



CITY OF SALINAS COUNCIL STAFF REPORT

DATE: May 1, 2018 (To be continued to May 15, 2018)

DEPARTMENT: COMMUNITY DEVELOPMENT

FROM: MEGAN HUNTER, COMMUNITY DEVELOPMENT DIRECTOR

BY: ANASTACIA WYATT, PLANNING MANAGER

TITLE: FY 2018-19 ANNUAL ACTION PLAN FOR THE CITY OF SALINAS' HUD ENTITLEMENT FUNDING INCLUDING COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG), HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) AND EMERGENCY SOLUTIONS GRANT (ESG)

RECOMMENDED MOTION:

It is recommended that the City Council approve a Resolution approving the FY 2018-19 Annual Action Plan and authorizing submittal to HUD.

RECOMMENDATION:

Staff recommends that the City Council conduct a Public Hearing and approve two Resolutions approving the FY 2018-19 Annual Action Plan (Action Plan). The FY 2018-19 Action Plan for the City's HUD entitlement funding will be submitted to HUD after the final public hearing to be held on May 1, 2018 and a minimum thirty (30) day comment period that began on March 26, 2018 and ending on May 15, 2018.

EXECUTIVE SUMMARY:

The draft FY 2018-19 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), 3) and Emergency Solutions Grant (ESG). The budget presented in the draft ACTION PLAN is based on the final Entitlement FY 2017-18 allocations: \$1,897,639 CDBG; \$591,584 HOME; and \$173,179 ESG. In addition, although not required to be put in the Action Plan for entitlement funding, the City includes the additional HUD funds as part of the Action Plan and programming as the non-entitlement, State funds are leveraged with City ESG funds. At this time, the official award for FY 18-19 funds are estimated to be \$872,936 based on the State's 2018 Solicitation of Interest. The final allocation and NOFA from the State has yet to be sent to the Administrative Entity (AE) due to the delays at the State and Federal level.

BACKGROUND:

The City of Salinas, 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 grant program, which have assisted and improved numerous low-income households and neighborhoods in Salinas.

The City receives annual HUD CDBG, HOME and ESG allocations and administers the grants in accordance with complex 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 Consolidated Plan (Con Plan). The City is currently operating under its 2015-19 Con Plan, 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.

In FY 15-16, the City applied to be the AE to administer State ESG funding for both Monterey and San Benito Counties. This funding went from \$600,878 in FY 16-17 to \$565,704 in FY 17-18 to an estimated \$872,936 for FY 18-19. Additionally, the City learned that SB-2 Building Homes and Jobs Act funding will be allocated through the State’s ESG process through the AE.

Salinas continues to remain in good standing with HUD. Under the current Con Plan, the City has used the CDBG program to assist numerous non-profit agencies that provide services for the community and has invested in numerous capital improvement projects.

Public Hearing and Citizen Participation

The City Council’s consideration of the 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 2018-19. A notice of the public hearing was published in *The Salinas Californian* and in the *El Sol* on March 24, 2018 and April 14, 2018. Copies of the draft Action Plan were placed at the following locations on March 26, 2018:

- 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 also available on the City website. Action Plan documents were available for review and comments from March 26, 2018 through May 15, 2018.

DISCUSSION:

Funding Allocation

While HUD funding continues to dwindle, the City continues to experience reductions in the federal entitlement programs. Over the past 11 years, CDBG funding was reduced to the City from

\$2,550,000 to \$1,923,629; HOME was reduced from \$939,902 to \$590,679; and the ESG program has bucked the trend of reductions and has seen a slight increase from \$109,204 to \$178,203. The federal budget passed with an increase on all programs in FY 18-19. However, the City has not received final allocation amounts and is presenting the FY 18-19 Action Plan at a flat level using FY 17-18 funding as a basis.

For the FY 2018-19 program year, the City continues its competitive system for Public Service funding allocations beginning with a two-year funding cycle. Those funded public service agencies who demonstrate satisfactory performance during FY 2018-19 will be automatically renewed for FY 2019-2020. The HOME and CDBG program accepts Housing Development applications on an ongoing basis but gives preference to applications based on project readiness as funding is available.

Administration Costs

Each HUD program has a cap or maximum percentage of the grant that may be spent on administration and program delivery costs. The following table shows the estimated funding available and needed for administration:

Program	Funding Source	Total Estimated Funding	Admin Funding Amount
CDBG Admin - (20% cap)	CDBG	\$ 1,987,639	\$ 387,527
Home Admin - (10% cap)	HOME	\$ 591,184	\$ 59,067
ESG Admin - (7.5% cap)	ESG	\$	\$ 12,988
State ESG Admin	State ESG	\$	\$ 34,342
Total Estimated Federal and State Administration			\$ 493,924

Proposed Action Plan Programming for FY 18-19 funding

The following is a summary of the proposed allocations based on CDBG eligible general categories: administration; affordable housing; public facilities and improvements; public services and fair housing; and economic development.

