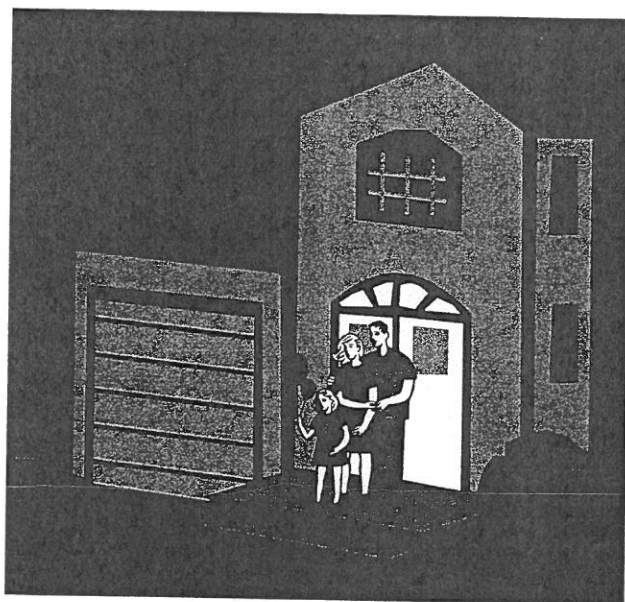


**CITY OF MERCED
HUD ANNUAL PLAN
FY 2011**

SECOND PROGRAM YEAR ACTION PLAN



Adopted by the Merced City Council on May 2, 2011





Second Program Year Action Plan

The CPMP Second Annual Action Plan includes the SF 424 and Narrative Responses to Action Plan questions that CDBG, HOME, HOPWA, and ESG grantees must respond to each year in order to be compliant with the Consolidated Planning Regulations. The Executive Summary narratives are optional.

Narrative Responses

GENERAL

Executive Summary

The Executive Summary is required. Include the objectives and outcomes identified in the plan and an evaluation of past performance.

Program Year 2 Action Plan Executive Summary:

The City of Merced Annual Action Plan for fiscal year 2011-2012 describes the programs and activities that will be undertaken to carry out the goals and objectives established in the 2010–2015 Consolidated Plan. The Action Plan includes a description of funding available and how these funds will be used to address the identified needs for housing, homelessness, and community and economic development.

The City's allocation in 2011 is **\$1,129,761** in Community Development Block Grant (CDBG) funds and **\$588,197** in HOME funds. These funds are combined with carry-over funds (\$320,000) from FY 2010 and estimated program income (\$200,000) for a total of **\$2,237,958**. *Table 1* shows the City's activities and funding allocations for the second year of the five year Consolidated Planning period.

Table 1
Program Activities for FY 2011-12

ACTIVITIES			
Housing Rehabilitation and Reconstruction	\$307,701	\$729,967	\$1,037,668
CHDO Set-Aside		\$90,230	\$90,230
First Time Home Buyer Program		\$100,000	\$100,000
Code Enforcement	\$240,000		\$240,000
HUD Section 108 Loan (The Grove)	\$330,960		\$330,960
Police Officer Funding	\$168,500		\$168,500
Merced Lao Family	\$7,100		\$7,100
Planning/Urban Development	\$75,000	\$30,000	\$105,000
Continuum of Care	\$37,500		\$37,500
Fair Housing Services	\$3,000	\$8,000	\$11,000
Indirect Admin Expense	\$80,000	\$30,000	\$110,000
Total	\$1,249,761	\$988,197	\$2,237,958

The 2011 Annual Action Plan identifies programs to achieve specific goals as identified in the Consolidated Plan. These include:

- Provide more affordable housing for the community.
- Assist in providing housing for individuals with special needs.
- Increase homeownership opportunities for low-income households.
- Revitalize low-income neighborhoods.
- Continue efforts to end homelessness.
- Promote and support fair housing opportunities.
- Ensure funding for adequate Police Community Services.
- Pursue Planning efforts to ensure future housing demands are met.

Objectives and Outcomes

Table 2 below describes the objectives of this Annual Plan and the expected outcomes. Details of each objective and activities to be undertaken to meet the objectives are found in the Annual Plan.

Table 2
Plan Objectives/Outcomes

OBJECTIVE	OUTCOME
Improvement of the Quality and Quantity of Public Services	1) Officers from the Gang Violence Suppression Unit (GVSU) will make presentations to local schools to help educate young people about the dangers of gang involvement. It is expected they will reach at least 500 to 1,000 kids through this program. In addition, it is anticipated that the GVSU will assist in the arrest of 400-500 people involved in gang-related crimes.
Improvement of the Quality and Quantity of Community Infrastructure and Public Facilities	Continued progress on the installation of sidewalks in the South Merced area.
Planning for Future Housing and Infrastructure Needs	1) Completion of HUD required reports and continued support for the development of low-income housing. 2) Completion of the Housing Element update

OBJECTIVE	OUTCOME
Housing Rehabilitation, Reconstruction, and Neighborhood Revitalization	<ol style="list-style-type: none"> 1) Complete between 5 and 10 rehabilitation projects. 2) Completion of at least 2,000 Code Enforcement cases.
New Affordable Rental Housing Construction	<ol style="list-style-type: none"> 1) Service the Section 108 Loan for the Grove Apartments which provides 204 affordable housing units. 2) Complete 1 project with the City's CHDO. 3) Collaborate with affordable housing developers to provide more affordable rental housing projects. 4) 5) Continued "fast-track" permit review from the Inspection Services and Planning Departments to decrease time for permit issuance.
Housing Affordability (Homebuyers Assistance Programs)	Complete 5 or more First Time Home Buyers Loans.
City Coordination	<ol style="list-style-type: none"> 1) The completion of the Countywide Continuum of Care and continued work on the 10-year plan to end homelessness. 2) The continued operation of the Fair Housing Hot-line. 3) Continue to provide information on the City's Housing Programs. 4) Work with the Planning Department for the completion of the HUD Annual Plan, Capex, and Consolidated Plan.

In FY 2010-11, the City accomplished many of its goals identified in the Consolidated Plan. These included:

- Rehabilitation projects to provide suitable housing for low-income households.
- First-time home buyer's assistance.
- Distribution of Homelessness Prevention and Rapid Re-Housing (HPRP) funds to non-profit organizations to assist families who are homeless or are at risk of becoming homeless.
- Purchased homes using Neighborhood Stabilization Program (NSP) funds.

- Provided funds for infra-structure improvements.
- Provided funding for Community Policing and Gang Intervention.
- Service of the Section 108 Loan for the Grove Apartment complex.
- Completion of over 4,000 code enforcement cases city-wide.
- Funding provided for a project with the City's CHDO.
- Participation and funding for the completion of the Merced County Continuum of Care and 10-Year Plan to End Homelessness.
- Provided funding for a Fair Housing Hotline operated by the Central Valley Coalition for Affordable Housing. The Hotline served 48 callers in FY 09-10.

Details regarding these accomplishments can be found in the City's 2009-2010 Consolidated Annual Performance Evaluation Report (CAPER) (available on the City's website at www.cityofmerced.org).

General Questions

1. *Describe the geographic areas of the jurisdiction (including areas of low income families and/or racial/minority concentration) in which assistance will be directed during the next year. Where appropriate, the jurisdiction should estimate the percentage of funds the jurisdiction plans to dedicate to target areas.*
2. *Describe the basis for allocating investments geographically within the jurisdiction (or within the EMSA for HOPWA) (91.215(a)(1)) during the next year and the rationale for assigning the priorities.*
3. *Describe actions that will take place during the next year to address obstacles to meeting underserved needs.*
4. *Identify the federal, state, and local resources expected to be made available to address the needs identified in the plan. Federal resources should include Section 8 funds made available to the jurisdiction, Low-Income Housing Tax Credits, and competitive McKinney-Vento Homeless Assistance Act funds expected to be available to address priority needs and specific objectives identified in the strategic plan.*

Program Year 2 Action Plan General Questions response:

Geographic Area and Community Profile

The City of Merced is located in the fast-growing San Joaquin Valley in Central California. The past decades have seen the Valley area change from an agricultural economy to a mixed economy in which manufacturing is playing an increasingly important role along with government, retail trade and service industries. Merced has opened its door to bring tremendous opportunities for the region with the opening of the 10th Campus of the University of California, Merced, which opened in the fall of 2005. From conducting world-class research to stimulating future development opportunities, UC Merced is playing a significant role in the region's economy. As of Fall 2010, the University had 4,381 students enrolled (a 28 percent increase over last year's enrollment).

In addition to the existing programs offered at the University, there are future plans to develop a medical program on the campus. This should not only encourage more students and help the economy, but will also help provide better medical care throughout the community.

For several years, Merced experienced significant growth in the number of housing units in the City. With the much-anticipated opening of the 10th University of California Campus in the Merced area, growth began to increase at the beginning of 2000. From 2000 to 2006, 5,389 permits were issued for single-family dwellings. A total of 823 new multi-family units were constructed during that time frame. In 2007, these numbers fell dramatically and have continued to decline. In 2007, building permits for single-family dwellings dropped to 164 units and permits for multi-family units dropped to 6 units. For 2008 and 2009, only 34 single-family dwelling permits were issued and 1 permit for a duplex. This drastic decline has continued into 2010 with only 2 permits issued for single-family homes and no permits for multi-family units. This slow down is not expected to change in the near future. However, the City is taking actions to reduce fees and make other accommodations to help promote housing construction.

According to the 2010 Census, the City had a population of 78,958. This is a 23.6 percent increase from the 2000 Census. However, it is slightly less than the 2010 California Department of Finance (DOF) estimate of 80,608. Due to the current economic situation, it's doubtful the City will see such a large increase in population over the next five years. The opening of the 10th campus of the University of California on the edge of the City created much of the growth seen over the last several years.

In 2000, the Median *family* income for Merced was \$32,470. According to the Census Bureau's American Community Survey (ACS) 3-year estimates (2007-2009), median *family* income in Merced rose to \$35,492. The median *household* income for those same time periods was \$30,429 and \$33,825, respectively. The City of Merced's median income remains lower than that of the county and the state. *Table 1* shows the comparison of median income for the City, the County, and the State. Although income levels rose in the city, they are still behind the county and state. The rate of increase for the county was almost twice that of the city for median *household* income and was more than two and one-half times that of the median *family* income. Incomes in the City of Merced are substantially lower than the statewide average and have increased at a much slower rate.

