

# **REPORT TO THE CITY COUNCIL**

## ***City of Salinas, California***

DATE: September 20, 2016

FROM: Megan Hunter, Community Development Director

BY: Anastacia Wyatt, Planning Manager

**SUBJECT: Proposed Substantial Amendment to FY 2009-2010, FY 2014-2015, FY 2015-2016 and FY 2016-2017 Annual Action Plans, Amendment to the City's HUD Citizen Participation Plan, and Public Hearing on HUD Grant Funds and Submission of the CAPER to HUD on September 28, 2016 and approve a Resolution authorizing the City of Salinas to be the State Administrative Entity and execute and receive State Emergency Solutions Grant (ESG) funds**

### **RECOMMENDATION:**

It is recommended that the City Council take the following actions:

1. Approve a Resolution for Substantial Amendments to FY 2009-2010, FY 2014-2015, FY 2015-2016 and FY 2016-2017 Annual Action Plans.
2. Accept the Amendment to the HUD Citizen Participation Plan.
3. Approve a Resolution on the submission of the CAPER to HUD on September 28, 2016; and
4. Approve a Resolution authorizing the City of Salinas to be the State Administrative Entity for the Emergency Solutions Grant (ESG) Program.

It is also recommended that the City Council conduct a Public Hearing on the needs in the community to program HUD Grant Funds.

### **DISCUSSION:**

#### **CAPER and Public Hearing**

The City of Salinas, as an entitlement community for the Community Development Block Grant (CDBG), Home Investment Partnerships Program (HOME) and Emergency Solutions Grant (ESG) Programs, is required to submit annually to the United States Department of Housing and Urban Development (HUD) a Consolidated Annual Performance and Evaluation Report ("CAPER") describing the activities undertaken for each of these federal grant programs. The fiscal year (FY) 2015-2016 (July 1, 2015 – June 30, 2016) CAPER evaluates the City's progress in carrying out the goals and objectives of the adopted Five Year 2015-2019 Consolidated Plan (Con Plan). The narrative portion of the CAPER provides an assessment of the City's progress in meeting the non-housing community development needs, affordable housing needs, needs of homeless and special needs of non-homeless persons, as well

as discussions concerning monitoring activity, areas of minority concentration, institutional structures, and lead-based paint. In addition to the narrative, HUD uses financial reports generated by its Integrated Disbursement and Information System (IDIS) software program to provide financial data for their use in monitoring performance. HUD prescribes the format for the CAPER through IDIS to quantify how HUD funding was spent and how many low and moderate-income households were assisted with the funding. This year's CAPER meets the IDIS format that will be digitally uploaded to ease the federal government in utilizing the data provided. It is a concise, data driven review of the year's accomplishments.

Beginning in FY 2012-2013, the CAPER was prepared according to the format in HUD's "e-ConPlan" software. HUD instituted a new "e-ConPlan" suite or software for HUD grant reporting. The software links the 2015-2019 Con Plan to the production of the Annual Action Plan (AAP) in each of the five years, and then the annual CAPER is derived from that AAP. The City of Salinas used the e-ConPlan software when preparing the 2015-2019 ConPlan that was adopted by City Council on May 12, 2015. However, to become familiar with the type of data and analysis that will be required for the new format of the CAPER, this CAPER mirrors the requirements of the e-ConPlan software.

The public has been invited to comment on the City's performance with regard to the CDBG, HOME, and ESG programs. A draft CAPER was released to the public on August 31, 2016. The minimum 15-day CAPER public comment period is from August 31, 2016 to September 23, 2016. However, all comments received up until September 27, 2016 will be included in the City's HUD submission of the CAPER. Applicants and recipients from the FY 2015-2016 funding cycle, as well as interested parties, were advised by email of the opportunity to comment. The draft CAPER was published on the City's website and made available at the three City libraries, the public counter of the City Clerk and the public counter of the Housing Division. Today's public hearing provides a venue for the public to advise Council of concerns regarding the City's use of these HUD grant funds during the FY 2015-2016. A summary of any public comment received on the CAPER at today's hearing will be included in the CAPER prior to submittal to HUD (due September 28, 2016).

In addition to public hearings on the ConPlan, AAP's and annual CAPER, HUD requires a public hearing on Community Development Needs. There is no requirement about when to hold the hearing on needs. The City's Citizen Participation Plan (CPP) for HUD programs recommended conducting the hearing in the fall, during the CAPER hearing, so that comments received might inform the process for allocating HUD grant funds in the following fiscal year.