AFFORDABLE HOUSING

Single Family Housing Rehabilitation

Ongoing housing rehabilitation activities proposed for funding at \$50,000 include the City's Housing Services program (Rehabilitation Loan, Housing Accessibility Grant, and Lead Base Paint Grant), and \$50,000 for GRID Alternatives solar electric systems for single family dwellings program. Any additional funding from program income will be allocated to these programs.

Moon Gate Plaza - 21 Soledad Street

The Moon Gate Plaza housing development began construction in April 2018. This development is a single 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. Moon Gate Plaza is on a 0.82-acre infill site. 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 and approximately 42,000 SF of residential space.

The City's total committed contributions to-date toward this project are \$4,576,976 as detailed in the table below.

Funding Source	Fiscal Year	Purpose	Funding Amount
Inclusionary	12/13	Property Studies	\$ 25,000.00
Land Donation	16-17	Provide land	\$ 525,000.00
Fee Deferral	16-17	Fee Deferral	\$ 1,000,000.00
SERAF	14/15	Pre-development Cost	\$ 201,500.00
CDBG	16-17	Environmental Clean-up	\$ 528,548.85
CDBG	16-17	Activity Delivery	\$ 8,856.32
CDBG	17-18	Construction	\$ 446,946.00
HOME	17-18	Construction	\$ 91,566.00
CDBG	18-19	Construction	\$ 667,000.00
CDBG	18-19	Activity Delivery	\$ 25,000.00
HOME	18-19	Construction	\$ 550,000.00
Total Funding			\$ 4,576,796.02

Below are the Agencies/Projects that requested funding and staff's funding recommendations:

Agency	Project or Program	Funding Request	Funding Recommendation		
			CDBG	HOME	Total
City of Salinas	Housing Services Program	\$ 50,000	\$ 50,000	\$	\$ 50,000
MidPen	Moon Gate Plaza (21 Soledad St.)	\$ 1,217,000	\$ 667,000	\$ 550,000	\$ 1,217,000
Grid Alternatives	City of Salinas Solar Affordable Housing Program	\$ 100,000	\$ 50,000	\$ 0	\$ 50,000
CHISPA, Inc	Vista de la Terraza Phase I & II	\$ 536,000	\$ 0	\$ 0	\$ 0
Monterey County Housing Authority Development Corp.	Parkside Apartments	\$ 600,000	\$ 0	\$ 0	\$ 0
TOTALS		\$ 2,503,000	\$ 767,000	\$ 550,000	\$ 1,317,000

PUBLIC FACILITIES AND INFRASTRUCTURE IMPROVEMENTS

The City's Public Works Department submitted an application – Sherwood Recreation Center – Phase 3 (Old Municipal Pool). The retrofit has been conducted in phases and is to change the use of the building from a former swimming pool house to a recreation center with basketball courts, meeting space and other recreation programs for the community.

Phase I of the remodel of this facility began construction in December of 2014. 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.

Phase II of the project includes items such as ADA accessibility to the spectator benches, replacing all windows in restrooms, roll up doors with walls, removal of all mechanical and electrical units that service the swimming pool, installation of an HVAC unit for the entire building and electrical replacement.

Phase III of the project would include items such as the completion of the mechanical work in the entire building, the rehabilitation of the existing offices, and the conversion of the mechanical equipment room and women's dressing room into multi-use area. The grant will include funding for all soft costs, building permits and contingencies.

Below are the Agencies/Projects that requested funding and staff's funding recommendations:

Agency	Project	Funding Request	CDBG Funding Recommendation
City of Salinas Public Works	Sherwood Recreation Center – Phase 3 (Old Municipal Pool)	\$ 802,000	\$ 600,000
Monterey-Salinas Transit	Salinas Transit Improvements	\$ 300,000	\$ 0
Salinas Police Activities League	Kitchen Renovation and Restoration to support Future Programs	\$ 40,000	\$ 0
First United Methodist Church	Neighborhood Services Center Restroom Remodel	\$ 530,000	\$ 0
Door to Hope	Women's Residential, Nueva Esperanza	\$ 56,352	\$ 0
Total		\$ 1,728,352	\$ 600,000

PUBLIC SERVICES AND FAIR HOUSING

The City received funding requests for Public Services FY 2018-19 applications totaling \$654,950. HUD rules limit the amount of CDBG funds available for public services based upon 15% of the annual CDBG allocation. This public service 15% cap, yields \$284,000 available for public services activities.