Table 1
Median Income

	Median Household Income			Median Family Income		
	2000	2007-2009	% Change	2000	2007-2009	% Change
City of Merced	\$30,429	\$33,825	11.16	\$32,470	\$35,492	9.31
Merced County	\$35,532	\$43,006	21.03	\$38,009	\$47,419	24.76
California	\$47,493	\$60,422	27.22	\$53,025	\$68,750	29.66

Source: 2000 Census, 2007-2009 American Community Survey Estimates

Areas of Low Income Concentration

The City of Merced defines an "area of low-income concentration" as any census tract in which the percentage of households with low, very low, or extremely low-incomes exceeds the citywide percentage for such households. According to the 2000 Census, there were 20,435 total households. Of these, 8,085 households in the City of Merced had low or very low-incomes, representing **40 percent** of all households in the City (In 1990, this figure was 44 percent). Therefore, an area of low-income concentration in 2000 was any census tract in which more than 40 percent of the households were of low or very low-income status.

Map 1 (Page 8) shows that Central Merced and South Merced have a disproportionate number of households in the Low and Very Low-income categories. In particular, there is a large disparity between the concentration of low-income households in the tracts of North Merced and the tracts of South Merced, where the most significant concentrations occur. While low and very low-income households represent 40 percent of all households citywide, approximately 75-80 percent of the households in South Merced fall into the low, very low, and extremely low-income categories.

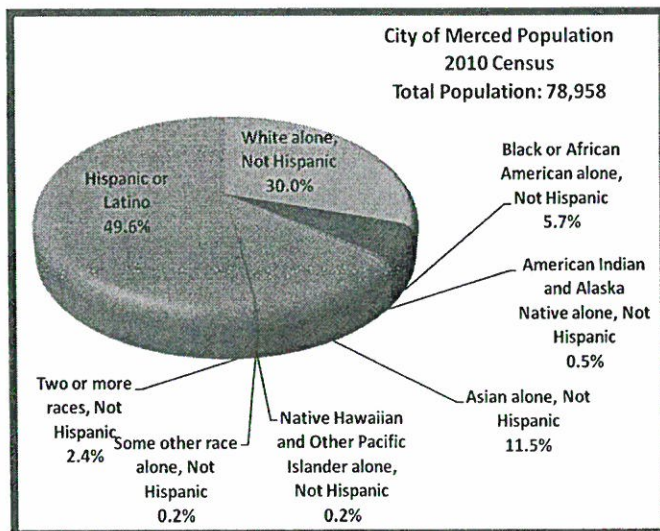
Race/Ethnicity

According to the City's demographics, in 2000, the population for persons who considered their race to be "white alone", was 37.3 percent. The new numbers just released from the 2010 Census show the "white alone" population decreased by slightly more than 7 percent over the last 10 years.

The 2010 Census numbers indicate only 30 percent of the City's population is "white only". The majority of the population is Hispanic or Latino. This population increased by 8.3 percent. The chart to the right shows the percentage of the population for each race within the City of Merced. The race definitions followed by the words "alone, not Hispanic", indicate the person reported themselves as being of one race only and not of Hispanic origin. In comparing

other races between the 2000 Census and 2010 Census, there was a slight decrease in all other races except the Asian population which had an increase of .6 percent.

The majority of racial and ethnic minority households are concentrated in South Merced, where the occurrence of substandard housing is the highest. The City's Affordable Housing Action Plan has set a goal of achieving a more equitable mix of affordable housing throughout the City. However, it continues to be a difficult goal to achieve due to the higher land costs in the North Merced area. Although property values have

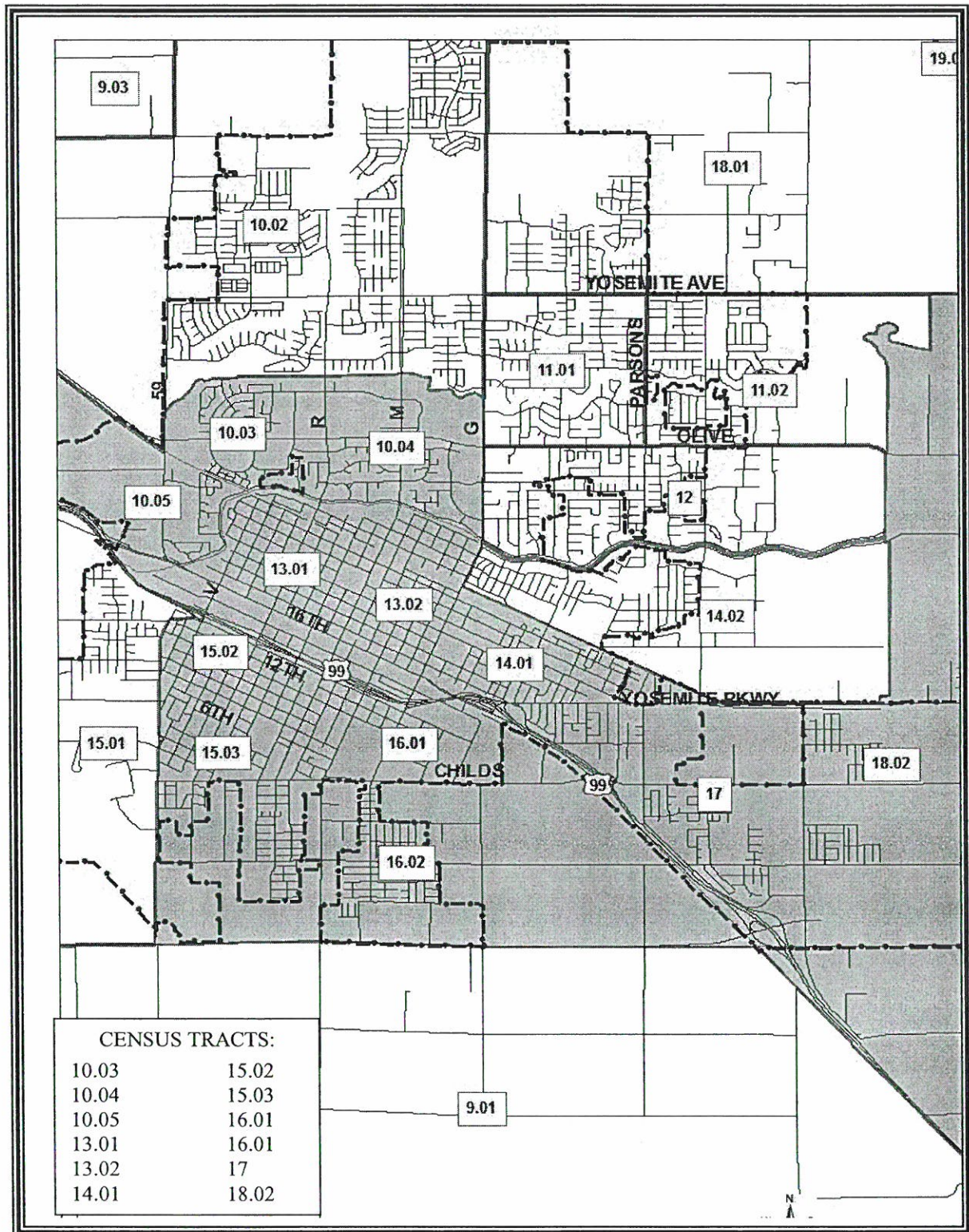


dropped significantly over the past 3 years, the costs in North Merced continue to be higher. For the City to achieve its goal, it is more likely that housing conditions for low-income families in South Merced will be improved through the City's Housing Rehabilitation and Reconstruction Program that is designed to meet the needs of those families. In recent years, over 430 affordable rental units were provided through City's support and joint funding efforts to develop three apartment complexes—The Grove, Sunnyside, and Sunny View Apartment complexes.

Areas of Racial/Ethnic Minority Concentration:

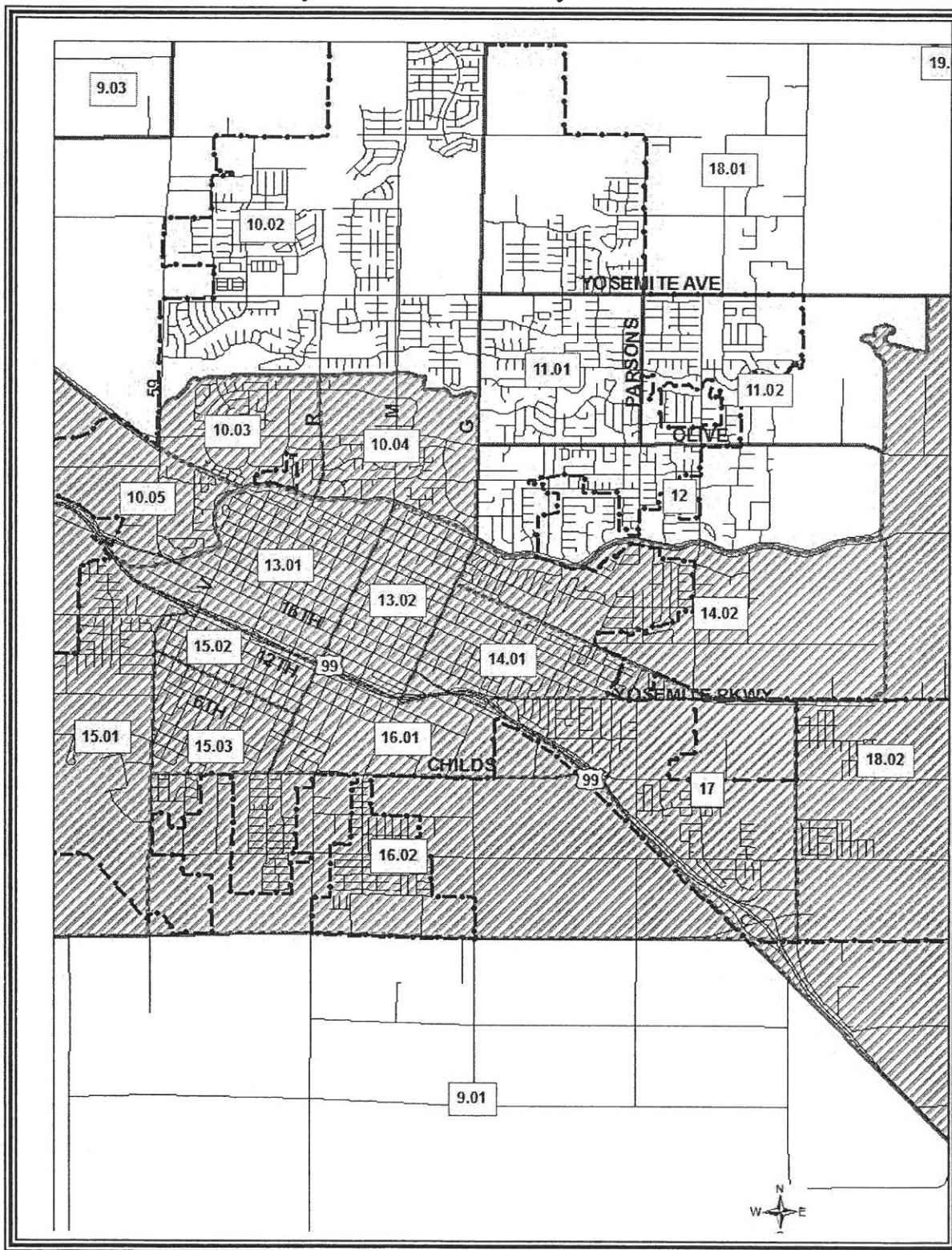
The City of Merced defines an "area of racial/ethnic minority concentration" as any census tract in which the percentage of persons that are of a racial or ethnic minority exceeds the citywide percentage for such persons. An area of racial/ethnic minority concentration in 2000 is any census tract in which the percentage of persons in any of these groups is greater than the percentage for that group. The areas with the greatest concentration of racial/ethnic minorities are show on **Map 2 (Page 9)**.

