



CITY OF SALINAS COUNCIL STAFF REPORT

DATE: APRIL 18, 2017

DEPARTMENT: COMMUNITY DEVELOPMENT

FROM: MEGAN HUNTER, COMMUNITY DEVELOPMENT DIRECTOR

TITLE: THE 2017-18 ANNUAL ACTION PLAN FOR HUD FUNDING INCLUDING COMMUNITY DEVELOPMENT BLOCK GRANT, HOME INVESTMENT PARTNERSHIPS AND EMERGENCY SOLUTIONS GRANT AND 2017 AMENDED DRAFT CITIZEN PARTICIPATION PLAN

RECOMMENDED MOTION:

No motion is required at this public meeting.

RECOMMENDATION:

It is recommended that the City Council conduct a Public Hearing on the proposed FY 2017-18 Action Plan and the Amended Draft 2017 Citizen Participation Plan. A second public hearing will be held at a subsequent City Council meeting at which action will be required.

EXECUTIVE SUMMARY:

The City currently administers three federal HUD entitlement programs: 1) Community Development Block Grant (CDBG), 2) HOME Investment Partnerships Program (HOME), and 3) Emergency Solutions Grant (ESG). The City released an RFP for funding which was posted in The Salinas Californian and El Sol on December 11, 2016 and December 12, 2016. Applications were rated and ranked by the City Council's CDBG/Housing Subcommittee.

BACKGROUND:

The City Council's consideration of the proposed Action Plan includes a public hearing per the City's Citizen Participation Plan to allow for input from the public regarding the planned uses of HUD grant funds for FY 2017-18. A notice of the public hearing was published in The Salinas Californian on March 31, 2017, and in the El Sol on April 1, 2017. Copies of the draft Action Plan were placed at the following locations on April 1, 2017:

- John Steinbeck Library, 350 Lincoln Avenue, Salinas;
- Cesar Chavez Library, 615 Williams Road, Salinas;
- El Gabilan Library, 1400 North Main Street, Salinas;
- Housing Division, Community & Economic Development Department, 65 W. Alisal Street 2nd Floor, Salinas; and

- City Clerk's Office, City Hall, 200 Lincoln Avenue, Salinas.

Draft documents were available for review from April 1, 2017 through May 3, 2017.

DISCUSSION:

The FY 2017-18 Action Plan and 2017 Amended Citizen Participation Plan are expected to be submitted to HUD after the final public hearing to be held on May 2, 2017 and final public comment period on May 3, 2017. After the final Public Hearing on May 2, 2017, City Staff will ask City Council for direction to submit the Action Plan to HUD. The City of Salinas (City), a HUD entitlement City, has effectively administered HUD's programs for over 35 years.

The City currently administers three federal HUD entitlement programs: 1) Community Development Block Grant (CDBG), 2) HOME Investment Partnerships Program (HOME), and 3) Emergency Solutions Grant (ESG) along with a State Department of Housing and Community Development (HCD) ESG program which have assisted and improved numerous low-income households and neighborhoods in Salinas. The additional HCD ESG funding is assisting all of Monterey County and San Benito Counties. Salinas continues to remain in good standing with HUD.

Under the current Consolidated Plan (Con Plan) and five successive Action Plans over those years, the City has used the CDBG program to assist numerous non-profit agencies that provide services for the community and has also invested in numerous capital improvement projects including Market Street Beautification, lighting and ADA ramps, Sherwood Hall repairs, Cesar Chavez Park improvements and MST bus Shelter. Additionally, with HOME and CDBG funding, the City has assisted with development of 317 new affordable units within the community in projects such as Haciendas Phase I, Phase II, and Seniors; Wesley Oaks; La Gloria Seniors, Sun Flower Gardens; and Tresor Apartments. Salinas has also started to invest CDBG funding for economic development purposes, and closed on its first Section 108 loan of \$4,000,000 in FY 14-15 for the Industrial Wastewater Conveyance System project with \$5,390,000 still available for future investment in infrastructure.

While HUD funding continues to dwindle, the past eleven years have seen annual entitlement CDBG funding reduced from \$2,550,000 to \$1,923,629 and HOME funding reduced from \$939,902 to \$590,679. The ESG program has actually seen a slight increase from \$109,204 to \$178,203. HUD funding remains vital for improving local neighborhoods, existing housing stock and the lives of Salinas residents who are most in need.