### **Resolution on the Submission of the CAPER**

The timely submission of the CAPER to HUD will be September 28, 2016. The CAPER is due to HUD no later than 90 days after the end of the City's fiscal year. This year, the CAPER is due to HUD on September 28, 2016. The CAPER provides HUD with the required information detailing the City's performance on spending grant funds during FY 2015-2016. The City was awarded \$1,979,589 of CDBG, \$543,081 of HOME funds and \$177,842 of ESG funds in FY 2015-2016. HUD reviews the CAPER for completeness and provides the City comments.

### **ANALYSIS**

This section summarizes the lengthier CAPER report with brief accounts of the more important activities, accomplishments and concerns of the reporting period. For clarity, this section is divided into three parts: Housing, Community Development, and Grants Administration.

## **HOUSING**

The primary focus of the City's Community Development Department - Housing Division is affordable housing. The entire HOME grant is used for housing activities that expand the supply of decent, safe, sanitary and affordable housing, as well as a significant portion of CDBG resources. The bulk of housing development funds are passed through to subrecipients such as the Monterey County Housing Authority Development Corporation (MCHADC), Community Housing Improvement Systems and Planning Association, Inc. (CHISPA), Interim, Inc., and First Community Housing (FCH), organizations that use these funds to fill in financing gaps in multi-million-dollar affordable housing projects.

**Affordable Housing Multi-Family and Single-Family:** HOME funds were previously provided to CHISPA to acquire and rehabilitate the 40-unit dilapidated Vista de la Terraza (VDLT) project for lower income families. For FY 2015-2016, additional CDBG funds in the amount of \$809,155 and HOME funds in the amount of \$388,727 were provided to pursue Phase II of the rehabilitation work. The City also funded the Monterey County Housing Authority Development Corporation (MCHADC) Haciendas Seniors 40-unit project with \$350,000 of HOME funds. City staff also earmarked \$375,000 for the MCHADC Haciendas III 50-unit project.

In addition, the City continued to operate its housing rehabilitation programs (Housing Rehabilitation Direct and Deferred Loans, Housing Accessibility Assistance (HAA) Grants, Lead Based Paint Grants, and Grid Alternatives Solar Program) which benefited a total of 12 households in FY 2015-2016 with 2 of the households receiving a lead based paint grant and HAA grant. Grid Alternatives was awarded \$50,000 and completed 10 owner occupied housing rehabilitation projects providing solar upgrades to low-income households.

**Affordable Housing Projects:** The following are ongoing projects funded either in prior fiscal years or this period:

<b>Subrecipient/Project Name</b>	<b>CDBG (C) or HOME (H) Total Funding</b>	<b>Description / Target Population</b>	<b>Type</b>	<b>Total # of Units*</b>	<b>Anticipated Completion Date</b>
MCHADC/Haciendas III	H-\$375,000**	New construction, multi-family residential low-income project.	Rental	50	Projected start date is estimated to occur in 2017
MCHADC/Haciendas IV (Seniors)	H-\$350,000	New construction, multi-family residential low-income senior project.	Rental	41	Projected completion date is estimated to occur no later than December 2016
CHISPA/Vista De La Terraza (VDLT)	C-\$809,155 H-\$388,727	Multi-family residential low-income rehabilitation project.	Rental	40	Projected completion date for Phase 1 is estimated to occur no later than December 2016

\*Column reflects total project units and not assisted units.

\*\*Earmarked funding for MCHADC/Haciendas III

During FY 2015-2016, Housing Division staff worked on VDLT, Haciendas III and Haciendas IV (Seniors) affordable housing projects as staff assisted with earmarking and approving funding for these projects. Staff also reviewed and continues to monitor the work with MidPen Housing on the funding and design of the 21 Soledad, China Town Affordable housing project. MidPen also recently was approved for \$2.5 million in grant funds from the Central California Alliance for Health. This grant entails partnering with the County Health Department, specifically through their Whole Person Care Pilot and dedicating 20 units to High Utilizers of the health care system.

Housing Division staff continues to process all the loan servicing functions of the City's loan (multifamily and single family units) portfolio (HOME, CDBG, NSP, FTHB and SERAF) using City Data Services (CDS). Tasks include, but are not limited to; an annual affidavit process, annual income re-certifications, property inspections, loan payoffs, preparation of title/escrow documentation, subordinations and resales.

City staff is currently in the process of updating its Inclusionary Housing Ordinance. A draft the Commercial Linkage Fee Nexus Study and Housing Impact Fee Nexus Study were completed and updated in September and December of 2015 with the City's consultant Baird and Driskell Community Planning and their sub consultant Vernazza Wolfe Associates, Inc. Baird and Driskell are currently working on updating a draft of the Inclusionary Housing Ordinance which is estimated to be completed by October 2016.