Map 1
Areas of Low-Income Concentration



Source: Census 2000

*Map 2
Areas of Racial/Ethnic Minority Concentration*



Source: Census 2000

Actions to Address Obstacles to Meeting Underserved Needs and to Foster and Maintain Affordable Housing

Expanding the supply and improving the quality of affordable housing are high priority goals identified in the 2010 Consolidated Plan to address obstacles to meeting underserved needs and to foster and maintain affordable housing. In order to accomplish these goals, the City of Merced will implement actions to:

- Provide housing rehabilitation and repair assistance to extremely low, very low, low, and moderate income households through the City's Rehabilitation/Reconstruction Program using CDBG and HOME funds;
- Work with private developers to leverage funds, including state and federal funds, to acquire, rehabilitate, or construct new affordable multi-family housing;
- Increase homeownership opportunities for extremely low, very low, low, and moderate income households through the City's First Time Homebuyer's Program, the CalHome and BEGIN programs, and Neighborhood Stabilization Program funding;
- Work with the City's CHDO to help provide housing for individuals with special needs; and
- Work to revitalize neighborhoods and improve the quality and quantity of public services by eliminating blight, reducing crime, and providing public facilities by providing partial funding for the City's Code Enforcement, Police Officers, and the construction or repair of public facilities when necessary (i.e., parks, streets, alleys, and sidewalk improvements, and other infrastructure needs).

Resources

Funding

The 2011 fiscal year is the second year of implementation for the five-year strategy presented in the *City of Merced 2010 Consolidated Plan*. **Table 1** (Page 10) provides a summary of the action plan for the City of Merced's Housing Program in the 2011 fiscal year. The City of Merced's CDBG funding for FY 2011 is **\$1,249,761** (including \$1,129,761 CDBG federal grant, \$100,000 estimated CDBG loan repayment program income, and \$20,000 of un-obligated carry-over from FY 2010). HOME funding for FY 2011 is **\$988,197** (including \$588,197 HOME federal grant, \$100,000 of estimated program income, and \$300,000 carry-over from FY 2010). The total funding for HOME, CDBG, program income, and carry-over for FY 2011 is **\$2,237,958**.

Statement of Support for the Funding Applications of Other Entities

The City of Merced will support applications of other government entities and nonprofit organizations in its jurisdiction to maximize the resources available for affordable housing and community development efforts in the City.

Table 1
Funding Allocations for Fiscal Year 2011 - 2012

SOURCE	CDBG	HOME	Total
Grant FY 2011 (estimate)	\$1,129,761	\$588,197	\$1,717,958
Carry-over from FY 2010 (estimate)	\$20,000	\$300,000	\$320,000
Program Income FY 2011 (estimate)	\$100,000	\$100,000	\$200,000
Total	\$1,249,761	\$988,197	\$2,237,958
ACTIVITIES			
Housing Rehabilitation and Reconstruction	\$307,701	\$729,967	\$1,037,668
*CHDO Set-Aside		\$90,230	\$90,230
First Time Home Buyer Program		\$100,000	\$100,000
Code Enforcement	\$240,000		\$240,000
HUD Section 108 Loan (The Grove)	\$330,960		\$330,960
**Police Officer Funding	\$168,500		\$168,500
**Merced Lao Family	\$7,100		\$7,100
***Planning/Urban Development	\$75,000	\$30,000	\$105,000
***Continuum of Care	\$37,500		\$37,500
***Fair Housing Services	\$3,000	\$8,000	\$11,000
***Indirect Admin Expense	\$80,000	\$30,000	\$110,000
Total	\$1,249,761	\$988,197	\$2,237,958

- * 15% CHDO min. HOME set-aside = \$90,230 (includes \$2,000 for operation costs).
- ** 15% Public Services Cap: FY 2011 CDBG estimated grant (\$1,129,761) + Prior FY (2010) CDBG estimated \$100,000 program income (\$1,229,761 x 15%) = \$184,464. Total recommended: \$175,600.
- *** 20% Planning and Admin Cap for CDBG: FY 2011 CDBG grant \$1,129,761 + projected program income \$100,000 (1,229,761 x 20%) = \$245,952; and 10% Planning and Admin Cap for HOME: FY 2011 HOME est. grant \$588,197 + projected program income \$100,000 (\$688,197 x 10%) = \$68,820. Of the \$314,772 (\$245,952 + \$68,820) total CDBG and HOME cap, \$263,500 is allocated for Planning and Admin Expenses.
- *** The \$110,000 Indirect Admin Expenses also includes admin expenses for the Code Enforcement.

Notes:

1. All funds not expended in their respective categories and additional underestimated amount of program income will revert to Housing Rehabilitation and Reconstruction activity.
2. Rehabilitation and Reconstruction activity includes the activity delivery costs for the Housing Program which includes staff salaries.

Leveraging of Federal Funds and Matching Requirements

The City of Merced has indicated in the specific program activities section that it plans to use non-federal funds either in combination or independently in order to achieve greater leverage for HUD monies. This does not preclude the use of private funds in other project activities. The City of Merced meets both of the distress criteria under HOME and receives a 100 percent reduction of match. In prior years, combinations of Redevelopment Agency Housing Set-Aside funds and private monies have been used to build rental new construction or rehabilitation projects. Examples of this type of project are the Grove Apartments, the Sunny View and the Sunnyside Apartments. Together, these developments added a total of 430 affordable units to the City's housing inventory.

Summary of Low-Income Housing Tax Credits and Competitive McKinney Vento Homeless Assistance Act Funds

The Sunny View Apartment project applied for Low-income Housing Tax Credits. The project received \$1,761,000 in financial assistance from the City. This project, which consists of 113 affordable housing units, was completed in January 2008. In addition, Housing Tax Credits were used for the Grove and the Sunnyside Apartments with 125 affordable housing units. The Grove, Sunnyside, and Sunny View Apartments were completed in 2003, 2005, and 2007 respectively, and have maintained a high occupancy rate since opening.

The City and County of Merced have contracted with the Merced County Association of Governments (MCAG) to develop a Continuum of Care strategy and apply for Federal Grant funds. MCAG prepares an application for McKinney Vento Homeless Assistance Act funds each year. These funds are used to provide services countywide to the homeless community.

Neighborhood Stabilization Program Funds

The City of Merced did not receive any direct Neighborhood Stabilization Program (NSP) funding from HUD. Based on HUD methodology for allocation, California received \$529.6 million of the \$3.92 billion available nationwide for the program. Over \$384.5 million was allocated directly to 46 CDBG entitlement counties or cities in California as determined by HUD. The remaining \$145,071,506 was allocated to the State of California to be administered by HCD. Based on the allocation formula, the State allocated \$2,046,968 of the funds to the City of Merced. As a result of this funding, the following activities have been undertaken:

- Financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-second, loan loss reserves, and shared-equity loans for low and moderate-income homebuyers.
- Purchase and rehabilitation of homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties.

The Grant allows 5% for the administrative costs at a maximum of \$102,348. Of the remaining \$1,944,620, the City has spent about 90% of this money for acquisition, rehabilitation, and re-sale of foreclosed properties within the City. About 10% was

allocated for homebuyer's program to provide loans in order to enable qualified homebuyers to purchase foreclosed properties within the City. These activities target household populations with income of no more than 120% of the Area Median Income (AMI). The City has obligated/expended 100% of the funds. Funds generated from the program income will be used for future activities.

The NSP Home Buyer Assistance Program allows a maximum \$30,000 loan. The applicant must be able to provide 1% of the sales price of the home and they must be able to qualify for a first mortgage loan. The home purchased must be a foreclosed home and the applicant must have lived or worked in the City of Merced for at least 6 months prior to obtaining the loan.

In February 2011, the City received additional NSP funding through a Fannie Mae Grant. The City was awarded \$50,000 to be used in connection with the NSP funding previously received.

Neighborhood Stabilization Program 3 (NSP3)

On March 11, 2011, the City Council voted to accept additional NSP Funding through the NSP3 grant. The City received an award of \$1,196,192 to be used toward stabilizing neighborhoods that have been significantly impacted by the housing crisis. These funds will be used as follows:

Administration (max. 10% of fund)	\$119,618
Acquisition, Rehabilitation, Re-sale and Redevelopment.....	\$650,000
Down payment Assistance	\$127,518
Area Median Income (min. 25% of funds)	<u>\$299,046</u>
Total	\$1,196,182

Homelessness Prevention and Rapid Re-Housing Program (HPRP)

In 2009, the City was awarded a grant of \$515,203 in HPRP funds. These funds were required to be used for programs and activities focused on housing for homeless and at-risk households. The City of Merced used these funds to provide temporary financial assistance and housing relocation and stabilization services to individuals and families who were homeless or would be homeless but for this assistance. The funds under this program are intended to target two groups facing housing instability:

- Individuals and families in housing but were at risk of becoming homeless and need temporary rent or utility assistance to prevent them from becoming homeless or assistance to move to another unit (prevention), and

- Individuals and families who were experiencing homelessness (residing in emergency or transitional shelters or on the street) and needed temporary assistance in order to obtain housing and retain it.

The HPRP program is not a mortgage assistance program. Funds are only eligible to help the program participant whether they are renters or homeowners about to become homeless. These funds were used to pay for utilities, moving costs, security deposits, rent in a new unit, storage fees, case management, and other financial costs or services.

There are four categories of eligible activities for the HPRP programs:

- Financial assistance
- Housing relocation and stabilization services
- Data collection
- Administrative costs

These activities intentionally focused on housing, either financial assistance to help pay for housing, or services to keep people in housing or to find housing. HPRP assistance was not designed to provide long-term support for program participants. Assistance rather was focused on housing stabilization, linking program participants to community resources and mainstream benefits, and helping them develop a plan for preventing future housing instability. All funds have been expended.

