in FY 2012-13 resulted in elimination of two (2) program administrative positions and the identification of other funding sources such as the Housing Trust Fund and Housing Successor Agency. Meanwhile, federal regulations are changing, and program requirements and scrutiny are increasing. In FY 2013-14, with the end of the NSP program, the administration budget was balanced by eliminating a rehabilitation specialist position.

Despite increasing staff efficiency with the City Data Services online grants management system, and conservative management of staff resources, the limited ESG administrative funds are not sufficient to administer the program. Therefore \$15,000 of City of Salinas General Funds are requested for the ESG program management to supplement the ESG Administration funds.

The following table shows the funding projected to be available for administration in FY 2014-15:

Program	Funding Source	Available
CDBG Admin (20% cap)	CDBG	\$419,000
Home Admin (10% cap and including prior year carryover)	HOME	\$153,800
ESG Admin (7.5% cap)	ESG	\$11,969
Program Delivery (including FTHB)	CDBG/HOME	\$350,000
NSP*	State of CA/NSP	\$4,000
Housing Successor Agency**	City of Salinas HSA	\$60,000
Inclusionary**	Housing Trust Fund	\$30,000
ESG Admin**	City Of Salinas General Funds	\$15,000
TOTAL		\$1,043,769

*NSP Close-out, not included in Action Plan spreadsheet

** Not included in Action Plan spreadsheet

AFFORDABLE HOUSING

Housing activities proposed for funding include: Housing Resource Center (CDBG \$23,000) to provide homeownership education and counseling; Rebuilding Together-Monterey/Salinas (CDBG \$36,600) to repair single-family dwelling units; the City's Housing Rehabilitation Loan program (CDBG \$109,000 and HOME \$200,000); the City's Housing Accessibility Grant program (CDBG

\$96,000); the City's First-Time Homebuyer Downpayment Assistance Program (HOME \$120,000); and Grid Alternatives (CDBG \$30,000) to install ten solar electric systems on ten single family houses.

Vista de La Terraza

Vista de la Terraza (VDLT) is a housing cooperative of forty (40) units for low-income households at 165-177 Carr Avenue. A HOME allocation of \$714,400 was requested for rehabilitation of the dilapidated property, constructed in 1983-84. The property has significant structural issues that need to be addressed. Recommended FY 2014-15 HOME funding includes \$164,000 for predevelopment costs, and \$550,000 for rehabilitation.

HUD issued the HOME 2013 Program Rule in which the definition of "commitment" was revised pursuant to 24 CFR Part 92.2: all projects funded with HOME funds must satisfy commitment criteria prior to the City committing HOME funds. The criteria include: the execution of a legally binding agreement for a specific project, all necessary financing has been secured, underwriting has been completed, and construction is scheduled to start twelve months from agreement date. The change in the construction timing requirement is the most difficult rule change; the other criteria complied with customary practices.

For many housing projects throughout the US, this criterion about construction timing is significant because traditionally HOME funds have been used as gap funding for development of affordable housing projects. In order to contribute HOME funds to VDLT while meeting all commitment criteria, staff is requesting the City Council to earmark funds from the FY14-15 HOME allocation but the HOME funding agreement will not be executed until pending contingencies are resolved. These contingencies include: (1) bridge financing, (2) commitment of \$400,000 from reserve funds approved by the VDLT Cooperative, and (3) refinancing/extension of the State loan on the property. If any of these contingencies are not satisfied, the City will rescind its recommendation for the allocation of FY 2014-15 HOME/CHDO funds and City general funds.

In order for the project to satisfy the financial criteria of "all funds being secured," staff, on May 20, 2014, will request City Council approval of a provisional loan agreement between CHISPA, Inc. and the Salinas Housing Successor Agency (SHSA) for an allocation of \$500,000 from the SHSA to serve as a bridge loan. The provisional loan agreement will advance \$500,000 from the City's General Fund account, which would then be repaid by the SHSA upon receipt of funds owed by the Salinas Successor Agency (SSA). Such repayment is not expected to occur until January of 2016. This action will allow the VDLT project to comply with the HOME commitment requirements as well as allow the City to commit FY 2014-15 HOME funds to the VDLT affordable housing project.

PUBLIC FACILITIES/IMPROVEMENTS

Applications for six (6) capital improvement projects were received from the Public Works Department. Due to the limited amount of CDBG funds, and conformance with eligibility guidelines, four (4) of the projects are recommended for funding: The Old Municipal Swimming Pool Building Retrofit Phase I, Design/Construction; the Renovation of 10 Soledad Street, Design/Construction; the ADA Sidewalk Construction at Tatum's Garden, Design/Construction; and the Steaming Ahead Historic Railroad Exhibit ADA, Design/Construction.