## **COMMUNITY DEVELOPMENT**

**Public Services:** In addition to housing activities, CDBG funds also support activities designed to improve the quality of life of our residents, particularly those of lower income. CDBG funding decreased in FY 2015-2016 in the amount of \$15,578 compared to FY 2014-2015; however, still supported grants to 20 non-profit agency programs totaling \$305,000 for public services activities that address the needs of the elderly, of youth, the disabled and other important segments of our community. The CDBG public services funds were augmented by grants from ESG for homeless and homeless prevention activities. ESG funds totaled \$177,842 in FY 2015-2016, a slight increase of 11.44% from \$159,590 in FY 2014-2015. Funds were awarded in FY 2015-2016 to Shelter Outreach Plus, Interim Inc., Franciscan Workers of Junipero Serra, and Housing Resource Center of Monterey County.

### **Economic Development:**

**Green Vehicles** - As reported in FY 2010-2011, CDBG funds in the amount of \$300,000 were allocated and disbursed to Green Vehicles, Inc. (GV), a start-up battery and electric vehicle manufacturing company, in order to promote the creation of jobs for lower income Salinas's residents. On July 12, 2011, the City received notice from the company's president, Mike Ryan that GV was closing and had filed for bankruptcy. The City immediately pursued all available avenues to seek full recovery of both CDBG and City general funds invested, including contacting the California Energy Commission (CEC) and pursuing legal remedies. City staff met with senior staff of the CEC in Sacramento on July 28, 2011. However, the City was informed that reimbursement of the City's funding to GV was not eligible per the grant award. A full report was provided to City Council on August 30, 2011, concluding that the City will make every effort to recoup the funds from GV. The City Council, at its December 6, 2011, meeting, amended its Economic Development Incentive Policy Guidelines adding seven recommendations pertaining to economic development investment policy decisions. On May 8, 2012, at the request of HUD Headquarters, the City provided to the HUD field office various documents related to the project. City staff met with the HUD Regional Office in San Francisco in June 2013. HUD has determined that the City must repay the funds in \$100,000 increments due annually in July as a corrective action. The City made its first payment in July 2014, the second payment in July 2015 and made its final repayment in July 2016. These funds end up as available funds to the City to utilize for future CDBG-eligible projects.

**Grow Salinas Funds** - During the FY 2011-12 action plan process, \$250,000 of CDBG funds were set aside for a "Business Incentive Program." In this reporting period, Council approved an additional \$150,000 of CDBG funding to be used as additional equity. The City also began its partnership with the National Development Council (NDC), a non-profit organization engaged in community and economic development activities, to establish a business financing program. On July 10, 2012, Council approved

action for the City to enter into an agreement with NDC to implement the program called “Grow Salinas Funds (GSF)” as well as facilitating the City’s initiation of the Section 108 program. The GSF program is designed to provide debt financing assistance to small businesses intending to expand or locate their business in the city limits of Salinas. NDC, through their subsidiary organization Grow America Funds (GAF), will leverage the CDBG investment to \$1,200,000. In FY 2014-2015, City staff closed two loans that satisfy the initial investment of \$400,000 and utilized the full amount of the CDBG seed funding. The two applicants that closed the loans are a sign factory and a machine shop that fixes equipment necessary for the farming industry here in Salinas. GSF application and administrative guidelines were also developed in FY 2014-2015. The City is acquiring the final data on job creation to provide to HUD.

**Section 108 Loan Pool** - On December 11, 2012, Council approved the First Amendment to the FY 2010-2015 Con Plan, to allow the City to submit an application to HUD that would establish a Section 108 Guaranteed Loan Pool. With the Section 108 program, the City has the ability to access up to five times its annual CDBG allocation, or approximately \$9,390,000 based on the City’s 2012 allocation as additional loan funding that is guaranteed through the HUD CDBG program. The funds will be loaned to CDBG-eligible projects at a low interest rate and a maximum twenty-year repayment term. The City submitted its Section 108 application on December 27, 2012, with a list of specific projects. NDC and City staff have worked to provide additional information requested by HUD headquarters in Washington, D.C. to meet CDBG eligibility under Economic Development. Although HUD approval was not announced during FY 2012-2013, the City was ready to proceed with financing urgent projects in FY13-14 as soon as approval was secured. The City was able to commit and began the Industrial Waste Water Conveyance System Improvements Project in 2014 and received written determination for the Proposed use of Guaranteed Loan Funds from HUD in May 2014. The NEPA and CEQA environmental review were completed, and the project has been completed. The City is working on finalizing the job retention numbers with local businesses.