For the FY 2017-18 program year, the City continues its competitive system for funding allocations. The FY 2016-17 CDBG applications were intended for a two-year funding cycle. Those funded public service agencies demonstrating satisfactory performance during FY 2016-17, are automatically renewed for FY 2017-2018. The HOME program accepts applications on an ongoing basis but gives preference to applications by readiness and submitted by February 6, 2017. The most critical criteria for HOME funding is project readiness in order to meet HUD guidelines.

The City receives annual HUD CDBG, HOME and ESG allocations and administers the grants in accordance with HUD rules and regulations. Those rules stipulate that the City must prepare, on an annual basis, an "Action Plan" for expending the HUD funds, and have its own set of funding parameters by which programs are funded. In addition, every five years the City must indicate to HUD its plan for expending funds into the future, through identifying community priorities and projected funding in the Con Plan. The City is currently operating under its 2015-19 Con Plan,

which was approved by the City Council in May 2015. The Con Plan was developed from a coordinated and robust outreach effort to engage the community in conversations about housing issues and community improvement needs. These efforts provided important information on actual housing needs and priorities of residents, in addition to the socio-economic and demographic data typically forming the basis of these planning efforts and documents.

FY 2017-18 Action Plan

The draft FY 2017-18 Action Plan describes proposed projects and programs to be funded by the three federal HUD entitlement grant programs:

- 1) Community Development Block Grant (CDBG),
- 2) Home Investment Partnerships (HOME), and
- 3) Emergency Solutions Grant (ESG).

The budget presented in the draft ACTION PLAN is based on the final FY 2016-17 allocation released by HUD on February 12, 2016: \$1,923,629 CDBG; \$590,679 HOME; and \$178,203 ESG. The City expects \$533,372 in State ESG funds.

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

The Community Development Department (CDD) Housing Division administers the three federal HUD entitlement grants (CDBG, HOME, and ESG) along with the State HCD ESG program, as well as a variety of the City's housing activities including: housing rehabilitation loan program; multi-family affordable housing (funded by HUD and the Successor Housing Agency); and inclusionary and density bonus housing along with the annual monitoring and loan servicing functions of these programs.

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 the elimination of two (2) program administrative positions. Meanwhile, federal regulations are changing, and program requirements and scrutiny are increasing, adding to the administrative oversight requirements for these grants. In FY 2013-14, with the end of the Neighborhood Stabilization Program, the administration budget was balanced by eliminating a rehabilitation specialist position.

Despite increasing staff efficiency with City Data Services (CDS) online grants management system, and conservative management of staff resources, limited administrative funds from the HUD grants are not sufficient to administer the HUD programs. As indicated in the tables below, a total of \$401,308 is needed from the General Fund in order to maintain staffing sufficient to administer the HUD programs, in addition to the \$672,642 total available from HUD and other administrative sources.

Since HUD has not released its final FY 2017-18 funding allocations, City staff prepared four scenarios for this year's Action Plan allocations. The **"FY 2016-17 Status Quo"** (scenario I) assumes the same funding levels as FY 2016-17; the **17% Reduction** (scenario II) assumes across-the-board cuts to all funding sources; the **No Funding for FY 2017/18** (scenario III) assumes HUD's discontinuation of the CDBG, HOME and ESG programs with zero allocations and **Funding for FY 2017-18 and future discontinuation of the CDBG, HOME and ESG programs** (scenario IV).

The following table shows all the funding to be available for administration in for all scenarios:

Program	Funding Source	Scenario 1	Scenario II	Scenario III	Scenario IV
CDBG Admin (20% cap)	CDBG	\$ 384,725	\$ 319,322	\$ 0	\$ 0
Home Admin (10% cap)	HOME	\$ 59,067	\$ 49,026	\$ 0	\$ 0
ESG Admin (7.5% cap)	ESG	\$ 13,365	\$ 11,093	\$ 0	\$ 0
Program Delivery	CDBG/HOME	\$ 195,620	\$ 195,620	\$ 195,620	\$ 195,620
State ESG Admin**	State ESG	\$ 19,865	\$ 19,865	\$ 19,865	\$ 19,865
CDBG, HOME, ESG, HSA, & Inclusionary Admin**	City Of Salinas General Funds	\$ 401,308	\$ 479,027	\$ 858,465	\$ 858,465
** Not included in Action Plan spreadsheet	TOTAL	\$ 1,073,950	\$ 1,073,950	\$ 1,073,950	\$ 1,073,950

