



CITY OF SALINAS COUNCIL STAFF REPORT

DATE: APRIL 13, 2021

DEPARTMENT: COMMUNITY DEVELOPMENT

FROM: MEGAN HUNTER, COMMUNITY DEVELOPMENT DIRECTOR

BY: ROD POWELL, MANAGEMENT ANALYST

TITLE: FIRST SUBSTANTIAL AMENDMENT TO UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FISCAL YEAR 2020-2021 ANNUAL ACTION PLAN AND ALLOCATE PERMANENT LOCAL HOUSING ALLOCATION FUNDS TO THE PARKSIDE MANOR HOUSING DEVELOPMENT – PHASE I PROJECT

RECOMMENDED MOTION:

A motion of the City Council to approve the following Resolutions:

1. Approve a Resolution for a First Substantial Amendment to the United States Department of Housing and Urban Development (HUD) Fiscal Year (FY) 2020-2021 Annual Action Plan (AAP).
2. Approve a Resolution to allocate Permanent Local Housing Allocation (PLHA) funds to the Parkside Manor Housing Development (Parkside) – Phase I project.

RECOMMENDATION:

The Community Development Department recommends that City Council approve a First Substantial Amendment to the HUD FY 2020-2021 AAP and approve the allocation of PLHA funding to support the construction of the Parkside project.

EXECUTIVE SUMMARY:

City Council, through its HUD FY 2020-2021 AAP, had previously allocated \$660,000 in HOME Investment Partnership Program (HOME) funding as gap financing for the construction of the project and its activity delivery. In January, Monterey County Housing Authority Development Corporation requested additional City funding in order to secure all necessary financing to complete the Parkside project. The City has reviewed the request and has deemed the project as eligible to commit additional HOME funding through a First Substantial Amendment to the FY 2020-2021 AAP and PLHA funding through Council approval.

BACKGROUND:

The City is an Entitlement City in HUD's Community Development Block Grant (CDBG), Emergency Solutions Grants (ESG) and HOME programs. The Salinas City Council approved the HUD AAP for FY 2020-2021 on August 4, 2020 in order to commit funds to eligible projects for the CDBG, HOME and ESG programs. For FY 2020-2021 the City had available \$803,851 in HOME entitlement funds and \$552,868 in Program Income from FY 2019-2020, for a total of \$1,356,719 in HOME funds to commit to eligible projects.

The City allocated \$339,179 in HOME funds for program administration, and \$660,000 for the construction of the Parkside – Phase I project and its activity delivery; \$357,540 remained unallocated to a specific project. In January, shortly after the approval of the FY 2020-2021 AAP, Monterey County Housing Authority Development Corporation contacted the City requesting additional gap funding in order to secure all the necessary financing to complete the project. City staff reviewed the request and deemed it as eligible to commit the unallocated \$357,540 in HOME funds to this project.

On June 23, 2020, the City Council adopted a Resolution approving the submission of an application the California Department of Housing and Community Development to receive and administer \$1,006,847 in Permanent Local Housing Allocation Program (PLHA) funding with 75% of the allocation dedicated towards multifamily affordable housing projects. In January, the City released a NOFA soliciting applications for PLHA funded projects. Monterey County Housing Authority Development Corporation submitted an application requesting PLHA funding in support of the Parkside project. The City reviewed the application and recommends an award amount of \$756,505.

The Parkside project is a development that will consist of demolishing 88 existing substandard housing units constructed in 1975 and construction of 160 new affordable housing units for elderly residents. The new housing units will be constructed in two phases. Demolition of the existing substandard housing units, and construction of the first 80 new units will take place in Phase I with an approximate cost of \$47 million. Phase I construction is intended to start May 1, 2021 with completion by end of 2022. The City has reserved the following funding for the construction of this project: \$612,300 in Fee Deferral, \$600,000 from FY 2020-2021 HOME, and if approved an additional \$357,540 from FY 2020-2021 HOME First Amendment and \$756,505 from FY 2020-2021 PLHA, for a total of \$2,326,345.

Per the City's Citizen Participation Plan for HUD HOME funding, a Substantial Amendment to the AAP is required if a project has an increase of 25% or more to its original funding amount approved through the AAP process. The proposed increase of funding to the Parkside – Phase I project would exceed this percentage and require the First Substantial Amendment to the FY 2020-2021 AAP. The Amendment process will require the following: 1) at least one public hearing, which can be conducted virtually, 2) City Council approval, 3) public notice outlining the proposed actions of the Amendment and 4) a minimum thirty (30) day public review and comment period. A description of the Amendment is provided in Attachment B entitled "City of Salinas First Substantial Amendment Summary". The allocation of PLHA funding only requires City Council approval of a proposed Resolution.

The Salinas Housing and Land Use Committee received an informational report on the proposed amendment to the FY 2020-21 AAP for HOME funding on March 23, 2021 and recommended that the item move forward to the City Council for consideration and a required public hearing on April 13, 2021. The award of PLHA funds does not require a public hearing.

English and Spanish Public Notices regarding the Public Hearing and First Substantial Amendment were posted on March 13, 2021, at the Salinas Californian and El Sol newspapers, in addition to City Hall, the Community Development Department, City's website, and were emailed to the City Housing Division NOFA/RFP distribution list.

The minimum 30-day public review and comment period began on March 13, 2021 and ended on April 13, 2021. The Substantial Amendment Summary was available to the public at the City's website and through email requests. During the review and comment period, the public was encouraged to submit any comments regarding the amendment via email or at the public hearings.

CEQA CONSIDERATION:

Statutory Exemptions. This City of Salinas has determined that the project is exempt from the California Environmental Quality Act (CEQA) Guidelines pursuant to Section 15268, as the project is in Site Plan Review which is ministerial and not discretionary.

STRATEGIC PLAN INITIATIVE:

The approval of the First Substantial Amendment to the FY 2020-2021 AAP and the allocation of PLHA funds are in alignment with the following City Council strategic goals:

- Investment Strategy/Risk Management
- New Revenue

DEPARTMENT COORDINATION:

The Community Development Department Housing Division coordinated with other City departments, which included Finance and Legal. The Housing Division also coordinated with HUD regarding this agenda item.

Department	Contribution
Finance	Assists with financial documents related to this agenda item.
Legal	Assist with legal and contract documents related to this agenda item.

FISCAL AND SUSTAINABILITY IMPACT:

There is no General Fund impact associated with this agenda item.

ATTACHMENTS:

- A. Resolution – FY 2020-2021 AAP First Substantial Amendment
- B. City of Salinas First Substantial Amendment Summary - Draft
- C. Resolution – PLHA Allocation – Parkside – Phase I