**Capital Improvements** - Each year, a portion of CDBG funds is allocated to capital improvement projects. Housing Division staff works closely with City Public Works staff to ensure that applicable federal grant regulations are met. A total of \$697,845 was allocated in FY 2015-2016, which is close to the prior year’s allocation of \$696,000. The City allocated \$547,845 to the Chinatown Renewal Street and Pedestrian Light Installation Project and an additional \$150,000 was granted to the continuation of the FY 2014-2015 10 Soledad Project. The funding in the Chinatown Street Light Project was moved to the City’s Old Municipal Pool Construction project in May 2016. It was determined that the pool had a higher priority and needed additional funding. The 10 Soledad project is also being moved to the ADA Improvement Project for the Steaming Ahead project. The Substantial Amendment for 10 Soledad is detailed in this staff report. The following projects and their allocations are shown in the tables below:

<b>Project Name</b>	<b>FY 14-15 Funding</b>	<b>Description</b>	<b>Anticipated Completion Date</b>
City of Salinas, Public Works Department -Old Municipal Swimming Pool Building Retrofit Phase I	\$350,000	The work shall include, but is not limited to, demolition/removal of the existing swimming pool deck and the top 18” of vertical pool wall; fracturing of the existing pool bottom; structural backfill of the existing pool; construction of new, reinforced concrete slab/surfacing; installation of basketball goals and all appurtenances, complete-in-place; minor ADA upgrades in the restroom areas and installation of new emergency exit door mechanisms.	May 2017
City of Salinas, Public Works Department	\$797,285	In addition to the scope of work for Phase I described previously, Part B of Phase I includes	May 2017

-Old Municipal Swimming Pool Building Retrofit Part B of Phase I	May 2016 Substantial Amendment	replacement of roof system, seismic upgrades, interior and exterior painting, new floor system at the gym area, replacement of windows, lead and asbestos remediation.	
City of Salinas, Public Works Department -Steaming Ahead Historic Railroad Exhibit	\$102,534 +\$200,000 September Substantial Amendment	The Steaming Ahead Historic Railroad Exhibit, in conjunction with the First Mayor's House and the Monterey Salinas Valley Historic Model Railroad Club, provide educational programs and facilitate tours and special events to improve the use of and further development of the Intermodal Transportation Center. The requested funding will construct disability access ramps to five historic rail cars and railroad equipment on display at the site.  Currently, access to the rail cars is by wooden stairs that do not meet ADA access guidelines. Funds are requested to construct a steel deck with black steel hand rails, and steps which are visually complementary to the locomotive and tender cars at the exhibit.	Spring 2017

## **GRANTS ADMINISTRATION**

The declining level of annual grant amounts from HUD, when combined with increased regulations and statutory “caps” on administrative expenses, have required extra staff effort in the face of declining administrative funding. As shown in the table below, annual grant amounts steadily declined from FY 2003-2004 to FY 2008-2009, with slight increases for FY 2009-2010 and 2010-2011. The grant period from 2011-2012 saw a significant 16.6% decrease from the prior year, and the declining trend continued to FY 2012-2013, with a 15.5% decrease. The FY 2013-2014 grant period saw a 4.57% increase. The FY 2014-2015 year had a \$30,709 increase or 1.56% increase. This past fiscal year was another decrease in FY 2015-2016 by \$15,578 or 0.78%. Over a 13-year period, CDBG funds have been cut by 36% while, alarmingly, the City’s population and needs for these funds continue to grow.

<b>Annual grant period</b>	<b>CDBG grant amount</b>	<b>Dollar difference from <i>prior</i> year</b>	<b>Percentage difference from <i>prior</i> year</b>
2003-2004	\$ 3,081,000		
2004-2005	\$ 3,004,000	\$ (77,000)	-2.50% decrease
2005-2006	\$ 2,839,031	\$ (164,969)	-5.49% decrease
2006-2007	\$ 2,550,674	\$ (288,357)	-10.16% decrease
2007-2008	\$ 2,537,808	\$ (12,866)	-0.50% decrease
2008-2009	\$ 2,441,464	\$ (96,344)	-3.80% decrease
2009-2010	\$ 2,464,666	\$ 23,202	0.95% increase
2010-2011	\$ 2,664,453	\$ 199,787	8.11% increase
2011-2012	\$ 2,222,808	\$ (441,645)	-16.58% decrease
2012-2013	\$ 1,878,586	\$ (344,222)	-15.49% decrease
2013-2014	\$ 1,964,458	\$ 85,872	4.57% increase
2014-2015	\$ 1,995,167	\$ 30,709	1.56% increase
2015-2016	\$ 1,979,589	\$ (15,578)	0.78% decrease