Staff reviewed and Rated/Ranked all applications received January 23, 2018, which was the deadline to receive applications for CDBG funding. Two Housing Subcommittee meetings were held on the Action Plan Budget on March 13, 2018 and April 17, 2018. At the March 13th meeting, the CDBG/Housing Subcommittee requested that staff review funding recommendations and determine the feasibility of funding additional agencies. Unfortunately, with a public service cap, the only way to fund additional agencies is to short change the requests of those recommended for funding. This would result in scaling back many of the programs to be funded. While all the applicants are worthy, with funding limitations, it is important to create a fair and transparent process whereby the City funds those organizations that received the highest score. This protocol is consistent with most granting institutions. Staff will continue to educate unsuccessful applicants

on improving their applications for future years. Should the final HUD budget allocation increase Public Service funding, the City could fund the next highest scoring application.

The below table details the Public Service requests.

Agency	Program	Rating & Ranking	Funding Request	Funding Recommendation
Girl Scouts of California	Girl Scouts Alisal Program Center	223.6	\$ 35,000	\$ 35,000
Boys & Girls Clubs of Monterey County	Catch the Bus (CTB) Transportation Program	220.5	\$ 30,000	\$ 30,000
Partners For Peace	Families are the Heart of the Community	210	\$ 30,785	\$ 30,785
Alliance on Aging, Inc.	Tax Counseling for the Elderly (TCE) and Ombudsman	209.5	\$ 25,000	\$ 25,000
Girls Inc. of the Central Coast	Girls Inc. of the Central Coast	205	\$ 25,000	\$ 25,000
Food Bank for Monterey County	Food Bank for Monterey County	206	\$ 150,000	\$ 99,850
Eden Council for Hope and Opportunity	Fair Housing and Tenant/Landlord Services	189	\$ 38,365	\$ 38,365
Legal Services for Seniors	Legal Services for Seniors	186.3	\$ 10,000	\$ 0
Meals on Wheels of the Salinas Valley, Inc.	Meals on Wheels of the Salinas Valley: home-delivered meal program	182.6	\$ 15,000	\$ 0
Legal Services for Seniors	Fair Housing	180.1	\$ 10,000	\$ 0
Community Human Services	Rancho Cielo Substance Abuse Services	177.2	\$ 25,000	\$ 0
Family Service Agency of the Central Coast	Suicide Prevention Service	174.2	\$ 25,000	\$ 0
Central Coast Center for Independent Living	Housing Choices for Persons with Disabilities	172.2	\$ 55,000	\$ 0
Rancho Cielo Youth Campus	Transitional Housing	171.3	\$ 25,000	\$ 0
Franciscan Workers of Junipero Serra	Chinatown Health Services Center	159.2	\$ 100,000	\$ 0
Monterey County Housing Authority Development Corporation	Haciendas Place - Resident Services Program	153	\$ 30,000	\$ 0
Salinas Police Activities League	EY CHALE! Enabling Youth to Create Healthy Actions through Learning and Education	135.3	\$ 25,800	\$ 0
TOTAL			\$ 654,950	\$ 284,000

HOMELESS SERVICES

The City anticipates receiving \$178,203 in FY 2018-19 of Federal HUD Entitlement ESG funds. Proposals were received from Interim Inc. for the McHOME program, Franciscan Workers of Junipero Serra for the Women Alive Emergency Shelter, Community Human Services, Step-Up, First United Methodist Church and Housing Resource Center of Monterey County. The City Council's CDBG/Housing Subcommittee met on March 13th and on April 17th and moved to take the recommendations to the City Council for funding FY 2018-19 ESG homeless services. The City also works with the Coalition of Homeless Services Providers (Coalition) to determine allocations through the rating and ranking process and through their final recommendations. HUD requires that the City coordinate with the Coalition on ESG funds.

The State provided the City with a solicitation of interest for FY 2018-2019 ESG Non-Entitlement funds in the amount of \$872,936. The State's Non-Entitlement funds are broken into three sources: State Non-Entitlement ESG funded through HUD; State General fund matching ESG Non-Entitlement and SB-2. Due to SB-2 funds coming in from the State, the City will hold off on programming any State funds until a NOFA is released with final amounts. At this time, the City is only programming Federal, Entitlement funds although the City has requested applications from all agencies interested through the City's annual NOFA process for HUD funding, which includes State ESG money.

HUD entitlement 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 Entitlement regulations force a cap of sixty percent (60%) of the total grant on the following two categories: Emergency Shelter and Street Outreach. The table below represents the CDBG/Housing Subcommittee's recommendations for ESG Entitlement and State funding.