The Old Municipal Swimming Pool Retrofit Phase I, design/construction, is recommended for funding this fiscal year in order to bring the facility into compliance with the CDBG program regulations as prior year CDBG funds were awarded for capital improvements. With the construction of the Salinas

Aquatic Center, the Old Pool has been closed. With the proposed Phase I Retrofit, the facility will be converted to a Recreational Center to provide City sponsored youth sports programs and will continue to serve low/moderate income persons.

The Renovation of 10 Soledad Street Rehabilitation, design/construction, is recommended for funding this fiscal year as it is part of the City's Chinatown Renewal Project Plan, supported by the City through numerous financial investments as part of the former Salinas Redevelopment Agency. The City plans to acquire the property by May 12, 2014. The City Council has included the Chinatown Renewal Plan as part of the City Council 2013-2015 identified priority initiatives.

The ADA Sidewalk Construction at Tatum's Garden, design/construction, is recommended for funding this fiscal year as it will improve access by installing an ADA sidewalk and crosswalk that will connect the existing Tatum's Garden, an all-inclusive children's playground, to an existing parking lot and to the Sherwood Community Park. Further, this will support the Tatum's Garden Foundation efforts, which raised over \$1 million dollars for the construction of Tatum's Garden, the first all-inclusive playground in Monterey County.

The Steaming Ahead Historic Railroad Exhibit ADA, design/construction, is recommended for funding this fiscal year as it will improve access to an existing wooden stair structure, leading to a rail car exhibit, that currently does not meet the ADA access guidelines. At this time, the City is not able to fully-fund the entire exhibit project request due to insufficient CDBG funds and program ineligibility of other scope of work. Commitment of the CDBG allocation is contingent upon execution of the lease renewal between the City of Salinas Public Works Department and the Monterey Salinas Valley Historic Model Railroad Club. The lease renewal incorporates maintenance responsibilities as well as insurance requirements.

The Public Facilities/Improvements projects identified in the Action Plan include:

Project	Site	Request	Recommended
City of Salinas Public Works - Old Municipal Swimming Pool Retrofit, Phase I –Public Facility (Recreation) (Design/Construction)	920 North Main Street (CDBG Eligible Service Area)	\$350,000.00	\$350,000.00
City of Salinas Public Works- Building rehabilitation at 10 Soledad Street (Design/Construction)	10 Soledad Street	\$194,400.00	\$194,400.00
City of Salinas Public Works - ADA Sidewalk Construction at Tatum's Garden (Design/Construction)	1 Maryal Drive (CDBG Eligible Service Area)	\$49,066.00	\$49,066.00
City of Salinas Public Works – East Salinas Area Street Lights- Phase XIII (Design Only)	Roosevelt, King, Madeira, Wood, Merced & Neil (Census Tract 05 & 10) (AHNRSA)	\$105,000.00	\$0
City of Salinas Public Works- East Alisal Street/Skyway Blvd. Roundabout (Construction Only)	East Alisal & Skyway Blvd (Census Tract 08 & 09) (AHNRSA)	\$500,000.00	\$0

City of Salinas Public Works- Steaming Ahead Historic Railroad Exhibit ADA (Design/Construction)	20 Station Place	\$450,000.00	\$102,534.00
Total		\$1,648,466.00	\$696,000.00

PUBLIC SERVICES AND FAIR HOUSING

For FY 2014-15, applications for CDBG Public Service funding totaled \$503,253. HUD rules limit the amount of CDBG funds available for public services based upon 15% of the annual CDBG amount. Applying the 'cap' to the estimated CDBG funding level, \$411,000 is projected for public services activities.

In 2003, the City Council established the "Public Services Funding Parameters," to provide a framework for the allocation of very limited public services dollars. The Parameters include allocating CDBG public services funds using the following categories and percentages: Senior 10%; Neighborhood Services 13%; Fair Housing 10%; and 67% Youth. Also, the City Council established a minimum funding allocation of \$10,000, beginning in FY 2014-15.