The City is not directly administer these funds. Instead they were distributed among three of the continuum of care agencies providing homeless services in the City of Merced. These agencies were invited to submit proposals for the use of the HPRP funds. The City received five applications, but ultimately chose 3 agencies to provide HPRP services. The City also set aside 3% (\$15,203) of the allowable 5 % for administrative costs. The remaining \$500,000 was awarded as follows:

▪ <u>Agencies Funded</u>	<u>Amount</u>
Merced County Community Action Agency	\$310,000
Sierra Presbyterian Church	\$100,000
Love INC.	<u>\$90,000</u>
Total	\$500,000

Energy Efficiency and Conservation Block Grant

The City of Merced was awarded \$749,200 in Energy Efficiency and Conservation Block Grant funds. This grant is part of the Federal Stimulus Package. The City of Merced developed a strategy and subsequent programs to help reduce the total energy used by the City as a whole. One of the programs that will be implemented is a loan program through the City's Housing or Redevelopment Agency (RDA) Programs. This program will provide funding and assistance to developers of affordable rental housing or homeowners to make their home more energy efficient.

Approximately \$250,000 has been set-aside for Redevelopment Agency. The specifics of the loan program have not yet been determined; all projects using these funds will be required to provide some form of energy conservation and efficiency. The projects will

involve installing new windows, new heating and air conditioning units, adding insulation, and installing weather-stripping around doors and windows, installation of solar panels, or water heaters.

Community Action Agency Energy Efficiency Program

In addition to the City's program, the Merced County Community Action Agency also operates a program to help conserve energy. Their program goal is to provide free, or low-cost energy conservation, and health/safety quality improvements that benefit low-income households. By doing this, they hope to improve the cost, comfort, and energy consumption in the homes of economically disadvantaged persons in Merced County.

Managing the Process

1. *Identify the lead agency, entity, and agencies responsible for administering programs covered by the consolidated plan.*
2. *Identify the significant aspects of the process by which the plan was developed, and the agencies, groups, organizations, and others who participated in the process.*
3. *Describe actions that will take place during the next year to enhance coordination between public and private housing, health, and social service agencies.*

Program Year 2 Action Plan Managing the Process response:

The City of Merced Housing Program is the lead agency responsible for administering CDBG and HOME funds as well as NSP, HPRP, BEGIN, and CalHOME funds. The Housing Program works with other City departments, non-profit organizations, and private developers to implement the programs identified in the Consolidated Plan.

In preparation of this plan, the City consulted with surrounding entities and groups and agencies that participate in housing developments and related efforts in the City including:

- The Housing Authority of the County of Merced
- Merced County Community Action Agency (Homeless Services)
- Central Valley Coalition for Affordable Housing
- Merced County Environmental Health Division (Lead-based Paint Issues)

Overall coordination of affordable housing efforts, particularly those to which federal funds are allocated, is provided by the City's Housing Program under the direction of the Housing Program Manager and Director of Development Services. The five-year strategy plan of the Consolidated Plan does not identify any significant gaps or needs in relation to institutional structure. Therefore, the City of Merced Housing Program does not propose to take any actions or steps to improve the institutional structure over the coming year.

Citizen Participation

- 1. Provide a summary of the citizen participation process.*
- 2. Provide a summary of citizen comments or views on the plan.*
- 3. Provide a summary of efforts made to broaden public participation in the development of the consolidated plan, including outreach to minorities and non-English speaking persons, as well as persons with disabilities.*
- 4. Provide a written explanation of comments not accepted and the reasons why these comments were not accepted.*

**Please note that Citizen Comments and Responses may be included as additional files within the CPMP Tool.*

Program Year 2 Action Plan Citizen Participation response:

The City of Merced follows the Citizen Participation Plan that strongly encourages the involvement of low, very low and extremely low-income residents, minorities and the disabled in decisions regarding the expenditure of housing and community development funds. Public meetings and hearings are publicized and conveniently scheduled, and the City staff upon request provides technical assistance to citizens.

On March 31, 2011, a public notice appeared in the Merced County Times and the Merced Sun-Star announcing the availability of the draft 2011 Annual Plan upon request and on the City's web site. Notices and various other publications were also posted at Merced Lao Family, the bulletin board in front of the Civic Center, and the City of Merced Housing web page. The notices also advised citizens of a public hearing before the Merced City Council on Monday, May 2, 2011 regarding the 2011 Annual Plan. Verbal translations of the Executive Summary of the 2011 Annual Plan were offered in English, Hmong, Lao, and Spanish upon request. Citizens were also advised that a translator would be made available to help them review the entire document upon request.

City Council Review of Draft Annual Action Plan

The City Council reviewed and approved the DRAFT 2011 Annual Plan at their meeting of May 2, 2011.

Summary of Citizen Comments

No written comments were received. The City received several inquiries on the homebuyer's and owner-occupied rehab/reconstruction programs. Throughout the year, the public has also emphasized the needs for development of affordable rental housing, neighborhood stabilization, and public facilities needs. We also had inquiries on how the funding process worked and what types of programs could be funded using CDBG and HOME funds. No other comments were provided regarding the plan.

Comments were made by a member of a non-profit agency at the Council meeting requesting addition funds for public services. These services, however, are subject to a cap and staff emphasized that no more than 15% of CDBG finds and prior year program income could be spent on public services.

Institutional Structure

1. Describe actions that will take place during the next year to develop institutional structure.

Program Year 2 Action Plan Institutional Structure response:

The City of Merced Housing Program will administer all of the activities specifically identified in the Annual Action Plan. This does not preclude the Housing Authority of the County of Merced or Central Valley Coalition for Affordable Housing from undertaking activities within the City of Merced. Other, as yet unidentified nonprofit housing entities are likewise welcome to participate in the delivery of affordable housing projects and activities.

The City of Merced Housing Program works closely with other housing-related organizations and service providers in the County to ensure that the housing needs of City residents are addressed to the best ability of the network of such providers given available resources. Organizations and service providers in this network include:

- ◆ City agencies, including planning, building inspection, and redevelopment (public)
- ◆ Housing Authority of the County of Merced (public)
- ◆ Merced County Planning Department (public)
- ◆ Merced County Community Action Agency (nonprofit)
- ◆ Central Valley Coalition for Affordable Housing (nonprofit)
- ◆ Merced Building Industry Association (private)

Public housing in the City of Merced is provided and managed by the Housing Authority of the County of Merced. The City of Merced Housing Program works in conjunction with the Housing Authority to ensure that the City and County housing programs work in tandem to provide quality housing for all low-income City residents. Operations of the Housing Authority are controlled by a 7-member Board of Directors, which are appointed by the Merced County Board of Supervisors. The City of Merced is not involved in these appointments. It should be noted that the Housing Authority of the County of Merced **is not** designated a "troubled Public Housing Authority (PHA) by HUD.

The working relationships between the City and these organizations are strong and facilitative. Due to the City's relatively small size, communication is typically direct and immediate. As a result, gaps in program or service delivery are typically not the result of poor institutional structure or lack of intergovernmental cooperation, but rather due to shortcomings in available resources.

The City of Merced's Annual Action Plan and the descriptions of Implementing Programs presented in this Consolidated Plan identify the City departments and decision-making bodies responsible for each implementing program. Overall coordination of affordable housing efforts, particularly those to which federal funds are allocated, is provided by the City's Housing Program. The five-year strategy plan of this Consolidated Plan does not identify any significant gaps or needs in relation to institutional structure. Therefore, the

City of Merced Housing Program does not propose to take any actions or steps to improve the institutional structure over the coming year.

Monitoring

- 1. Describe actions that will take place during the next year to monitor its housing and community development projects and ensure long-term compliance with program requirements and comprehensive planning requirements.*

Program Year 2 Action Plan Monitoring response:

As part of its affordable housing efforts, the City of Merced will undertake an annual evaluation of the housing programs included in the Consolidated Plan. To ensure that the City is meeting the long-term comprehensive planning requirements, a Consolidated Annual Performance and Evaluation Report (CAPER) will be compiled which will subsequently be submitted to HUD for review and approval. When bidding and performing work financed by HOME and CDBG funds, it is the adopted policy of the City of Merced to conduct outreach efforts to provide an equal opportunity for the participation of licensed minority and female contractors.

The City Housing Division has established monitoring procedures for its Sub-recipients in order to ensure compliance with all CDBG requirements and objectives. Those procedures include written contracts with Sub-recipients before funds are distributed and workshops with applicants and all new Sub-recipients to ensure that they understand all reporting requirements. In addition, annual reports are required of each sub-recipient. The City also has a memorandum of understanding with other City Departments (i.e. the Police Dept.) that receive CDBG funds.

City Housing staff also conducts site visits at least annually and verifies that Sub-recipients are keeping required records and meeting eligibility requirements. If discrepancies are found, the sub-recipient is informed immediately and a formal letter is mailed. The sub-recipient is then given 30 days to correct the problem or provide a timeline for correction. The City will work with the organization to understand requirements and to achieve compliance. Once compliance has been achieved, the sub-recipient receives a closure letter from the City. The City Council is informed of any unresolved problems during the budget process for the following fiscal year.

Lead-based Paint

- 1. Describe the actions that will take place during the next year to evaluate and reduce the number of housing units containing lead-based paint hazards in order to increase the inventory of lead-safe housing available to extremely low-income, low-income, and moderate-income families, and how the plan for the reduction of lead-based hazards is related to the extent of lead poisoning and hazards.*

Program Year 2 Action Plan Lead-based Paint response:

In the City of Merced it is estimated that about 7,000 housing units occupied by low-income or very low-income households contain lead-based hazards. Although accurate statistics are not available, it is likely that many of these homes are concentrated in the South Merced area where there is a concentration of families in poverty and substandard housing, two factors that are often correlated with the incidence of lead poisoning. Lead based paint hazards represent an immediate risk to children.

Lead poisoning education and abatement efforts in Merced are provided through the cooperative efforts of the County Public Health Department, Environmental Health Division and Child Health and Disability Program. The abatement of lead-based hazards is a vital component of the City of Merced's Housing Rehabilitation Loan Program. All housing rehabilitation projects built prior to 1978 are assessed for lead based paint and lead based paint abatements are performed by licensed contractors.

HOUSING

Specific Housing Objectives

**Please also refer to the Housing Needs Table in the Needs.xls workbook.*

- 1. Describe the priorities and specific objectives the jurisdiction hopes to achieve during the next year.*
- 2. Describe how Federal, State, and local public and private sector resources that are reasonably expected to be available will be used to address identified needs for the period covered by this Action Plan.*

Program Year 2 Action Plan Specific Objectives response:

Objective A: Housing Rehabilitation, Reconstruction, and Neighborhood Revitalization

1) Housing Rehabilitation Loan Program

This activity provides low interest rehabilitation/reconstruction loans to qualifying home owners and owners of rental properties. Loan principal and interest are paid back over time and these funds are used for eligible CDBG and HOME activities. This activity also includes emergency loans, which provides funds to repair failing roofs, inoperable sewer lines, and other emergencies regarding health and safety. The funds can also be utilized for sewer hook-ups. Typically, the main emphasis of the Housing Program has been placed on Housing Rehabilitation and Reconstruction, where the need has continued to grow. This year, due to contribution to the Grove apartments, CDBG funds are considerably less than the previous years. In this FY **\$1,037,668** is set aside for this category (\$307,676 CDBG and \$729,992 HOME). These projects consist of owner-occupied rehabilitation, reconstruction, and emergency conditions.