As there are thresholds for funding, the requests go through funding changes prior to approval to meet the funding requirements of each program. The attached excel spreadsheets detail the full rating and ranking and funding requirements. Due to the complicated nature of meeting funding requirements, this table provides the final recommendations and the full breakdown of rating and ranking are available on the spreadsheet. The total funding request was \$1,791,233. The Entitlement funding of \$173,179 is limited to assist residents in the City of Salinas only. The State ESG funding can be utilized for residents of Monterey and San Benito Counties.

ESG requests and funding recommendations to follow on the next page.

ESG Services Provider	Program	Funding Request	Funding Recommendation	
			Entitlement	State
Interim, Inc.	MCHOME	\$ 79,724	\$ 79,724	\$
Community Human Services	Chinatown Substance Abuse & Mental Health Services	\$ 25,000	\$	\$
Franciscan Workers of Junipero Serra	Women Alive Emergency Shelter	\$ 50,000	\$	\$
Community Human Services	Safe Place Emergency Shelter & Street Outreach	\$ 55,000	\$	\$
San Benito County Health and Human Services Agency	Housing Resource Center of San Benito County	\$ 355,000	\$	\$
Community Homeless Solutions	Warming Shelter	\$ 293,849	\$ 24,615	\$
Step Up	Step Up Salinas	\$ 175,000	\$	\$
Central Coast Center for Independent Living	CCCIL Rapid Re-Housing and Homeless Prevention Program	\$ 353,000	\$ 48,852	\$
First United Methodist Church	Neighborhood Services Center Management	\$ 103,168	\$ 7,000	\$
Interim, Inc.	Site-Specific Homeless Outreach	\$ 113,912	\$	\$
Housing Resource Center of Monterey County	Housing Resource Center RRH Plan	\$ 140,250	\$	\$
City of Salinas	Entitlement Administration	\$ 12,988	\$ 12,988	\$
City of Salinas	State Administration	\$ 34,342	\$	\$
TOTAL		\$ 1,791,233	\$ 173,179	\$ 872,936

ECONOMIC DEVELOPMENT

For FY 18-19, the City received Only one application for Economic Development (ED): Downtown Streets Team (DST), requested funding in the amount of \$286,006. Staff would like to consider the application for future years, as this project's ED capacity was under developed at the time of application. In order for this project to be eligible under ED, there needs to be an outcome of job creation or retention. In the case of this application, job creation would be needed. There was no plan in the application to meet the job creation component and HUD requirement.

Once DST is able to identify businesses that are willing to hire graduates of the DST, the City will be able to consider this application under ED eligibility. The program itself provides coaching of the homeless and meaningful work by beautifying streets; however, participants are paid in gift cards (which cannot be funded through CDBG and other sources need to be identified as to how to fund this type of payment). HUD does not see the program itself as ED.

This program is working in other Bay Area communities that have job outlets at the end that include direct referrals to jobs in industries like car rental companies. The applicants must maintain their “real” jobs for at least one year to meet the HUD ED job creation requirements. Additionally, this application had a low rating/ranking score and was not recommended for funding. There are no Economic Development projects that are planned to be funded for FY 18-19.

ALTERNATE PROJECTS

Alternate projects may be possible depending on final funding allocations from HUD. The Action Plan will recommend the following non-public service alternate projects:

- Acquisition of property for housing rehabilitation and/or development
- Acquisition & rehab of multi-family or single-family housing to be rented to low-moderate income renters in the City in conjunction with a non-profit housing developer or non-profit housing organization that provides supportive services and management
- Pre-development of a site for a homeless shelter
- Site remediation and clearance for a homeless shelter
- Homeless shelter construction
- Demolition of 10 and 12 Soledad as slum and blight removal in Chinatown

CEQA CONSIDERATION:

Not a Project. The City of Salinas has determined that the proposed action – approval of the “FY 18-19 Action Plan” is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378). Individual projects that are funded through this Action Plan and have the potential for causing a significant effect on the environment would be subjected to CEQA review.

Some projects that receive HUD Funding through this Action Plan also may require NEPA review, which is conducted by Housing and Community Development Division staff.

STRATEGIC PLAN INITIATIVE:

The CDBG, HOME, ESG and State 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 \$464,714, would be required to support the HUD programs in FY 2018-19, this year's Action Plan allocates approximately \$2,835,011 of federal tax dollars that are being returned to the community.

ATTACHMENTS:

- Resolution – Action Plan
- Draft Action Plan
- Action Plan Funding Recommendations – Using FY 17-18 Funding Levels