AFFORDABLE HOUSING

Housing activities proposed for funding include the City's Housing Rehabilitation Loan program (CDBG \$223,000) which includes the City's Housing Accessibility Grant (HAA) and Lead Based Paint grant program, GRID Alternatives (CDBG \$50,000) to install ten solar electric systems on ten single family houses for low-income households and Rebuilding Together Monterey Salinas (CDBG \$40,000) to complete minor rehab (includes replacement of water heaters, windows, roof repairs, etc.) for 4-6 low-income homeowner units.

Haciendas Phase III

Haciendas Phase III is the final phase of a four-phase redevelopment of the former Haciendas public housing sites, carried out by the Monterey County Housing Authority Development Corporation (MCHADC). Haciendas Phase I (53 units) and Phase II (46 units) (located on Sherwood and Calle Cebu) and Haciendas Senior, a 41-unit development for seniors are now complete and fully leased up. Haciendas Phase III is located on East Rossi and is scheduled to be completed by the end of 2017. The Haciendas Phase III development consists of a three-story 50 unit affordable housing development with units ranging in size from 990 to 1,100 square feet. There will be 15 one-bedroom units, 16 two-bedroom units, and 19 three-bedroom units available. The development includes an on-site manager's unit, a 2,750 square foot resident services and office space, laundry room, washer/dryer hookups, recreational areas for the children, and

landscaped areas throughout the site for the enjoyment of all the residents. All Haciendas development are 100% affordable to residents who qualify at 60% or below Area Median Income. The only exception in the Haciendas developments to affordability are the managers units, one per development. The managers units have no affordability requirements.

In FY 2015-16, Haciendas Phase III was awarded a \$375,000 allocation of City HOME funds. For FY 2016-17 Haciendas Phase III was awarded \$640,476 of City HOME funds. For FY 2017-18, Haciendas Phase III requested an additional \$500,000 of HOME funding to enable the MCHADC to have sufficient funding to construct the project. The total project cost will be approximately \$22.9 million which is 3 million higher than previous estimations due to increases in construction material and labor costs. MCHADC applied and was awarded 9% low-income housing tax credits from the California Tax Credit Allocation Committee (CTCAC) on June 8, 2016 in the amount of \$16.5 million. Other project financing includes a \$1.2 million permanent loan from RaboBank, \$1.8 million in seller financing and \$462,000 in deferred developer fees. Altogether, City HOME funds would constitute approximately 6.8% of project funding. In addition, the City Council approved a fee deferral loan for this project on March 1, 2016 in the amount of \$582,692. This loan from the General Fund offsets the developer's immediate costs for certain development impact and building permit fees as authorized by Section 34516 of the California Health and Safety Code. The adopted City Council resolution and executed Fee Deferral Agreement call for the loan to be paid back to the City as follows:

- Prepayments on the Loan, in whole or in part, shall be made first from other future funding sources secured for the project, and/or net project cash flow made available during the stabilization period.
- Payment on the remaining balance shall be made annually from residual receipts from the Project, to the extent residual receipts are available to make such payments. The Loan shall receive 23.1% of Residual Receipts, as defined in the fee deferral agreement. Prepayments on the Loan, in whole or in part, shall also be allowed from an additional share of Residual Receipts. Payments shall be credited first to interest, then to principal. The entire remaining unpaid balance of principal and accrued interest shall be due at the end of the fifty-five (55) year term.

21 Soledad Street

The City awarded \$25,000 of FY 12-13 Inclusionary Housing Trust fund funding for property studies and entered into an ENRA and provided an additional \$201,500 of SERAF funds for predevelopment costs in FY 14. Additionally, \$400,000 in FY 2016-17 CDBG funds were awarded in FY 16 as a grant for the environmental remediation of contaminated parcels and the demolition of one structure on the property. Mid-Peninsula The Farm recently applied for 9% low-income housing tax credits from CTCAC in March 2017. 21 Soledad Street Housing Community is a proposed 90-unit new construction rental development located in the historic Chinatown neighborhood of the City and targeted to low-income individuals including up to 40 units set aside for individuals with special needs. The proposed new housing community includes a single podium building containing parking and commercial spaces on the first floor and three residential stories above podium containing 81 single room occupancy units, 4 one-bedroom, and 5 two-bedroom units. 21 Soledad Street Housing Community is a .82-acre infill site that consists of nine mixed-use small parcels. The building, as proposed, contains approximately 42 parking stalls,