CDBG regulations limit expenses for planning and administration to no more than 20% (applied against the total of the grant amount and program income). Thus, when grant amounts and program income decline, available administrative funds also decline. Not revealed by these figures, however, are the other

HUD entitlement grant programs that rely on CDBG funding for administration activities: HOME and ESG. The HOME program is governed by a much more complex set of regulations, yet has an administrative cap that is half of the CDBG cap (i.e., 10%). The HOME program allocation for Salinas has also been cut significantly (49% over a 10-year period). The HOME program is bracing for further cuts in the future along with stricter spending regulations. Therefore, Salinas must augment administrative funding for HOME with CDBG administrative funds, allowable per CDBG regulations. The FY 2012-2013 allocation for HOME funds was \$515,527 and the FY 2013-2014 allocation was \$540,913. The FY 2014-2015 funding was \$591,448. The FY 2013-2014 funding cycle saw a slight 4.7% increase in funding and there was a \$50,535 increase in FY 2014-2015 to 591,448 or 9.3%. There was another decrease in FY 2015-2016 to \$543,081 or a decrease of 8.18%.

ESG limits administrative charges to a total of seven and half percent (7.5 %) of the annual grant amount, effective as of the implementation of the ESG second allocation; thus in 2013-2014, the total budgeted towards administrative expenses was \$10,278. This sum is woefully inadequate to oversee this program, and during mid-year, City General Funds provided \$15,000 to cover administrative expenses related to ESG. In the meantime, the planning, recordkeeping, and reporting required by HUD (e.g., IDIS, CAPER, “performance measurement”) have been increasing. ESG funds decreased in 2013-2014 from the prior funding period by \$55,441, a 29% decrease from \$192,489 in FY 2012-2013 to \$137,048 in FY 2013-2014. In FY 2014-2015, the City received \$159,590, an increase from the prior fiscal year of \$22,542 or 16.4%. In FY 2015-2016, there was an increase of \$18,252 to \$177,842 or 11.44%.

### **Resolution authorizing the City of Salinas to be the State Administrative Entity for the Emergency Solutions Grant (ESG) Program**

The City of Salinas was authorized by the City Council on May 3, 2016 per resolution 20947 to be the Administrative Entity for the State ESG Program. The State is requiring a new resolution in their official format and wording on City letterhead. This is the purpose of the new resolution.

### **Substantial Amendments**

#### **Accept the Amendment to the 2016 HUD Citizen Participation Plan**

Although the City adopted recent changes to the Citizen Participation Plan (CPP) in April 2016. The City continued a dialogue with HUD on further clarifications to finalize the CPP for the 2016 update. The City’s HUD representative, Alice Walkup recommended clarifications on what determined larger projects versus smaller projects. The City clarified larger projects are \$200,000 or more. Changes that are less than \$50,000 are not considered substantial. The threshold for smaller projects (less than \$200,000) is a 25% change or more in project funding or scope.

Additionally, an increase of 25 percent or more in project beneficiaries (i.e. income groups, limited clientele groups, residents of a targeted area) or a change in purpose, scope or location which would change the project beneficiaries by more than 25 percent. This change includes and clarifies that HUD recognizes all similar public service projects that benefit the same clientele are considered a grouping in funding and that the total funding for that beneficiary or project type would collectively substantiate a 25% threshold for change.

A determination by the Community Development Director, that the change is substantial even though it falls below the standards detailed in the Citizen Participation Plan. This example clarifies that the Director may need to inform the public about a change that does not meet the above thresholds and may use discretion on initiating a substantial amendment.

For ESG components, as long as the maximum 60% threshold for Street Outreach and Emergency Shelter is not exceeded, funding can be moved within the other components to meet expenditure requirements without a substantial amendment.

### **Substantial Amendment to FY 2009-2010, FY 2014-2015, FY 2015-2016 and FY 2016-2017 Annual Action Plans**

The table below provides a summary of the substantial amendment funding trail.