Staff reviewed all proposals received and presented a slate of recommended allocations at the March 6, 2014 City Council CDBG Subcommittee meeting. Subsequent to the CDBG Subcommittee's meeting, on March 18, 2014, HUD informed the City of its revised FY2014-15 CDBG grant allocation. When the projected grant amount increased, the potential funding available for public services increased also, from \$406,000 to \$411,000, a difference of \$5,000. The Subcommittee did not review how to allocate this additional funding. The following table describes recommended funding that combines the CDBG Subcommittee's recommendations with staff recommendation for the additional \$5,000 that maintains the City Council's percentage allocations within program categories: funding of Project Sentinel increased by \$2,500 to \$18,942 and funding for Meals on Wheels increased by \$2,500 to \$13,100.

Public Services Provider	Category	Request	Combined Recommended CDBG*
Legal Services for Seniors - Fair Housing	Fair Housing	\$3,750.00	\$10,000.00
Project Sentinel	Fair Housing	\$23,640.00	\$16,442.00
Central Coast Center for Independent Living	Neigh. Serv.	\$10,000.00	\$10,000.00
Food Bank of Monterey County	Neigh. Serv.	\$15,000.00	\$15,000.00
Housing Resource Center	Neigh. Serv.	\$23,000.00	\$23,000.00
Alliance on Aging, Inc. - Ombudsman	Senior	\$12,500.00	\$10,000.00
Alliance on Aging, Inc. - Tax Services	Senior	\$10,000.00	\$10,000.00
Legal Services for Seniors - Legal Services	Senior	\$10,000.00	\$10,000.00
Meals on Wheels of the Salinas Valley	Senior	\$20,253.00	\$15,600.00
Boys & Girls Club	Youth	\$15,000.00	\$10,000.00
Girls Inc.	Youth	\$12,000.00	\$10,742.00
City of Salinas Breadbox Recreation Center	Youth	\$53,960.00	\$53,960.00
City of Salinas Firehouse Recreation Center	Youth	\$21,400.00	\$21,400.00
City of Salinas Hebbbron Family Center	Youth	\$98,000.00	\$98,000.00
Community Human Services - Super Parents	Youth	\$10,000.00	\$10,000.00
Family Service Agency – Suicide Prevention	Youth	\$10,000.00	\$10,000.00

Girl Scouts of California Central Coast	Youth	\$15,000.00	\$13,428.00
Peacock Acres	Youth	\$18,500.00	\$10,000.00
Rancho Cielo, Inc.	Youth	\$25,000.00	\$10,000.00
Salinas Area Youth Drug (Sunrise House) T C	Youth	\$15,000.00	\$13,428.00
Salinas Area Youth Drug (Sunrise House) 7 C	Youth	\$10,000.00	\$10,000.00
Salinas Police Activities League	Youth	\$30,000.00	\$10,000.00
Second Chance Youth Program	Youth	\$25,000.00	\$10,000.00
TOTAL		\$488,253.00	\$411,000.00
*CDBG Subcommittee recommendations of March 6, 2014 and staff recommendation of 4/1/14 for Project Sentinel and Meals on Wheels			

HOMELESS SERVICES

The City anticipates receiving \$159,590 in FY 2014-15 ESG funds, which reflects a 16% increase as compared to prior year funding. Proposals were received from the five (5) agencies currently supported with City ESG funds. The City Council's CDBG Subcommittee met on March 6, 2014 and prepared recommendations to the City Council for funding FY 2014-15 ESG homeless services. The Subcommittee recommended 100% of the funding requests from three agencies providing emergency shelter services. Subsequent to the meeting, staff discovered an error in the ESG calculations; reconsideration of the ESG funding recommendations was added to the agenda of the next CDBG Subcommittee meeting on March 19, 2014.

On March 18, 2014, HUD informed the City of its FY14-15 CDBG and ESG grant funds allocation. At the City Council's CDBG Subcommittee meeting on March 19, 2014, the Subcommittee prepared revised recommendations for the ESG funding that addressed the increased funding available. The Subcommittee again recommended 100% of the funding requests from three agencies providing emergency shelter services.

ESG funds may be spent on five categories of activities: emergency shelter, homeless prevention, street outreach, rapid re-housing, and implementation of the Homeless Management Information System (HMIS). HUD regulations include a cap of sixty percent (60%) of the total grant on two of the categories: emergency shelter and street outreach. When staff presented the revised ESG funding recommendations worksheet to the Committee on March 19, 2014, the worksheet incorrectly stated the 60% cap on only the emergency shelter requests. When the funding request for street outreach was added to the funding request for emergency shelter, it exceeded the cap by \$3,900. The table below represents the CDBG Subcommittee's recommendations for funding emergency shelter applications at 100% of their request, and the staff recommendation for Interim Inc. Street Outreach services funded at \$40,940 instead of \$44,090, in order to stay within the 60% cap.