8,067 SF of ground floor retail/commercial space as well as 2,510 SF of art gallery/community room and artist studios (total 10,577 SF retail/artist gallery and artist studios combined) and approximately 42,000 SF of residential space. Mid-Peninsula The Farm, Inc., is an affiliate of MidPen Housing, and will act as the developer and General Partner in a to-be formed Limited Partnership. The property manager will be MidPen Property Management. Resident supportive services will be provided by MidPen Resident Services Corporation, both affiliates of MidPen Housing.

For FY 2017-18, Mid-Peninsula The Farm, Inc. has requested \$667,060 in CDBG funds. This request will be funded with \$575,948 of CDBG monies and \$91,112 of HOME funds under the existing funding scenario. An additional \$667,060 of CDBG funding and \$550,000 of HOME funding in FY 2018-19 is needed to fill in the gap financing needed to construct the project. The Housing CDBG subcommittee approved these funding resources on January 19, 2017 and the MidPen project was prioritized in the FY 2015-2019 Con Plan.

PUBLIC FACILITIES AND INFRASTRUCTURE IMPROVEMENTS

First United Methodist Church – Neighborhood Services Program provides a variety of services to a diverse population of 150 people on a daily basis. Services include the provision of hot meals, a safe dry environment, mail delivery service, computer/internet access, arts program and a number of 12-Step programs. The majority (90%) are male ranging in age from 18-70 with the average being mid-forties. The Program Manager observes that many of our clientele as alcohol- or drug-addicted, may have mental illnesses, including PTSD. The remaining percentage includes single women, single mothers with children, and the occasionally family (parents and children) seeking funds, a meal and clean clothing.

The Methodist Church estimates that 80% of their daily clientele are homeless, while 20% are low-income and/or currently unemployed, while a few are students at Hartnell College. The daily meals provide needed meals to the homeless; while Veterans (VA Palo Alto Health Care System Housing Resource System) and Mobile Health Services (Clinica de Salud del Valle de Salinas) are offered on site. Prescription drug costs are also offered through the church and covered by donations. The Church provides other services including: Clean, dry clothing through the Clothes Closet; a computer room with internet access and staff offer/document preparation and resume assistance. The Church offers Neighborhood Services Mail Delivery that affords homeless the ability to receive Social Security and other benefit funds. The staff is strictly volunteer and offer needed outreach to clients that could be included into the Coordinated Entry System through the Coalition of Homeless Service Providers 12 Steps Programs are available for those seeking addiction cessation. Neighborhood Services volunteers provide a welcoming, non-judgmental and helpful environment. Those needing a mailing address use the Neighborhood Services for this and pick up mail, Monday thru Friday from 8:00 am to 1:00 pm. The Church provides stamps, paper, and envelopes. For FY 2017/18, First United Methodist Church – Neighborhood Services Program has requested \$400,000 in CDBG funding to renovate their kitchen and laundry rooms.

Should the above 21 Soledad Street Housing Community project not receive 9% low-income housing tax credits from CTCAC, the Public Works Department application would be recommended for funding - the Old Municipal Swimming Pool Building Retrofit Phase 3. The

retrofit is to change the use of the building from a former Pool house to a recreation center with basketball courts, meeting space and other recreation programs.

Phase I of the remodel of this facility began construction in April of 2016. The project included the filling of the pool, constructing new reinforced concrete slab, new flooring, removing glazing in the south park of the building and replacing with permanent walls with windows, minor ADA restroom improvements and installation of a new emergency exit door mechanism. This work provides recreational use, but to be fully operational, Phase II provides additional amenities to complete the rec center, including creating rooms for child care and play, additional courts, kitchen facilities and bath/shower facilities. .

