



CITY OF SALINAS COUNCIL STAFF REPORT

DATE: 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 (Action Plan) and authorizing submittal before the final deadline of July 1, 2018, to the United States Department of Housing of Urban Development (HUD).

RECOMMENDATION:

Staff recommends that the City Council conduct a Public Hearing and approve a Resolution authorizing 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 15, 2018 and a minimum thirty (30) day comment period that began on March 26, 2018 and ending on May 15, 2018.

EXECUTIVE SUMMARY:

The Federal 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 Action Plan is based on the final Entitlement FY 2018-19 allocations: \$2,093,734 CDBG; \$838,381 HOME; and \$170,830 ESG.

BACKGROUND:

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 the California State 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 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.

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.

In FY 2015-16, the City applied to be the AE to administer HCD ESG funding for both Monterey and San Benito Counties. This funding went from \$600,878 in FY 2016-17 to \$565,704 in FY 2017-18 to an estimated \$872,936 for FY 2018-19. 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. The official award for HCD ESG non-entitlement funds for FY 2018-19 has not been published. The final allocation and Notice of Funding Availability (NOFA) from HCD has yet to be sent to the Administrative Entity (AE) due to the delays at the State and Federal level.

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 hearings was originally published in *The Salinas Californian* and in the *El Sol* newspapers on March 24, 2018 for the April 17, 2018 and May 1, 2018 meetings. However, as HUD funds had not yet been allocated, a second notice of public hearings was reposted in *The Salinas Californian* and the *El Sol* newspapers to change the original meeting dates to May 1, 2018 and May 15, 2018 to allow additional review of the Action Plan in anticipation for the final award through HUD. 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

The City has traditionally experienced reductions in the federal entitlement programs. The City has seen reductions in funding over the past 11 years. CDBG funding was reduced 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 in this period.

However, the City was notified by HUD on May 1, 2018 of the final FY 2018-19 entitlement allocations for CDBG (\$2,093,734), HOME (\$838,381) and ESG (\$170,830). The City received an increase in FY 2018-19 for CDBG (10.3%) and HOME (41.8%) with a slight decrease in ESG (1.4%) funding compared to FY 2017-18. The table below shows the final FY 2018-19 available funding including program income and carryover funds.

Funding Source	FY 18-19 Allocation	Estimated Program Income for FY 18-19	Estimated Carryover Funds from FY 17-18	Estimated Carryover Funds from FY 15-16	Total Funding
CDBG	\$ 2,093,734	\$ 100,000	\$ 100,000	\$ 0	\$ 2,293,734
HOME	\$ 838,381	\$ 42,883	\$ 0	\$ 0	\$ 881,264
ESG	\$ 170,830	\$ 0	\$ 0	\$ 3,100	\$ 173,930
Totals	\$ 3,102,945	\$ 142,883	\$ 100,000	\$ 3,100	\$ 3,348,928

Staff reviewed and Rated/Ranked all applications received January 23, 2018, which was the deadline to receive applications for CDBG funding. Two City Council (Council) meetings regarding the Action Plan budget were held on May 1, 2018 and May 15, 2018. In addition, three CDBG/Housing Subcommittee meetings were held regarding the Action Plan Budget on March 13, 2018, April 25, 2018, and May 14, 2018. At the March 13th meeting, the CDBG/Housing Subcommittee requested that staff review funding recommendations and determine the feasibility of funding additional public service agencies' requests for funding. The subcommittee determined that this Fiscal Year minimum application amount request would be \$25,000.

On May 1, 2018, HUD notified the City of its final FY 2018-19 entitlement allocations. As a result, at the May 1, 2018 Council meeting, staff notified City Council of the final allocation award that was received from HUD that afternoon. Staff informed Council that staff would follow the rating and ranking system to award any additional public service applications as staff was directed in the March 13th Subcommittee meeting. Staff also felt the Sherwood Recreation Center/Old Muni Pool project would need additional funding to ensure the project would be able to be opened in the near future and have a benefit to primarily low-moderate income citizens within the City. Additionally, staff recommended that additional HOME funds would replace some of the CDBG for the Moon Gate Plaza/MidPen project.

The Council directed staff to conduct an additional CDBG/Housing Subcommittee meeting to review these recommendations and revise the proposed funding recommendations based on the final entitlement allocations. After the May 14, 2018, CDBG/Housing Subcommittee meeting staff

will bring the final proposed funding recommendations to the Council for a final decision on May 15, 2018.

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 2019-20. 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 FY 2018-19 funding available and needed for administration:

Program	Funding Source	Total Funding Allocation	Estimated Program Income	Admin Funding Amount
CDBG Admin - (20% cap)	CDBG	\$ 2,093,734	\$ 100,000	\$ 438,746
Home Admin - (10% cap)	HOME	\$ 838,381	\$ 42,883	\$ 88,126
ESG Admin - (7.5% cap)	ESG	\$ 170,830	\$ 0	\$ 12,812
Total Estimated Federal Administration				\$ 539,684

Proposed Action Plan Programming for FY 2018-19 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 \$4,143,543.17 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	\$ 33,856.32
CDBG	17-18	Construction	\$ 446,946.00
HOME	17-18	Construction	\$ 91,566.00
CDBG	18-19	Construction	\$ 453,862.00
CDBG	18-19	Activity Delivery	\$ 44,126.00
HOME	18-19	Construction	\$ 763,138.00
HOME	18-19	Activity Delivery	\$ 30,000.00
Total Funding			\$ 4,143,543.17