<b>Proposed Substantial Amendments</b>	
<b>Unspent</b>	<b>Programmed to:</b>
\$100,000 HOME PI FY 15-16 and FY 16-17	<ul style="list-style-type: none"> <li>• \$100,000 VDLT – additional repairs, inspections and code compliant remediation</li> </ul>
\$14,946.31 ESG CHS formerly Shelter Outreach Plus from FY 15-16	<ul style="list-style-type: none"> <li>• \$14,946.31 to Interim Inc. (\$10,656.58 for FY 15-16 street outreach, and \$4,289.73 for FY 15-16 HMIS)</li> </ul>
\$344,400 total CDBG funds from 10 Soledad (\$150,000 from FY 15-16 and \$194,400 from FY 14-15)	<ul style="list-style-type: none"> <li>• \$204,400 unencumbered (set aside for evaluation)</li> <li>• \$100,000 toward FY 14-15 Steaming Ahead ADA Improvements</li> <li>• \$20,000 toward Activity Delivery-Steamming Ahead</li> <li>• \$20,000 Boys and Girls Club (CTB)</li> </ul>
\$100,000 CDBG Green Vehicles repayment FY 2016	<ul style="list-style-type: none"> <li>• \$100,000 toward ADA improvements Steaming Ahead</li> </ul>
\$131,000 CDBG PI and funds from Tatum's Garden and unspent Public Service funds from FY 14-15 and FY 15-16	<ul style="list-style-type: none"> <li>• \$131,000 unencumbered (set aside for evaluation)</li> </ul>
<i>Total CDBG: \$575,400</i> <i>Total HOME: 100,000</i> <i>ESG: \$14,946.31</i> <b>Total: \$690,346.31</b>	<i>Total encumbered: \$354,946.31</i> <i>Total unencumbered: \$335,400</i> <b>Total: \$690,346.31</b>

**The following summarizes the Substantial Amendment funding trail as shown in the above table.** These changes include proposed amendments to the aforementioned ACTION PLANS that govern the use of federal funds used by the City for housing and community development activities.

### **\$100,000 HOME Program Income FY 2015-2016 and FY 2016-2017**

The City received HOME Program Income (PI) and this PI would be able to fund additional improvements to the Vista De La Terraza (VDLT) project. This project includes rehabilitation of a 40-unit multi-family low-income residential property. Phase 1 rehabilitation is in progress and this includes underpinning, re-roofing and additional safety improvements. To-date the City has provided VDLT funding that has included HOME (\$1,152,717), CDBG (\$809,155) and SERAF (\$500,000) totaling \$2,461,872. The City is also proposing to fund a \$49,590 HOME grant in order to provide an ADA accessible unit (Unit 170C) in the project. In addition, the City is also proposing to fund an additional \$100,000 HOME loan for additional project code compliant remediation repairs and inspections.



**\$14,946.31 ESG Community Homeless Solutions (CHS), formerly Shelter Outreach Plus, FY 2015-2016**

CHS was unable to spend \$14,946.31 of the FY 2015-2016 total allocation of \$29,380. The City is able to reprogram these funds to Interim Inc. for the ESG components of Street Outreach, \$10,656.58 and HMIS \$4,289.73. Through this funding Interim, Inc., will help fund their MCHOME homeless services program for costs related to engagement, case management, emergency and mental health services, transportation, supportive services, and cost of personnel working in the HMIS system. This additional funding does not exceed the 60% expenditure cap on ESG funding for the Street Outreach and Emergency Shelter components for the FY 2015-2016 program year.

**\$344,400 total FY 2015-2016 (\$150,000) and FY 2014-2015 (\$194,400) CDBG funds from 10 Soledad building improvements and Green Vehicles 2016 Repayment**

The 10 Soledad project was intended to serve as the hygiene facility in Chinatown with bathrooms and showers along with services for the homeless population. However, the building on Lake Street was the final location for this activity and is currently under construction. Bids came back over budget for the renovation of 10 Soledad and with the project on Lake Street resulting in the original effort of 10 Soledad, staff determined there was no longer a determined benefit to low-moderate income beneficiaries. More recently, the City was able to acquire an adjacent property creating a new opportunity to redevelop the site with a larger and more functional building to meet the needs of Chinatown's population. The City will proceed with demolition of the building given its condition and obsolescence.

As outlined above, the CDBG funded restoration project at 10 Soledad needs to be cancelled because of the change in original purpose, lack of CDBG outcome, and high renovation costs. The lowest bid for 10 Soledad St. project came in at \$363,922. The funding will partially be utilized for the Steaming Ahead, ADA improvement project that was originally funded in FY 2014-2015 in the amount of \$102,534. Project Manager, Josie Lantaca, has determined additional funding will be needed to complete this project. An additional \$200,000 is the requested amount to move forward with this ADA improvement project that was originally underfunded. The funds are coming from the 10 Soledad project, \$100,000 and the Green Vehicles repayment, \$100,000. An additional \$20,000 will go toward Activity Delivery for this project.