Source of funds: CDBG, HOME, and program income funds
Expected Level of Funding, 2011: **\$1,037,668** Total [CDBG \$307,676; HOME \$729,992]
Clients to be served: Low-income households or renters
Number of households to be assisted: 5 to 10
General Objective Category: Decent Housing
General Outcome Category: Availability/Accessibility

2) Code Enforcement Program

This activity will provide partial funding for City Code Enforcement Specialist positions. These persons will work in low-income neighborhoods to promote building rehabilitation, reduce crime and improve the overall living environment for the residents of these neighborhoods.

Source of funds: CDBG
Expected Level of Funding, 2011: **\$240,000**
Clients to be served: Low-income persons
General Objective Category: Suitable Living Environment
General Outcome Category: Sustainability

3) Lead Hazard Evaluation and Abatement

This activity will continue the requirements of the City's Housing Rehabilitation Loan Program to ensure that rehabilitation funds are available for the inspection and removal of lead-based paint hazards. The City is taking all necessary steps to ensure compliance with revised federal regulations regarding lead-based paint (effective September 2000) as outlined in the 2010-2015 Consolidated Plan. There are a number of certified contractors that perform the inspection, abatement, and clearance on the projects and the costs are part of the loan awarded to the clients. For the projects that require costly lead-based paint abatement, the City will develop a formula to pay part or all of the lead-based paint related costs as a grant to the very low income or senior clients on a case-by-case basis.

Source of funds: CDBG and HOME
General Objective Category: Suitable Living Environment
General Outcome Category: Availability/Accessibility

Objective B: New Affordable Housing Construction

The following activities will be undertaken in the 2011 fiscal year to encourage the development of affordable housing in the City of Merced:

1) Objective Review and Permitting

This is an ongoing activity for the City, providing "fast-track" processing for development proposals that include affordable housing. This helps to reduce the carrying costs for such projects.

Source of funds: This is a procedural activity (covered under admin costs) that does not require the expenditure of any additional Housing Program funds.

2) Housing to Meet Special Needs (CHDO Set-Aside)

The City of Merced Housing Program continues to focus on providing housing opportunities to groups with special housing needs. A potential source of funding for such activities is the HOME, CHDO Set Aside. The City of Merced works closely with the Central Valley Coalition for Affordable Housing (a local CHDO) in trying to develop projects. At this time, a specific project has not been determined for this Fiscal Year. In previous years, the City and the Coalition performed a major rehabilitation on a 4-bedroom single-family unit to be used for housing mental health clients of the Merced County Mental Health Department. The Central Valley Coalition for Affordable Housing will purchase and rehabilitate an abandoned foreclosed home for rent to very low-income households or those with special needs. For FY 2011, the set aside amount for CHDO is **\$90,234**, which includes \$2,000 for operation costs.

Source of funds:	HOME (CHDO) Set-Aside.
Expected level of funding, 2011:	\$90,234
Clients to be served:	Low and very low-income households with special housing needs (e.g., elderly, homeless, people with AIDS, people with disabilities, etc.).
Number of households to be assisted:	1
General Objective Category	Decent Housing
General Outcome Category:	Availability/Accessibility

3) Affordable Housing Projects (The Grove Apartments)

In FY 2004, the City paid from the CDBG funds for the first year of the loan while the project was under construction. Since 2004, CDBG funds have been used to pay the loan due to lack of sufficient cash flow from the project. The City provided \$354,850 in funding for the loan payment to HUD for FY 2008, \$350,000 in FY 2009, and \$339,550 in FY 2010. In FY 2011, the loan payment being made by the City is \$330,960. As the cash flow condition improves, the developer will pay all shortfalls and unpaid balances of the loan to the City. The developer has made a payment of over \$123,000 in FY 2010 toward the loan.

The City will continue providing financial assistance for development of other affordable housing projects targeting very low-income residents of the community. The City works closely with the developers of affordable housing projects to bring in more Federal and State funds. In addition, the City will provide CDBG and HOME loans available to the developers of affordable housing projects. In recent years, the City has also provided \$1,761,000 of its HOME funds to support the construction of the Sunny View Apartments, which provided an additional 113 units for low-income families.

Source of funds:	CDBG
Expected Level of Funding, 2011:	\$330,960
Clients to be served:	Low to very low-income households
Number of households to be assisted:	204
General Objective Category	Decent Housing
General Outcome Category:	Affordability

Objective C: Housing Affordability (Assistance Programs)

1) Down Payment Assistance

This program, also known as the First Time Home Buyer Program (FTHB), provides low-interest loans to first-time, low-income homebuyers. Loans are provided interest free for the first five years, with a fixed three (3) percent interest rate, initiating on the 61st month. Debt is amortized over the following 25 years and there are penalties for subsequent sale to non-low-income homebuyers. The Program has gone through several changes in the past. Among the changes are: 1) an increase in the loan amount from \$25,000 to \$35,000; 2) modifying the interest rate from 4% to 3% rate; and 3) increasing the maximum City funds on the down payment to 10%.

Housing prices in the City of Merced have dropped dramatically over the last few years. However, due to the high unemployment rate and the more stringent rules for obtaining a home loan, this program has not been as productive as the City had hoped. While the funding for this program in FY 2011 is still relatively low, it is anticipated that within the next few years, there will be an increased demand for this program.

The City's recent CalHome and BEGIN grant will also supplement the First Time Home buyer Program. The City has been awarded \$660,000 in BEGIN (Building Equity and Growth in Neighborhoods) for the first time homebuyers and \$600,000 in CalHome for first time homebuyers and rehabilitation projects. In addition, the City has received \$2,046,968 in Neighborhood Stabilization funds, an additional \$50,000 in Fannie Mae NSP funds and \$1,196,182 in NSP3 funding. Of that amount, about \$400,000 (over 12% of the funds) are being used for first time homebuyer down payment and closing costs financing for the purchase of foreclosed homes.

Source of funds:	HOME
Expected level of funding, 20110:	\$100,000 [HOME]
Clients to be served:	Low-income first time homebuyers.
Number of households to be assisted:	5 or more
General Objective Category	Decent Housing
General Outcome Category:	Affordability

Objective D: City Coordination

1) Educational Programs

This activity will ensure that information on affordable housing issues and programs in the City of Merced is made available to City residents, developers, and local lenders, by placing program brochures, copies of City documents, and other pertinent information on the City's website and at the Merced Civic Center Housing Division. In addition, this information is made available to community-based groups serving lower income residents.

Source of funds: This is a procedural activity (covered under administrative costs) that does not require the expenditure of any additional Housing Program funds.

2) Fair Housing Programs

As a result of the Analysis of Impediments to Fair Housing study done in 2003, the City established a fair housing enforcement program with CDBG funds to provide fair housing services. The Central Valley Coalition of Affordable Housing is the service provider to those households who feel they have been discriminated against.

The Coalition has established a fair housing hotline, 1-888-MERCED8, and provides referrals to outside agencies as required if complaints need to be filed. All complaints are addressed within 30 days. In case of a high number of complaints, the Coalition will conduct fair housing testing to determine the level of discrimination (if any) in the community. The Coalition also has a Tenant and Landlord Education Program, which involves working with the County Housing Authority, and other organizations in developing educational materials and workshops to educate tenants and landlords on their rights and responsibilities. Several workshops are held each year. In 2010, the City updated its Analysis of Impediments to Fair Housing (AI). The city plans to update the plan every 5 years.

Source of funds:	CDBG, HOME
Expected level of funding, 2011:	\$11,000 [\$3,000 CDBG; \$8,000 HOME]
Clients to be served:	Citywide
Number of households to be assisted:	Undefined
General Objective Category	Decent Housing
General Outcome Category:	Availability/Accessibility

3) Continuum of Care Plan and 10-year Plan to End Homelessness

The City and County of Merced have taken a lead role in providing resources to the homeless. In FY 2002, Merced County Association of Governments (MCAG) was selected by the City and County of Merced to develop a "Continuum of Care" (CoC) Strategy for the entire County to be eligible for Emergency Shelter Grant (ESG) funds. The preparation of the Continuum of Care Plan for Merced County is again a priority in the FY 2011 plan.

Last year, the CoC Plan and applications for funding included \$215,630 to renew the Homelessness Management Information System (HMIS) and a supportive housing project, Home Start (\$81,164 HMIS and \$134,466 Home Start). The application also included two new projects that will be operated in Merced County. The two new projects provide funding in the amount of \$248,783 (for 2 years) for a permanent supportive housing project for chronically homeless adults and \$115,534 (for 2 years) for supportive services for a transitional housing project operated by Community Social Model Advocates. All projects have been awarded a total of \$579,947.

As part of the Continuum of Care preparation, MCAG asks each participating jurisdiction to provide information on the funding sources to be used each year. The City of Merced will continue to contribute for the preparation and implementation of this plan.

Source of funds:	CDBG
Expected level of funding, 2011:	\$37,500 [CDBG]

Clients to be served:	Homeless persons and persons with special housing needs (elderly, people with AIDS, mental and physical disabilities, etc.)
Number of households to be assisted:	Undefined
General Objective Category	Decent Housing
General Outcome Category:	Availability/Accessibility

Objective E: Improvement of the Quality and Quantity of Public Services

1) Public Service/Crime Awareness

This program utilizes CDBG funds as partial funding for the support of six additional police officers, which were added in 1995 with assistance from a Federal Police Grant. The primary focus of the officers is gang activity prevention and intervention in low-income neighborhoods and school sites.

Source of funds:	CDBG
Expected level of funding, 2011:	\$168,500 [CDBG]
Clients to be served:	South Merced Residents
General Objective Category	Suitable Living Environment
General Outcome Category:	Sustainability

2) Merced Lao Family Community

Merced Lao Family has requested \$7,100 for their Youth Cultural Activity Program (YCAP). The program is designed for the Southeast Asian at-risk youth, ages 10-18, and the intent is that the program will help bridge cultural and generational gaps and strengthen family bonds in Southeast Asian families. Additionally, this program will aid in keeping Southeast Asian youth from entering the ever-increasing gang activity in the City of Merced. This program received the same amount of funding last year.

Source of funds:	CDBG
Expected level of funding, 2011:	\$7,100 [CDBG]
Clients to be served:	South Merced Residents
General Objective Category	Suitable Living Environment
General Outcome Category:	Sustainability

Objective F: Planning for Future Housing and Infrastructure Needs

1) Planning and Urban Development

The City of Merced Planning and Permitting Division will carry out a number of CDBG eligible activities in furtherance of good community development, neighborhood revitalization, planning, and capacity building. Development of these plans will help determine future housing needs for all income levels throughout the City. The City will be updating the Housing Element of the General Plan this year in addition to other activities.