Phase III of the project will provide ADA accessibility to the spectator benches that are on the second floor or provide ADA accessibility to a designated place in the building for viewing. The project will replace all windows in restrooms, all exterior doors, remove and replace roll up doors with walls or roll up doors, removal of all mechanical and electrical units that serviced the swimming pool, installation of an HVAC unit for the entire building, full electrical replacement, carpentry and framing work for new walls and replaced walls, painting in the inside and outside of building along with lead and asbestos abatement work and testing and professional oversight of this process. The large mechanical room can be converted to a usable space for offices, storage and classroom space. An ADA consultant will also oversee the construction work to ensure that all ADA regulations are met for this facility. The proposal also requests all soft costs related to the preparation of plans and specifications and cost estimates.

The Old Municipal Pool project is recommended for funding in the approximate amount of \$667,060 in FY 2017-18 as the application indicated the project would be ready if MiPen does not receive tax credits. The Public Facilities/Improvements projects identified in the FY 2016-17 Action Plan include:

Project	Site	Request	Recommended	
			Scenario I	Scenario II, III & IV
First United Methodist Church – Neighborhood Services Program	404 Lincoln Ave.	\$500,000	400,000	0
City of Salinas Public Works- Old Muni Swimming Pool Building Retrofit, Phase 2	720 North Main St.	\$ 2,100,000	\$ 0	0
Total		\$ 2,100,000	\$ 400,000	0

PUBLIC SERVICES AND FAIR HOUSING

For FY 2017-18, applications for CDBG Public Service funding totaled \$324,209. 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 CDBG funding level, \$288,544 is available 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. In FY 2016-2017, staff worked with a consultant, Zoom Grants to create and implement a rating and ranking system. Those agencies, scoring 90 points and above were awarded funding.

Staff reviewed all proposals received and presented a slate of recommended allocations at the March 17, 2017 City Council CDBG/Housing Subcommittee meeting. The following table describes the CDBG/Housing Subcommittee’s recommendations.

Public Services Provider	Category	Request	Recommended CDBG*		
			Scenario I	Scenario II	Scenario III & IV
Eden Council for Hope and Opportunity	Fair Housing	\$ 38,365	\$ 38,365	\$ 20,710	\$ 0
Legal Services for Seniors	Fair Housing	\$ 10,000	\$ 10,000	\$ 10,000	\$ 0
Partners For Peace	Neigh Serv.	\$ 15,844	\$ 15,844	\$ 14,312	\$ 0
Franciscan Workers of Junipero Serra	Neigh Serv.	\$ 100,000	\$ 50,000	\$ 40,000	\$ 0
Food Bank for Monterey County	Neigh. Serv.	\$ 20,000	\$ 25,000	\$ 18,067	\$ 0
Alliance on Aging, Inc.	Senior	\$ 10,000	\$ 10,000	\$ 10,000	\$ 0
Alliance on Aging, Inc. (Ombudsman)	Senior	\$ 10,000	\$ 10,000	\$ 10,000	\$ 0
Legal Services for Seniors	Senior	\$ 10,000	\$ 10,000	\$ 10,000	\$ 0
Meals on Wheels of the Salinas Valley, Inc.	Senior	\$ 15,000	\$ 15,000	\$ 13,550	\$ 0
Girls Inc. of the Central Coast	Youth	\$ 10,000	\$ 10,000	\$ 10,000	\$ 0
Girl Scouts of California	Youth	\$ 20,000	\$ 20,000	\$ 18,067	\$ 0
Community Human Services	Youth	\$ 10,000	\$ 10,000	\$ 10,000	\$ 0
Family Service Agency of the Central Coast	Youth	\$ 15,000	\$ 15,000	\$ 13,550	\$ 0
Salinas Area Youth Drug Information/ Crisis Center (Sunrise House) – 7 Challenges	Youth	\$ 10,000	\$ 10,000	\$ 10,000	\$ 0
Salinas Area Youth Drug Information/ Crisis Center (Sunrise House) – Youth Alternative to Violence	Youth	\$ 10,000	\$ 10,000	\$ 10,000	\$ 0
Boys & Girls Clubs of Monterey County	Youth	\$ 20,000	\$ 20,000	\$ 18,067	\$ 0
TOTAL		\$ 324,209	\$ 279,209	\$ 236,323	\$ 0
<i>*CDBG/Housing Subcommittee recommendations of March 17, 2017</i>					

HOMELESS SERVICES

The City anticipates receiving \$178,203 in FY 2017-18 of federal HUD entitlement ESG funds, which reflects a 2% increase as compared to prior year funding. Proposals were received from Interim Inc. for the McHOME program, Franciscan Workers of Junipero Serra for Dorothy's Drop-In Center and Housing Resource Center of Monterey County. The City Council's CDBG/Housing Subcommittee met on March 17, 2017 and prepared recommendations to the City Council for funding FY 2017-18 ESG homeless services. The ESG applications were awarded based on renewal under the two-year funding cycle process that began in FY 16-17.