The table below represents the Agencies/Projects that requested funding and staff's funding recommendations including activity delivery:

Agency	Project or Program	Funding Request	Funding Recommendation		
			CDBG	HOME	Total
City of Salinas	Housing Services Program	\$ 50,000	\$ 50,000	\$ 0	\$ 50,000
City of Salinas	Housing Services Program Activity Delivery	\$ 5,000	\$ 5,000	\$ 0	\$ 5,000
MidPen	Moon Gate Plaza (21 Soledad St.)	\$ 1,217,000	\$ 453,862	\$ 763,138	\$ 1,217,000
City of Salinas	Moon Gate Plaza Activity Delivery	\$ 74,126	\$ 44,126	\$ 30,000	\$ 74,126
Grid Alternatives	City of Salinas Solar Affordable Housing Program	\$ 100,000	\$ 50,000	\$ 0	\$ 50,000
City of Salinas	City of Salinas Solar Affordable Housing Program Activity Delivery	\$ 5,000	\$ 5,000	\$ 0	\$ 5,000
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		\$ 2,497,126	\$ 607,988	\$ 793,138	\$ 1,401,126

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 to change the use of the building from a former indoor swimming pool house to a recreation center with basketball courts, meeting space and other recreational 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, 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	\$ 914,000
City of Salinas	Sherwood Recreation Center – Phase 3 Activity Delivery	\$ 20,000	\$ 20,000
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	\$ 1,748,352	\$ 934,000

PUBLIC SERVICES AND FAIR HOUSING

The City received FY 2018-19 funding requests for Public Services applications on January 23, 2018. The Public Service application requests totaled \$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, allows up to \$314,000 available for public services activities.

The below table details the CDBG Public Service requests and staff recommendations.

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	\$ 103,850*
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	\$ 25,000**
Legal Services for Seniors	Fair Housing	180.1	\$ 10,000	
Meals on Wheels of the Salinas Valley, Inc.	Meals on Wheels of the Salinas Valley: home-delivered meal program	182.6	\$ 15,000	\$ 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	\$ 313,000

*Due to increase in CDBG FY 2018-19 funding allocation, Food Bank funding is proposed to increase by \$4,000 from the original recommendation. **Due to increase in CDBG FY 2018-19 funding allocation, Legal Services for Seniors is proposed to receive the recommended \$25,000 in funding, the minimum allocation in this Action Plan.

HOMELESS SERVICES

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.

HUD allocated a total of \$170,803 in FY 2018-19 of entitlement ESG funds. Additionally, there was an extra \$3,100.12 remaining of HMIS funding from FY 2015-16 that was allocated to Community Homeless Solutions (formerly Shelter Outreach Plus). HUD recommended that the City carry this funding over into this action plan to fully expend the funding.

For FY 2018-19, 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 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. Originally, applications were accepted for funding for both ESG Entitlement and State funding.

The State provided the City with a Solicitation of Interest for FY 2018-19 ESG Non-Entitlement funds in the amount of \$872,936 on February 1, 2018. 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. Originally, the City requested applications from all agencies interested through the City's annual NOFA process for both Federal and State ESG money, which is why the total requests for funding were so high at \$1,791,233. State ESG requires a minimum of 40% to be spent on Rapid Rehousing. The State ESG funding can be utilized for residents throughout the Continuum of Care, including Monterey and San Benito Counties.

The table below represents the CDBG/Housing Subcommittee's recommendations for ESG Entitlement.

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 \$173,930 is limited to assist residents in the City of Salinas only.

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	\$ 22,442	\$
Step Up	Step Up Salinas	\$ 175,000	\$	\$
Central Coast Center for Independent Living	CCCIL Rapid Re-Housing and Homeless Prevention Program	\$ 353,000	\$ 51,952	\$
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	\$ 12,812	\$
City of Salinas	State Administration	\$ 34,342	\$	\$
TOTAL		\$ 1,791,233	\$ 173,930	\$ 872,936

*Community Homeless Solutions did not fully expend funding for HMIS in FY 15-16. There was an additional \$3,100.12 remaining. HUD recommended that the City carry this funding over into this action plan to fully expend the funding. The First United Methodist Church requested \$7,000 in HMIS and the City will use the FY 15-16 amount of \$3,100.12 plus the FY 18-19 funding of \$3,900 to complete their HMIS request.

ECONOMIC DEVELOPMENT

For FY 2018-19, 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 2018-19.

ALTERNATE PROJECTS

Alternate projects may be possible depending on Program Income, carry over funds or additional funding from HUD. The Action Plan will recommend the following non-public service alternate projects, with a priority to housing rehabilitation activities:

- The Housing Services Program, including: Rehab activities including HAA, single-family housing rehabilitation and Grid Alternatives
- 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:

This year's Action Plan allocates approximately \$3,348,928 of federal tax dollars, which are invested back to the community and help our low and moderate income residents. The City receives an additional \$539,684 in administrative costs to manage and monitor HUD funding and support the work of the Housing and Community Development Division of the Community Development Department. The City contributes an additional \$361,808 in General Fund revenue to support the other work of the Housing and Community Development Division such as Inclusionary Housing or the Chinatown Revitalization Plan.

ATTACHMENTS:

- Resolution – Action Plan
- Draft Action Plan
- Action Plan Funding Recommendations Tables