Source of funds:	CDBG & HOME
Expected level of funding, 2011:	\$105,000 [\$75,000 (CDBG) & \$30,000 HOME)]
Clients to be served:	Residents citywide
General Objective Category	Suitable Living Environment
General Outcome Category:	Sustainability

Objective G: Planning for Future Housing and Community Needs

The City of Merced Development Services Department is comprised of the Inspection Services Division, the Planning Division, the Engineering Division, and the Housing Program. The Development Services Department will carry out a number of CDBG eligible activities in furtherance of good community development, neighborhood revitalization, planning, and capacity building.

Planning Division staff prepares the Annual Plan, the CAPER, and the Consolidated Plan. In addition, Planning staff along with Inspection Services staff will provide priority permit processing for all projects funded by the Housing Program.

Source of funds: These activities are covered under the Planning and Urban Development activities in Objective F and through permit fees paid for specific projects.

Needs of Public Housing

- 1. Describe the manner in which the plan of the jurisdiction will help address the needs of public housing and activities it will undertake during the next year to encourage public housing residents to become more involved in management and participate in homeownership.*
- 2. If the public housing agency is designated as "troubled" by HUD or otherwise is performing poorly, the jurisdiction shall describe the manner in which it will provide financial or other assistance in improving its operations to remove such designation during the next year.*

Program Year 2 Action Plan Public Housing Strategy response:

Public housing in the City of Merced is provided and managed by the Housing Authority of the County of Merced. The City of Merced Housing Program works in conjunction with the Housing Authority to ensure that the City and County housing programs work in tandem to provide quality housing for all low-income City residents. Operations of the

Housing Authority are controlled by a 7-member Board of Directors, which are appointed by the Merced County Board of Supervisors. The City of Merced is not involved in these appointments. It should be noted that the Housing Authority of the County of Merced is not designated a "troubled Public Housing Authority" (PHA) by HUD.

The Housing Authority of the County of Merced has created a full-time position responsible for the implementation of resident initiatives. The Housing Authority offers a home ownership program. Numerous residences have been purchased by the Authority and have subsequently been renovated. The Authority is now offering the residences to qualified families with a minimum 50% earned income. The rent on these residences is increased gradually and a portion is automatically put into a reserve account for the residents. A non-routine maintenance account is also established. The residents are required to attend personal finance and home improvement workshops. The income accrued in the reserve account is ultimately used for a down payment to purchase the property from the Housing Authority. The Housing Authority of the County of Merced is not currently providing a resident manager program.

The City of Merced has identified two strategies to address the needs of public housing in the 2010 Consolidated Plan--1) *Implementing Program B-4c* that calls for the City to pursue funds to construct new affordable rental housing units; and 2) *Policy C-2* which calls for the City to continue working with the Housing Authority to continue/expand Section 8 programs.

Barriers to Affordable Housing

1. *Describe the actions that will take place during the next year to remove barriers to affordable housing.*

Program Year 2 Action Plan Barriers to Affordable Housing response:

The barriers to affordable housing include economic, governmental, and political. The City has little control over the economic barriers. However, the City Housing Programs described in the previous sections of this plan, strive to provide affordable housing opportunities to the community. With the declining cost of housing, it could be assumed that more people would be able to afford to purchase a home. However, with the decline in the cost of housing, the job market has also seen a dramatic decline. In March 2010, the unemployment rate for Merced County was at an all-time high of 22.1 percent. By December 2010, it had fallen to 20.1 percent, but has since increased with a reported 21.2 percent unemployment rate for January 2011.

The Housing Program works closely with the City's Economic Development Department to help provide economic opportunities to the community. The most significant effort taken by the City of Merced in this area is the approval to borrow up to \$1.6 million through the CDBG Section 108 Loan Guarantee Program. The funds were used to construct infrastructure improvements needed to make the 100 acres of the South Airport Industrial Park (44 parcels) useable for industrial development and job creation. To date, more than 600 jobs have been created by this project.

The Economic Development Department has two plans currently in place to help draw businesses to Merced, creating jobs. In 2006, the City approved the Economic

Development Business Plan called Prosper Merced. The plan contains six strategies and several action items designed to increase job opportunities, investment, and prosper Merced. In 2007, the City also adopted the Downtown Strategy which identifies tasks and actions to encourage business opportunities and draw job generating development.

Governmental constraints to affordable housing include land use policies and development costs. The City has taken a number of steps in recent years to encourage increased density and more affordable housing. The City addressed many of the land use policies identified in the 2003 Analysis of Impediments as barriers to affordable housing. The Zoning Ordinance has been modified to give a broader definition of a household and removed the definition of “family” which limited the number of un-related individuals who could occupy a single dwelling. In addition, the second-unit ordinance was amended to comply with state law allowing the second dwelling unit to be larger in size than previously allowed and removed the limitation requiring someone related by blood or marriage occupy the second unit. These changes along with the implementation of the Residential Planned Development (RPD) zoning designation and the adoption of small lot design guidelines allowing higher density development have made development of affordable housing more feasible for many developers.

The final barrier that the City has control over is the cost of development fees. In July 2010, the City reduced its sewer facility fees significantly. For residential development the sewer plant component fee decreased by 57 percent. In addition, there was a 27 percent decrease in Public Facility Impact Fees for development within the City’s core area (Central and South Merced). This represents a 35 percent reduction in fees for a new home being built in Central or South Merced (the areas with the highest concentration of low-income households and income-eligible census tracts).

One of the most difficult barriers to overcome is that of neighborhood opposition to affordable housing developments. NIMBYism (Not In My Back Yard) is an impact that is often difficult to overcome. The City encourages developers of affordable housing to host neighborhood meetings to help educate the neighborhood on affordable housing issues prior to seeking City approval. Not all developments require special approval such as a conditional use permit or other entitlement. If a development only requires a building permit, the opportunity for NIMBYism is reduced. However, when entitlements are required and public hearings are held as required by law, NIMBYism can be a formidable barrier that may be difficult to overcome. Although there are laws in place limiting the reasons a City can deny an entitlement for affordable housing, neighborhood opposition can be a deterrent to development. The City will strive to educate the community on affordable housing issues and to work with developers to construct attractive developments that will be an asset to a neighborhood and the community.

HOME/ American Dream Down payment Initiative (ADDI)

1. *Describe other forms of investment not described in § 92.205(b).*
2. *If the participating jurisdiction (PJ) will use HOME or ADDI funds for homebuyers, it must state the guidelines for resale or recapture, as required in § 92.254 of the HOME rule.*
3. *If the PJ will use HOME funds to refinance existing debt secured by multifamily housing that is that is being rehabilitated with HOME funds, it must state its refinancing guidelines required under § 92.206(b). The guidelines shall describe the conditions under which the PJ will refinance existing debt. At a minimum these guidelines must:*
 - a. *Demonstrate that rehabilitation is the primary eligible activity and ensure that this requirement is met by establishing a minimum level of rehabilitation per unit or a required ratio between rehabilitation and refinancing.*
 - b. *Require a review of management practices to demonstrate that disinvestments in the property has not occurred; that the long-term needs of the project can be met; and that the feasibility of serving the targeted population over an extended affordability period can be demonstrated.*
 - c. *State whether the new investment is being made to maintain current affordable units, create additional affordable units, or both.*
 - d. *Specify the required period of affordability, whether it is the minimum 15 years or longer.*
 - e. *Specify whether the investment of HOME funds may be jurisdiction-wide or limited to a specific geographic area, such as a neighborhood identified in a neighborhood revitalization strategy under 24 CFR 91.215(e)(2) or a Federally designated Empowerment Zone or Enterprise Community.*
 - f. *State that HOME funds cannot be used to refinance multifamily loans made or insured by any federal program, including CDBG.*
4. *If the PJ is going to receive American Dream Down payment Initiative (ADDI) funds, please complete the following narratives:*
 - a. *Describe the planned use of the ADDI funds.*
 - b. *Describe the PJ's plan for conducting targeted outreach to residents and tenants of public housing and manufactured housing and to other families assisted by public housing agencies, for the purposes of ensuring that the ADDI funds are used to provide down payment assistance for such residents, tenants, and families.*
 - c. *Describe the actions to be taken to ensure the suitability of families receiving ADDI funds to undertake and maintain homeownership, such as provision of housing counseling to homebuyers.*

Program Year 2 Action Plan HOME/ADDI response:

First Time Home Buyer Assistance Program

The City of Merced has been operating a successful First Time Home buyer Assistance Program since 1993. It is the City's intention to continue this program with the use of HOME funds (federal HOME funds and program income from previous State HOME funds). The Program provides loan funds of up to \$30,000 to households meeting the eligibility guidelines. These guidelines are consistent with HOME Program regulations, when applicable.

The First Time Home Buyer Assistance Program (FTHB) has gone through several changes to meet the market demand. The program was last updated in August 2005 to address the escalating housing prices in the City. These changes are intended to help make home ownership more accessible to first-time homebuyers who meet the minimum qualifications of the program. The program calls for the funds to be loaned for a period of 25 years with a deferral of payments and no interest during the first 5 years (60 months). Beginning on the 61st month, interest at the rate of three (3) percent will begin to accumulate and payments at an amount necessary to pay off the principal and interest during the next 25 years will begin. The full amount of the HOME subsidy is recaptured and is utilized for other loans to first-time homebuyers meeting the HOME Program income guidelines. The interest rate was reduced from four percent (4%) to three percent (3%) for these loans.

All loans for down-payment assistance through the City's First Time Home Buyers Assistance Program include conditions to insure compliance with the requirements of 24 CFR 92.254. These conditions are as follows:

1. The house must be owner-occupied and the deed shall restrict the resale of the property for a period of 10 years. If there is a prepayment on the loan or should the property be sold within 10 years from the date of the loan origination, the applicant will be obliged to pay the City a penalty of 4% on the original loan amount starting from the loan origination date.
2. If the home is sold or transferred within 10 years from the date of the loan origination, the applicant shall also pay the City a percentage share of the difference between the prices paid for the property and its value at the time of sale or transfer. The percentage share is determined on a declining scale, beginning at 10% in year 1, decreasing one percentage point each year to 1% in year 10.

All net proceeds are treated as "program income" and are recycled back into the program for funding future loans.