**The Boys and Girls Club, Catch the Bus (CTB), Public Service program**

CTB was originally not funded in the FY 2016-2017 funding round as the application submitted ranked outside of the top ten applications recommended for funding. City Council was able to fund Meals on Wheels of the Salinas Valley as the 11<sup>th</sup> grantee, due to continued need in the City. The next applicant on the rating and ranking list is the Boys and Girls Club of Monterey County, CTB program. Due to the additional funds available and the excellent outcome of the prior year's program along with strong monitoring, the City feels funding this program is very needed to serve youth. This program will provide additional transportation services for low-moderate income youth to get to after school programs at the Boys and Girls Club. During the City's site visit and monitoring in May, 2016, staff determined the program would have less participants with the absence of the CDBG funds. Therefore, staff is recommending to fund this program as the next highest ranking on the list and the additional funds available. This addition will still keep the City within its 15% Public Service cap imposed by CDBG regulations. The FY 2016-2017 funds are capped at \$288,544 and the additional \$20,000 increases the amount toward Public Service grants at \$235,844.

**\$131,000 of CDBG PI and leftover funds from Tatum's Garden and unspent Public Service funds from FY 2014-2015 and FY 2015-2016** will remain un-programmed, along with \$204,400 from 10 Soledad. Tatum's Garden had \$3,205.45 in remaining funds, Central Coast Center for Independent Living had \$5.03 remaining, Girls Scouts had 14 cents, Second Chance had \$6,547.17 and CSUMB had

\$5,159.74. CDBG Program Income totaled \$116,082.50. City staff are interested in developing housing and are considering using the additional funds for the possibility of site acquisition for multi-family housing or for Brownfield cleanup costs for the upcoming 21 Soledad project to be completed by MidPen.

The total amount of unspent funds determined at this time is \$690,346.31 and from this, \$354,946.31 is encumbered and \$335,400 is available for future reprogramming. For this Substantial Amendment, CDBG funds total \$575,400, HOME funds total \$100,00 and ESG funds total \$14,46.31.

The public notice was released requesting public comment on City's staff's recommendations to the FY 2009-2010, FY 2014-2015, FY 2015-2016 and FY 2016-2017 Annual Action Plans. The notices for the comment period were published in *The Californian* on August 19, 2016 and *El Sol* on August 20, 2016, providing 30 days of public review per the Citizen Participation Plan prior to today's City Council meeting. Today's public hearing provides the opportunity to the public to provide comments to the City Council regarding their concerns over the City's use of these HUD grant funds.

### **ISSUES:**

1. Shall the City Council approve a Resolution regarding the Substantial Amendment to FY 2009-2010, FY 2014-2015, FY 2015-2016 and FY 2016-2017 Action Plans?
2. Shall the City accept the updated the Citizen Participation Plan with additional clarifying language that determines the manner in which the City will change the use of HUD funds as necessary?

The 2016 updated Citizen Participation Plan includes standard thresholds that define a substantial amendment to changes in funding of 25% or \$50,000. This substantial amendment also clarifies \$200,000 is the threshold for a large project. The City has also included guidelines for Limited English Proficiency (LEP) in the Plan. These are standard thresholds for HUD.

3. Shall Council hold a Public Hearing for the use of HUD Funds?
4. Shall Council approve a Resolution for the Submission of the CAPER to HUD on September 28, 2016? and
5. Shall Council approve a Resolution authorizing the City of Salinas to be the State Administrative Entity for the Emergency Solutions Grant (ESG) Program?

### **FISCAL IMPACT:**

Approval of the Substantial Amendment to FY 2009-2010, FY 2014-2015, FY 2015-2016 and FY 2016-2017 Annual Action Plans would provide staff the needed direction to move \$354,946.31 of HUD funding that is unspent into ready projects. The unencumbered funds of \$335,400 will be considered for need in the City and will come before Council at a later date when the best use is determined.

Accepting the 2016 update to the Citizen Participation Plan has no direct fiscal impact to programs. The updated Citizen Participation Plan introduces thresholds for amendments that are clearly defined that include changes that are less than \$50,000 are not considered substantial and a change of 25 percent or more in project beneficiaries, scope or purpose are considered substantial.