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. The table below represents the CDBG/Housing Subcommittee's recommendations for funding. As there are thresholds for funding, the requests go through funding changes prior to approval to meet the funding requirements of the program.

ESG Services Provider	Request	Recommended		
		Scenario I*	Scenario II*	Scenario III & IV
Franciscan Workers of Junipero Serra Emergency Shelter	\$ 30,000	\$ 30,000	\$ 24,900	\$ 0
Franciscan Workers of Junipero Serra HMIS	\$ 20,000	\$ 20,000	\$ 16,600	\$ 0
Housing Resource Center Rapid Rehousing	\$ 35,114	\$ 35,114	\$ 29,145	\$ 0
Interim, Inc. – MCHOME Emergency Shelter	\$ 11,522	\$ 11,520	\$ 9,561	\$ 0
Interim, Inc. – MCHOME Street Outreach	\$ 66,392	\$ 65,400	\$ 54,282	\$ 0
Interim, Inc. – MCHOME HMIS	\$ 1,810	\$ 2,804	\$ 2,327	\$ 0
City of Salinas Administration (7.5% of cap)	\$ 13,365	\$ 13,365	\$ 11,093	\$ 0
TOTAL	\$ 178,203	\$ 178,203	\$ 147,908	\$ 0
<i>*CDBG/Housing Subcommittee's recommendation of March 17, 2017 and staff recommendation to reflect correct categories within 60% cap on emergency shelter and street outreach.</i>				

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 16-17 application for the SBDC to continue offering microenterprise technical assistance to Salinas residents and microenterprises. The proposed program of individualized counseling for low-

moderate microenterprise businesses or potential low-moderate microenterprise businesses is not recommended for FY 2016-17 CDBG funding this year. CSUMB had difficulty spending their FY 14-15 and FY 15-16 allocations and returned approximately \$113,800 of the two prior year grants. This funding was utilized in a Substantial Amendment on April 5 toward the Old Municipal Pool project. No Economic Development projects are planned for FY 17-18.

Coordination and Leverage of Other Project Funds: The ultimate success of an affordable housing development's ability to secure necessary funding is tied directly to timing. The most significant and largest funding opportunities at this time are available through affordable low-income housing tax credits, which are administered by CTCAC, a division of the State Controller. There are two tax credit programs administered by CTCAC, a 9% program and a 4% program. The 9% program is extremely competitive and applications are considered on a fixed schedule, but the awards in this program are significantly higher than the 4% program, making it a necessary funding stream for projects needing to fill large funding gaps. The 4% program is not competitive (the tax credit allocation is paired with the sale of bonds), and has a flexible schedule for application; however, its lesser funding amounts do not work for all projects. Right now the 9% applications were due to CTCAC in March. In order to be competitive, project applicants for these tax credits must have secured other funding needed for the project (such as City funds) prior to their application submittal.

HUD Grant Compliance Issues: The HUD grants also have requirements tied to timing which are important compliance issues for the City. The HOME grants have the following requirements which were implemented in 2013:

- CHDO set-aside funds (Community Housing Development Organization funds, a required set-aside of the HOME grant) must be committed to specific projects within 24 months of the City receiving its HOME allocation
- HOME projects must be completed within four years of commitment
- CHDO set-aside funds must be expended within 5 years of the City receiving its HOME allocation for that particular year.

In addition, CDBG grants are subject to an expenditure timeliness requirement, which HUD evaluates each April. At that time, grantees cannot have more than 120% of that year's allocation unexpended (this calculation takes into account funds unexpended from previous year's grants). While CDBG funds cannot be used to fund new housing construction, they can be used for property acquisition, soft costs such as engineering, architecture and environmental studies, or for existing property rehabilitation. Because of these requirements from HUD, it is important:

- for the City's funding to take advantage of leveraging from the tax credit program. This pairing improves the City's ability to timely commit and expend funds; and
- for City funding decisions to take into account how ready a project truly is, because once funds are committed, a compliance timeline for construction and lease up is underway

which must be strictly adhered to. Failure to comply results in a recapture of the funds in question.