Affirmative Marketing

The City of Merced Housing Division shall be responsible for implementing the Affirmative Marketing Policy and evaluating its effectiveness concurrently with the HOME Program:

- The Housing Division shall inform the public about the Affirmative Marketing Policy through handouts and application forms, periodic advertisements in general circulation newspapers, and regularly scheduled public meetings.
- The City shall at times display informational posters in the Merced City Hall Lobby, open to the public. All graphic presentations concerning the HOME Program shall display the HUD Equal Housing Opportunity logo or slogan.
- The owners of buildings selected for rehabilitation shall likewise be informed about the City's Affirmative Marketing Policy at the time that an application is submitted to the Housing Division.
- The City shall also provide tenants and rental property owners with copies of the "Landlord-Tenant Fact Sheet" produced by the State Department of Consumer Affairs.
- The City shall continue its practice of providing general information and telephone reference numbers to persons contacting the Housing Division with questions regarding affirmative marketing, federal fair housing, tenant's rights, assisted housing, and correction of substandard conditions in tenant-occupied dwellings.
- The City shall continue the services of the Fair Housing Services provider for all Merced residents. In addition to the toll-free hotline 1-888-MERCED8, the services are to provide free seminars, educational pamphlets, and counselors to assist renters and landlords with any fair housing questions or problems.

Requirements and Practices Each Owner MUST Follow

It is the City of Merced's policy to require that each owner of a rental project completed using funds from the HOME Program:

- Use the "Equal Housing Opportunity" logo type or slogan on all correspondence prepared relating to the HOME Program;
- Use ads in the *Merced Sun-Star*, *Merced County Times*, and/or any other general circulation newspapers for advertising vacant units if it is feasible to advertise in advance of selecting a tenant without holding units off the market. All ads must contain the Equal Housing Opportunity logo type or slogan;
- Notify the Housing Authority of the County of Merced when vacant units are available for renting;
- Notify the City's Housing Division when vacant units are available for renting.

Procedures and Policies

In order to solicit applications from persons in the housing market area who are not likely to apply for housing under the HOME Program without special outreach, each owner will be required to:

- Send notices of vacant units, or units that will become vacant within 30 days to churches in the area, Veterans Administrations Office, Social Security Office,

Housing Authority of the County of Merced, various community temporary shelter services, and other agencies where these individuals may visit or assemble;

- Contact the Merced County Community Action Agency and outreach programs in the community of Merced and request that they make information available on vacant units available to their clients.

Records That Will be Kept Describing Actions Taken by the City of Merced and Owners to Affirmatively Market Units and Records to Assess Actions

The City of Merced will keep records of the following:

- Copies of ads which the City of Merced Housing Program places in the *Merced Sun-Star*, *City's website*, and/or other area news media;
- Copies of correspondence of ongoing contracts and tenant surveys conducted before and after rehabilitation of the rental rehabilitation units;
- Monthly reports from the fair housing services provider staff on fair housing activities, educational programs, information on clients seeking information or references pertaining to affirmative marketing, federal fair housing laws, or related cases.

The City shall also request owners of property assisted under the HOME Program to maintain records of how vacancies were advertised within ninety (90) days following completion of rehabilitation, and the responses received for applications by Hispanics, Blacks, and Asian/Pacific Islanders. The City shall request that the property owner release such information to the Housing Program staff who conducts the annual compliance inspection as described under the "Assessment" section of this Affirmative Marketing Policy.

The City of Merced's Assessment of Affirmative Marketing's Success and Corrective Actions where Affirmative Marketing Requirements are Not Met

The City will assess the effectiveness of its Affirmative Marketing Policy on an annual basis and will include a summary of the good faith efforts taken by the City and by participant property owners. The City will compare the information compiled in the manner described above, "Record keeping", and will evaluate the degree to which statutory and policy objectives were met. If the required steps were taken, the City will determine that good faith efforts have, in fact, been made.

To determine results, the City or the designated Fair Housing Services provider, will examine whether or not persons from a variety of racial and ethnic groups in the City of Merced applied for or became tenants of units that were affirmatively marketed. If the City finds that a variety of ethnic groups is represented, particularly Hispanics, Blacks, Asians and Pacific Islanders, the City will assume that the affirmative marketing procedures were effective. If one or more groups are not represented within the context of existing neighborhood composition, the City will review its procedure to determine what changes, if any, might be made to make the affirmative marketing efforts more effective.

The City of Merced will take corrective action if it is determined that a participating property owner has failed to carry out affirmative marketing efforts as required by the

participation agreement. If a participant property owner continues to neglect responsibilities made incumbent by the terms of the participation agreement, the City will consider taking one or both of the following actions:

- Declare the property owner disqualified from any further assistance made available under the HOME Program; or,
- Notify the borrower of HOME Program funds that he/she is in violation of the terms of the participation agreement and that the City may exercise the stipulation clause and require immediate repayment of the loan.

The Housing Division shall not proceed with corrective action without allowing sufficient time and effort by staff to counsel the property owner. The City of Merced will carry out assessment activities and complete a written assessment of affirmative marketing efforts in time to report results in the CAPER to HUD. This assessment will apply to units rehabilitated and first made available for occupancy during the program year.

Minority/Women's Business Enterprise Policy and Procedures:

It is the policy of the City of Merced to provide an equal opportunity for the participation of licensed minority and female contractors in bidding and performing work that is financed by the HOME and CDBG funds. Furthermore, the Housing Division will conduct periodic outreach efforts to inform minority and women licensed contractors of the opportunities to take part in the competitive bidding process by direct mailing to minority and women-owned firms, public notices, and invitations to attend contractor meetings sponsored by the Housing Division and other agencies.

The City of Merced will utilize state and federal governmental publications, which list minority and female licensed contractors to stay informed of the availability of local minority and women-owned construction firms to be contracted for inclusion on the Rehabilitation Contractors List. Staff will contact the listed businesses to invite their participation in the CDBG and HOME activities administered by the Housing Program.

Contractors who perform work that is administered by the City of Merced and paid for by CDBG or HOME funds must comply with the equal opportunity requirements stated in the project general specifications, including certification of an employer Affirmative Action Plan. Such contractors are also required to furnish the City with records of the employees on the HUD-funded project by occupation, ethnicity, and sex. The information provided by the contractor on HUD form EE0-4 is transmitted to HUD Regional Offices for review by the offices of Fair Housing and Equal Opportunity.

Because minority and women contractors are often at a financial disadvantage when competing for large projects, or in some cases may not hear about upcoming contracting business opportunities, the following affirmative steps will be taken by the City of Merced, to the extent possible, to ensure those contractors who are interested receive a fair chance for bidding on projects:

- Including qualified Minority Business Enterprise (MBE) and Women Business Enterprise's (WBE) on all solicitation lists;

- Assure that small minority and women businesses are solicited whenever they are potential sources;
- When economically feasible, divide total requirements into small tasks or quantities so as to permit maximum small minority and women business participation.
- Where the requirement permits, establish delivery schedules that will encourage participation by small minority and women businesses;
- Use the services of Small Business Administration, Minority and Women Business Development Agency, State Department of General Services, Office of Small and Minority Business, and any other agencies that are aware of small and minority and women business sources, qualifications and/or skills;
- Assist minority and women contractors with understanding cost estimating and/or bid procedures.

The City will maintain centralized records with statistical data on the utilization and participation of MBE's and WBE's as contractors and subcontractors in all HUD-assisted programs by using HUD's Semi-Annual Minority Business Enterprise Report. This report will be revised to include Women Business Enterprise activities in HUD-assisted programs.

HOMELESS

Specific Homeless Prevention Elements

*Please also refer to the Homeless Needs Table in the Needs.xls workbook.

1. *Sources of Funds—Identify the private and public resources that the jurisdiction expects to receive during the next year to address homeless needs and to prevent homelessness. These include the McKinney-Vento Homeless Assistance Act programs, other special federal, state and local and private funds targeted to homeless individuals and families with children, especially the chronically homeless, the HUD formula programs, and any publicly-owned land or property. Please describe, briefly, the jurisdiction's plan for the investment and use of funds directed toward homelessness.*
2. *Homelessness—In a narrative, describe how the action plan will address the specific objectives of the Strategic Plan and, ultimately, the priority needs identified. Please also identify potential obstacles to completing these action steps.*
3. *Chronic homelessness—The jurisdiction must describe the specific planned action steps it will take over the next year aimed at eliminating chronic homelessness by 2012. Again, please identify barriers to achieving this.*
4. *Homelessness Prevention—The jurisdiction must describe its planned action steps over the next year to address the individual and families with children at imminent risk of becoming homeless.*

5. *Discharge Coordination Policy—Explain planned activities to implement a cohesive, community-wide Discharge Coordination Policy, and how, in the coming year, the community will move toward such a policy.*

Program Year 2 Action Plan Special Needs response:

The most recent information available for the City and the County is a “point-in-time” count of sheltered and unsheltered homeless persons conducted by volunteers for the Merced County Continuum of Care (CoC) in January 2011. The numbers provided from this count are considered to be “preliminary” as the CoC has not released the “official” numbers at this time. This “point-in-time” survey revealed a total of 375 homeless individuals within the City of Merced. Of this number, 166 persons (44 percent) were considered “sheltered” and 209 persons (56 percent) were considered “unsheltered” (Table 9.3.37). There are 246 shelter beds available within the City of Merced. Although this number of beds is not enough to shelter all those in need, it would provide shelter to 66 percent of the homeless population, which is more than the number of individuals currently seeking shelter.

The City does not directly provide any homeless services. The City works with other local agencies to provide shelters and other housing needs for the homeless community. In Fiscal Year 2011, the City will continue to provide funds (up to \$37,500 in CDBG funds) for the preparation of the Countywide Continuum of Care and implementation of a 10-year plan to address the needs of the homeless community. Many of these agencies utilize the Homeless Management Information System (HMIS) program to track the characteristics and needs of the homeless population.

For several years, the City has worked with other agencies to help address the homeless needs of our community. Beginning in 2004, the City and County of Merced have contributed \$25,000 each (total of \$50,000) for the preparation of the Continuum of Care Plan by the Merced County Association of Governments (MCAG). The 2005 Merced County Continuum of Care Plan and Grant Application was awarded \$565,953 from HUD to fund the HMIS and a supportive housing project known as Project Home Start. The 2006, 2007, and 2008 Continuum of Care Plan and Grant Applications were only awarded renewal funding to sustain the HMIS system. In 2009, the Continuum of Care program received \$81,163 to continue the HMIS project for gathering characteristics of the homeless population and the services they are accessing.

In addition to the HMIS grant in 2009, Project Home Start received \$134,466 to continue providing permanent supportive housing to four chronically homeless, mental health clients. The CoC also applied for funding for two new projects that will be operated in Merced County. First, \$248,783 (for 2 years) will provide funding for a permanent supportive housing project for six chronically homeless adults. Supportive services, operations, and match requirement will be provided by “Turning Point,” a local non-profit mental health provider.

The second project for \$115,534 (for 2 years) will provide supportive services for a transitional housing project operated by Community Social Model Advocates. The project will address the need for residential care of homeless substance abusing women and homeless women with children by providing housing and supportive services for 10

women with up to six children for a minimum of 180 days to a maximum of 24 months. Community Social Model Advocates has committed to providing the necessary cash match. All continued and new projects have been awarded.