Holding a public hearing has no direct fiscal impact. A public hearing provides the City and interested persons an opportunity to be heard on needs for the City's HUD funding.

Submitting the CAPER to HUD by September 28, 2016, will ensure that the City is in good standing with its Federal HUD funds. The CAPER details the performance of the \$1,979,589 of CDBG, \$543,081 of HOME funds and \$177,842 of ESG funding received by the City for FY 2015-2016.

Authorizing the City of Salinas to be the State Administrative Entity and execute and receive State Emergency Solutions Grant (ESG) funds will ensure the City receives \$600,878 in State ESG funds to benefit Monterey County and San Benito Counties. This also would allow the City to be eligible to receive State General Funds that are expected to be distributed in the spring of 2017 in the approximate amount of and additional \$600,000.

#### **TIME CONSIDERATIONS:**

The time consideration of the Substantial Amendment to FY 2009-2010, FY 2014-2015, FY 2015-2016 and FY 2016-2017 Annual Action Plans allows the City to move funding to ready projects and spend HUD funding. HUD expects entitlement grantees to not exceed the regulatory standard for carrying out their programs in a timely manner. Under the provisions of 24 CFR 570.902 of the CDBG regulations, a grantee is considered to be timely, if 60 days prior to the end of the grantee's program year, the balance in its line-of-credit does not exceed 1.5 times the annual grant. The City is taking a proactive role to maintain its timeliness by moving funds into ready programs. Should the City not spend funds in a timely manner, the City may jeopardize future funding from HUD. By passing this Substantial Amendment, CDBG funds will increase funding for the ADA Improvement Project, Steaming Ahead and Activity Delivery for this project by \$200,000. An additional \$20,000 in CDBG funds will go to Boys and Girls Club, Catch the Bus Program. \$100,000 of HOME funds will go to the Vista De la Terraza project for additional repairs, inspections, and code compliant remediation. The remaining \$335,400 will be approved for a future project.

The Update to the City's HUD Citizen Participation Plan allows programming to move forward with improved thresholds.

The Public Hearing for Proposed Action Plan keeps the Action Planning process on schedule.

Submitting the CAPER to HUD by September 28, 2016, will ensure that the City is in good standing with its Federal HUD funds.

Resolution approving the City of Salinas to be the State Administrative Entity and execute and receive State Emergency Solutions Grant (ESG) funds will ensure the City receives \$600,878 in State ESG funds to benefit Monterey County and San Benito Counties anticipated by October 2016.

#### **ALTERNATIVES/IMPLICATIONS:**

Council may choose to:

1. Reject the proposed Amendment to Amendments to the FY 2009-2010, FY 2014-2015, FY 2015-2016, and FY 2016-2017 Annual Action Plans and would have implications on the timely expenditure of HUD funds.
2. Council could keep the Citizen Participation Plan as it is or provide other direction to staff.
3. Council could decide not to hold the Public Hearing for HUD funds.
4. Council could choose to not submit the CAPER to HUD on September 28, 2016.

5. Council may choose to not authorize City staff to be the State Administrative Entity for the State's ESG program.
6. Provide other direction to staff.

### **CITY COUNCIL GOALS:**

The CDBG, HOME, and ESG funding received by the City allows the undertaking of a variety of programs that are instrumental in providing affordable housing, providing homeless and homelessness prevention services, improving public facilities, making infrastructure improvements in lower income areas, and furthering partnerships with public service organizations addressing the human service needs of the City's low-income, elderly, and special needs communities. The funding and its implementation supports activities and projects that implement all of the City Council's strategic goals: 1) Economic Diversity and Prosperity; 2) Safe, Livable Community; 3) Effective, Sustainable Government; 4) Excellent Infrastructure; and 5) Quality of Life.

### **CONCLUSIONS:**

Following consideration of any public hearing, Council will consider a resolution approving the proposed Amendments to the FY 2009-2010, FY 2014-2015, FY 2015-2016, and FY 2016-2017 Annual Action Plans and approve the update to the 2016 Citizen Participation Plan. Council may hold a Public Hearing for HUD funds. Council may also authorize staff to be the State Administrative Entity for the State's ESG program.

#### **Back Up Pages:**

City Council Resolution amending FY 2013-2014, FY 2014-2015 and FY 2015-2016 Action Plans

City Council Resolution - Amendment of Action Plans

City Council Resolution – Authorizing the City of Salinas to be the State Administrative Entity and execute and receive State Emergency Solutions Grant (ESG) funds

City Council Resolution-Submission of the CAPER to HUD

Updated 2016 Citizen Participation Plan and Public Hearing

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