ESG Services Provider	Request	CoC Approved	Combined Recommended*
Central Coast HIV/AIDS Services – Housing Program-Homeless Prevention	\$31,278.00	\$28,824.00	\$24,824.00
Franciscan Workers of Junipero Serra - Emergency Shelter	\$20,000.00	\$20,000.00	\$20,000.00
Housing Resource Center – Homeless Prevention	\$19,000.00	\$14,243.00	\$14,243.00
Interim, Inc – MCHOME and Chinatown Outreach/Case Mgmt.- Emergency Shelter	\$9,814.00	\$9,814.00	\$9,814.00

Shelter Outreach Plus – Salinas I-Help Program - Emergency Shelter	\$25,000.00	\$25,000.00	\$25,000.00
Interim - Street Outreach	\$59,910.00	\$40,940.00	\$40,940.00
Housing Resource Center - Rapid Rehousing	\$10,000.00	\$10,000.00	\$10,000.00
Housing Resource Center – HMIS	\$2,800.00	\$2,800.00	\$2,800.00
City of Salinas – Administration (7.5% of cap)	\$9,450.00	\$11,969.00	\$11,969.00
TOTAL	\$187,252.00	\$159,590.00	\$159,590.00
*CDBG Subcommittee’s recommendation of March 19, 2014 and staff recommendation of April 2, 2014 to reflect correct categories within 60% cap on emergency shelter and street outreach.			

ECONOMIC DEVELOPMENT

The City has not allocated CDBG funds for economic development activities until recently. In the fall 2013 round of supplemental CDBG funding for the FY 2013-14 program, the City received an application from the University Corporation of California State University Monterey Bay (CSUMB) for microenterprise technical assistance provided at the Small Business Development Center (SBDC) in downtown Salinas. The University Corporation submitted an FY 2014-15 application for the SBDC to continue offering microenterprise technical assistance to Salinas residents and microenterprises. The proposed program of individualized counseling for entrepreneurs and a twelve week microenterprise training workshop is recommended for FY 2014-15 CDBG funding of \$69,286.

RELOCATION AND CONTINGENCY

CDBG and HOME funding in the amount of \$75,279 is proposed for FY 2014-15 potential contingencies, program changes, cost overruns and relocation costs. No contingency is proposed for ESG as all funds are to be used within the program year. Such contingency funds are not spent without first transferring the relevant appropriation to a Council-approved project or activity.

REVISIONS TO ESG AND CDBG PUBLIC SERVICES FUNDING PARAMETERS

In November 2003, the City Council implemented a CDBG public services fund allocation process which established funding parameters for the allocation of public services funding. From time to time, the City Council has amended the funding parameters.

At the City Council’s CDBG Subcommittee meeting of March 6, 2014, the Subcommittee applied the CDBG Funding Parameters during the review of FY 2014-15 applications. The Subcommittee noted the wording of Parameter No. 3 would benefit from clarification. At the CDBG Subcommittee meeting of March 19, 2014, the Subcommittee voted to recommend revised wording to the City Council. Parameter No. 3 currently states: *“To be eligible for a funding allocation, organizations must have a track record of providing services **within the community** for a minimum of 24 months.”* The Subcommittee recommends replacing “*within the community*” with “*to people within the City of Salinas.*” This more accurately reflects HUD regulations regarding beneficiaries as City of Salinas residents, employees, or business owners.

Since No. 3 in the ESG Funding Parameters of 2012 has the same wording as the CDBG Public Services Funding Parameters, the Subcommittee also recommended revision of the ESG Funding Parameters of 2012 to be consistent with any revision to the CDBG Public Services Funding Parameters.

TWO (2) YEAR FUNDING CYCLE FOR CDBG PUBLIC SERVICES APPLICATIONS

For a number of years, entitlement jurisdictions which receive CDBG funding from HUD by formula in the Bay Area have utilized a two year application process for CDBG public services grants. Jurisdictions using the two year cycle include: Contra Costa County, San Mateo County and their cities, Alameda, and Sunnyvale. Many of them use the City Data Services (CDS) online grants management system that the City of Salinas and the County of Monterey use for CDBG.