Recommendations:

- In order to better facilitate and coordinate with CTCAC funding applications, the City will establish a calendar in which housing development funding proposals for both HOME and CDBG are due in October of each year. This will allow staff adequate time to review the proposals so that funding recommendations can be considered and decided upon by Council in January, at least one month ahead of the 9% CTCAC application March due date. In addition to the annual October submittal, the City will also have a rolling application process, with applications accepted throughout the year. This is intended to facilitate real estate transactions which suddenly become available and must be acted upon quickly in order to secure site control.
- Project readiness will be a key criterion in determining which projects are recommended for funding and when they are recommended for funding. Regardless of how an application is submitted to the City (October due date or over the counter), the City will reserve the right to fund a project based on readiness, and to reject or hold proposals not deemed ready in comparison to other projects. Project readiness factors will include; but are not limited to, site control, status of other funding commitments, date of tax credit application, environmental issues, entitlement issues, and earliest anticipated construction start date.

2017 CITIZEN PARTICIPATION PLAN UPDATE

Since the City of Salinas (City) began receiving CDBG funding 1975, HOME in 1992, and ESG in 1994, the City has incorporated full opportunities for citizens to participate in planning, development, and review of proposals for funding from these entitlement programs. As required by federal regulations 24 CFR 91.401 HUD, citizens must be provided with a reasonable opportunity to participate in an advisory role in planning, implementing and assessing those programs and proposals.

The Citizen Participation Plan (CPP) sets forth policies and procedures to provide for and encourage participation by the residents of Salinas in the development of the City's Con Plan for HUD and subsequent Action Plans, as well as the preparation of the Assessment of Fair Housing (AFH). The CPP also applies to any substantial amendments to the Con Plan and to the preparation of the Consolidated Annual Performance and Evaluation Report (CAPER), which evaluates progress toward the Con Plan objectives. This amended CPP includes required language to satisfy HUD's Affirmatively Furthering Fair Housing (AFFH) Final Rule and Assessment of Fair Housing (AFH) requirements. The City submits a Con Plan to HUD every five (5) years and an AAP to HUD annually. These documents are due to HUD 45 days prior to the beginning of a new program year (typically falls around May 10).

Commission, Committee, Council Subcommittee Recommendations: A key part of the process for considering the various HUD-related documents and plans is the review by the City Council CDBG/Housing Subcommittee, which includes three active City Council members. A duly noticed CDB/Housing Subcommittee meeting was held on Friday March 17, 2017, at 2:00 pm,

whereby the public and applicants were provided an opportunity to comment on staff recommendations and proposals. The CDBG/Housing Subcommittee's recommendations are reflected in this staff report and in the documents themselves. Additionally, a CDBG/Housing subcommittee meeting was held on January 19, 2017 to approve the recommendation of funding for the MidPen project utilizing 2017-2018 and 2018-2019 funding allocations.

CEQA CONSIDERATION:

Not a Project. The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378). In addition, 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:

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.

FISCAL AND SUSTAINABILITY IMPACT:

HUD programs such as CDBG, return federal tax dollars to the community. An updated Action Plan is a prerequisite to continued HUD funding for the City and failure to submit an acceptable document will jeopardize the variety of activities scheduled to receive financial support from the HUD grants. While a General Fund contribution of \$401,308, (Status Quo scenario) would be required to support the HUD programs in FY 2017-18. This year's Action Plan allocates approximately \$2,835,011 of Federal tax dollars that are being returned to the community.

ATTACHMENTS:

- Action Plan Funding Recommendations for CDBG Funds – Using FY 16-17 Funding Levels
- Action Plan Funding Recommendations for HOME Funds – Using FY 16-17 Funding Levels
- Action Plan Funding Recommendations for ESG Funds – Using FY 16-17 Funding Levels
- Action Plan Funding Recommendations for CDBG Funds – 17% Reduction of Funding Levels

- Action Plan Funding Recommendations for HOME Funds – 17% Reduction of Funding Levels
- Action Plan Funding Recommendations for ESG Funds – 17% Reduction of Funding Levels
- Draft Citizen Participation Plan