CDS summarized the two year process as follows: The public services agency prepares a two year application with one year of funding "guaranteed" (so if a public services agency wants \$10,000 per year, they ask for \$10,000). In the second year, the agency does a "renewal" application, which is a one page application which copies information from Year 1; the agency sets their budget and goals and assumes the same program and amount of funding. If the funding changes in Year 2 due to HUD distributions or the agency has compliance issues, then it is adjusted on their Year 2 renewal application or later in the Agreement Source document. The Year 2 application takes about fifteen minutes to complete, a significant time savings for the public services agency, and the Year 2 review cycle is condensed for City staff.

Generally, but not always, the funding levels and goals of CDBG public service programs in Salinas are fairly level from year to year and therefore, the application content is very similar. Staff has worked to streamline the application process by using the CDS system to "rollover" previous application information into the next year's application. However, staff believes the adoption of a two (2) year funding cycle for CDBG public services would contribute to staff efficiency in the second year.

At the CDBG Subcommittee meeting of March 19, 2014, the Subcommittee voted to recommend to the City Council the adoption of a two (2) year funding cycle for CDBG Public Services applications. The Subcommittee agreed with the staff recommendation for the application process for Housing Investment Partnerships (HOME) and CDBG housing, capital improvements and economic development projects to remain an annual process unchanged. The Emergency Solutions Grant (ESG) program for homeless services has significant swings in funding and the agencies vary their requests among the six categories of ESG-eligible activities from year to year, so ESG applications would also remain an annual process.

ISSUES

Shall the City Council approve:

- 1) the FY 2014-15 ACTION PLAN governing the use of HUD entitlement grant funds and associated revenues to be received in the coming fiscal year
- 2) the revised CDBG Public Services and ESG Funding Parameters
- 3) the proposed change in procedures for a two (2) year application cycle for CDBG Public Services applications, beginning in FY 2015-16?

FISCAL IMPACT

This year's ACTION PLAN allocates \$3,639,955 of Federal tax dollars that are being returned to the community. The City's community and economic development activities have a direct, positive impact on the City's General Fund in that needed infrastructure improvements will be funded by CDBG. Equally important, there is a positive impact as these funds are matched with millions of

additional dollars spent annually upon activities that address housing, job creation, public safety, youth development, and recreational services needs in this community. Cumulatively, these Federal grants programs have had major positive impacts on the community for forty years. Administrative costs will be paid from HUD funds, the Housing Trust Fund, and Housing Successor Agency funds, plus \$15,000 of City of Salinas General Funds.

TIME CONSIDERATIONS

HUD has 45 days from receipt to consider the City's ACTION PLAN. Therefore, the target date for submittal is May 15, 2014. Any later submission could jeopardize the City's receipt of HUD funding for FY 2014-15.

CONCLUSIONS

Following consideration of public comments, Council will consider:

- 1) the resolution approving the FY 2014-15 ACTION PLAN allocations authorizing the submittal of the Applications for Federal Assistance and related Certifications. This resolution authorizes the City Manager to execute the federal Grant Agreements when ready, and authorizes staff to execute funding agreements implementing the ACTION PLAN; and
- 2) the resolutions approving the amendment to the CDBG and ESG Funding Parameters; and
- 3) the resolution approving the two (2) year application cycle for CDBG Public Services, beginning in FY 2015-16.

The draft Action Plan proposes a program of projects and services similar to prior years, in accordance with similar levels of funding. Grant funds will cover all but \$15,000 of the costs of administering the grant. Support for affordable housing for low and moderate income families continues: fair housing services, housing rehabilitation and repairs, accessibility grants, energy conservation improvements, and first-time homebuyer downpayment assistance, as well as preservation, through acquisition and rehabilitation, of a low-income multi-family development, Vista de La Terraza. Public facilities projects include retrofit of the Old Municipal Swimming Pool, rehabilitation of City-owned property at 10 Soledad Street, ADA sidewalk construction at Tatum's Garden for disabled children, and ADA improvements to the "Steaming Ahead" historic railroad exhibit. Five agencies will receive funding for homeless services and nineteen Public Services agencies will receive funding for twenty-three programs serving youth, seniors, fair housing and neighborhoods. Proposed revisions to the CDBG and ESG Funding Parameters will clarify the City Council's intent. The proposed two year application cycle for CDBG public services would increase staff efficiency of the City and of the non-profit agencies.

Distribution:

City Council
City Manager
City Attorney
Department Directors

Back Up Pages:

Draft FY14-15 ACTION PLAN Document and Spreadsheet
City Council Resolution – FY14-15 ACTION PLAN
City Council Resolution – Amendment of CDBG Funding Parameters
City Council Resolution – Amendment of ESG Funding Parameters
City Council Resolution – Approval of Two Year Application Cycle – CDBG
Public Services