In addition to these programs, MCAG is also in the process of working with jurisdictions, government agencies, and homeless service providers to identify a funding source to develop a 10-Year Plan to End Chronic Homelessness. In FY 2010, the City contributed \$18,000 towards the funding for this plan. To date, MCAG has made substantial progress on the preparation of the 10-Year Plan. It's anticipated the plan will be ready for release in May of this year. In February 2011, MCAG released a "Mid-Way Progress Report to the Community" on the 10-Year Plan. This progress report outlined the steps taken so far and the recommendations being made to help end homelessness. It also includes a summary of what the next steps in the process will be and what to expect in the final report. This report can be viewed on the Merced County 10-Year Plan to End Homelessness website at www.mcl0yearplan.com.

In 2006, the City contributed \$150,000 of CDBG and \$150,000 of RDA funds for the construction of a new homeless shelter in the City of Merced, providing 60 beds. This shelter was opened in May 2007. The shelter is operated by the Merced County Community Action Agency (a non-profit organization) and provides meals, beds, showers, and laundry facilities. In addition, the shelter provides health care, including mental health services, counseling, job searches, and classes in a variety of educational areas.

In 2009, the City was awarded \$515,203 by HUD for the Homelessness Prevention and Rapid Re-Housing Program (HPRP). These funds were used to target individuals and families who were in housing but were at risk of becoming homeless and those who were experiencing homelessness. The City set aside 3 percent (\$15,203) of the funding of the allowable 5 percent for administrative costs. The remainder of the funds will be distributed among continuum of care agencies providing homeless services in the City of Merced to implement the program. This program targeted those who were at risk of becoming homeless as well as those who were experiencing homelessness.

Activities provided through this funding were focused on either providing financial assistance to help pay for housing, or services to keep people in housing or to find housing. HPRP assistance was not intended to provide long-term support. Assistance was focused on housing stabilization, linking program participants to community resources and mainstream benefits, and helping them develop a plan for preventing future housing instability. These funds were distributed as follows:

Merced County Community Action Agency	\$310,000
Sierra Presbyterian Church	\$100,000
Love INC.	\$90,000
Total	\$500,000

In an effort to help homeless persons make the transition to permanent housing and independent living, the CoC provides services through several agencies. The Community Social Model Advocates Program houses up to 76 people and brings them through a substance abuse recovery program over the course of 18 months. The Rescue Mission

offers a year-long transitional housing program including job training, life skills management, etc. to 21 adults. Mental Health houses up to six mentally ill adults and provides life skills training, counseling, etc. until the adults are able to move into permanent housing. Community Action Agency provides life skills training, employment assistance, etc. to 24 people through their New Hope House. Meanwhile, most CoC agencies help the homeless get connected with mainstream resources such as TANF, SSI, SSDI, food stamps and other services. The Merced County Housing Authority also provides hotel vouchers and referrals for other assistance.

Emergency Shelter Grants (ESG)

(States only) Describe the process for awarding grants to State recipients, and a description of how the allocation will be made available to units of local government.

Program Year 2 Action Plan ESG response:

Not applicable. Applies to States only.

COMMUNITY DEVELOPMENT

Community Development

**Please also refer to the Community Development Table in the Needs.xls workbook.*

- 1. Identify the jurisdiction's priority non-housing community development needs eligible for assistance by CDBG eligibility category specified in the Community Development Needs Table (formerly Table 2B), public facilities, public improvements, public services and economic development.*
- 2. Identify specific long-term and short-term community development objectives (including economic development activities that create jobs), developed in accordance with the statutory goals described in section 24 CFR 91.1 and the primary objective of the CDBG program to provide decent housing and a suitable living environment and expand economic opportunities, principally for low- and moderate-income persons.*

**Note: Each specific objective developed to address a priority need, must be identified by number and contain proposed accomplishments, the time period (i.e., one, two, three, or more years), and annual program year numeric goals the jurisdiction hopes to achieve in quantitative terms, or in other measurable terms as identified and defined by the jurisdiction.*

Program Year 2 Action Plan Community Development response:

The City of Merced is committed to ensuring the safety and well being of its citizens. Besides housing needs, the low and moderate-income residents of Merced are also in need of a variety of public services and facilities. That need is especially critical in South Merced. There are various infrastructure projects that will need to be undertaken in order to maintain a healthy and safe living environment in South Merced. Such public improvement projects include recreational facilities and sidewalks.

The following describes the Objectives and activities to be undertaken as part of this Annual Plan.

Objective E: Improvement of the Quality and Quantity of Public Services

Partial funding is provided for four police officers whose primary focus is gang activity prevention and intervention in low-income neighborhoods and school sites. These officers participate in programs at the City's middle and high schools to help educate our youth on the dangers of gangs. In addition, they target existing gang members and the criminal activities associated with gangs. The officers help remove guns and drugs from the streets to provide a safer community. The City hopes to reach a minimum of 500 school aged children through the police officers educational programs. This activity is funded with CDBG funds.

In an effort to eliminate blight and encourage pride in neighborhoods, CDBG funds are used to help fund the City's Code Enforcement Program. The City's Code Enforcement Division currently consists of three full-time Code Enforcement Specialists (one assigned to each of the three districts: North, Central, and South Police Districts). This program provides neighborhood intervention in order to forestall deterioration. Those projects that meet the qualifications are referred to the Housing Division for possible rehabilitation.

Community services directed at youth have been identified as a priority for the City. During the last five years, the City has continued funding community services targeted at providing activities and education for the youth of our City. Over the next 5 years, the City anticipates providing funding for activities such as the Lao Family after-school program and for improvement projects at City Parks in the South Merced area.

Objective F: Improvement of the Quality and Quantity of Community Infrastructure and Public Facilities

The City will continue to make improvements to various public facilities and infrastructure needs. Funds will be used for sidewalks, handicap access ramps, curb/gutter, and street improvements in the low-income neighborhoods of the City of Merced. Although no funding is identified in the Annual Plan for this activity, funds are available from previous years to continue this activity.

Objective G: Planning for Future Housing and Infrastructure Needs

In order to meet the future needs of housing and infrastructure in our community, adequate planning is needed. In order to accomplish this, the Housing Program provides funding to the City's Planning Department to assist with the preparation of planning related to housing, the preparation of housing-related reports, and other tasks related to the insuring all housing needs are met. The Planning Department recently prepared the required Housing Element update as well as the 5-Year Consolidated Plan. This department is also responsible for the preparation of the CAPER and Annual Plan on an annual basis.

Economic Development

The City of Merced Housing Program works closely with the City's Economic Development Manager to ensure that affordable housing efforts are properly coordinated

with economic development activities to reduce the incidence of poverty in the City of Merced. The City's Gateways Redevelopment Project Area covers most of South Merced. Through the Gateways Project, needed economic development activity (such as bringing in more commercial businesses and industries) can be developed in the area. Funding for infrastructure and housing projects will also be available through this source.

In 1997, the City of Merced received a \$1.6 million Section 108 Loan to accomplish infrastructure improvements in order to make 100 acres of industrial land available for development at the South Merced Airport Industrial Park. As a result, 44 parcels of industrial land were made available for economic development purposes in South Merced. Since 2002, over 28 parcels have been developed in this area creating over 600 jobs (given seasonal fluctuations).

In 2009, the City approved an application for Wal-mart to locate a distribution center in southeast Merced. The opening of the distribution center would create as many as 600 jobs in Merced paying well above the current minimum wage rate. This project was originally scheduled to begin construction in late 2006, or early 2007. However, due to Environmental Review requirements and legal issues, the project has been delayed. However, recent court rulings in the City's favor have paved the way for this project to move forward. Unless an appeal of the court's decision is filed, the City expects Wal-Mart to begin construction by the end of 2011.

The City's Economic Development staff is continually working with Industrial and Commercial users to locate in Merced to help provide more jobs within the area. They place a special emphasis on companies with a beginning pay scale higher than minimum wage. Such development would bring needed jobs to the community benefiting low and moderate-income households. Recently, the Borrell USA Corporation opened a facility in the airport industrial park. This company designs and manufactures equipment for the almond industry. The Economic Development Department is also working with at least five other businesses to locate in the City's industrial parks.

Antipoverty Strategy

1. *Describe the actions that will take place during the next year to reduce the number of poverty level families.*

Program Year 2 Action Plan Antipoverty Strategy response:

In addition to the Economic Development activities described above, the City also works with the Housing Authority of the County of Merced, the Merced County Office of Education, and the Merced County Human Services Agency on the programs described below.

The Housing Authority of the County of Merced has approximately 130 families throughout the County enrolled in the Resident Opportunities Self Sufficiency (ROSS) Program. Under this program for *Housing Choice Voucher* (formally Section 8) participants, the families develop goals and a plan to work towards financial independence. Under this program, the family earns an escrow account that they receive after they fulfill their Family Self-Sufficiency (FSS) contract. Rent increases resulting from increased earned income are placed in an escrow account, which is given to the

family when they have completed their Family Self Sufficiency Contract of becoming economically independent. The Housing Authority provides case management and goal setting assistance.

The Merced County Office of Education runs the Head Start program within Merced County. There are currently 16 centers throughout the County, serving approximately 1,060 children/families per year. Two of those centers are located within the City of Merced. These centers serve 194 children within the City of Merced. Head Start is a national program that provides comprehensive child development services which helps enrolled children and their families achieve their full potential by experiencing a greater degree of social competence through education, health, nutrition, disabilities, social services, parent involvement activities, and training.

Head Start offers year round recruitment using an application process for an enrollment period of August through May. The composition of Head Start consists of 90 percent of the children, ages 3 to 4, coming from families who fall within Federal poverty guidelines. A minimum of 10 percent of the enrollment will have children with a diagnosed disability and no more than 10 percent of the children may be from families whose income exceeds federal guidelines. The County Office of Education also runs the Constructing Connections program. This program is dedicated to providing quality, affordable child care services throughout Merced County.

Merced County Human Services Agency administers the Welfare-to-Work (WtW) program for Merced County residents. The primary goal of WtW is to assist recipients of Temporary Assistance for Needy Families (TANF) in becoming financially independent through employment. Clients become competitive in the work force by improvement of their math and English skills, learning a vocational trade, and training in the employment process. The overall goal of the Welfare-to-Work program is to eliminate the need for clients to become long-term dependents of the welfare system.

The Department of Workforce Investment (DWI) offers employment and training services for people who are out-of-work, laid off, have a low income, or receive financial help, such as food stamps, welfare, or unemployment. Special programs are available for youth and adults, which include on-the-job training, vocational training, work experience, Jobs for California Graduates.

In addition to these programs, the County operates the Private Industry Training Department (PITD). PITD offers employment and training services for people who are out-of-work, laid off, have a low income, or receive financial help, such as food stamps, welfare, or unemployment. Special programs are available for both youth and adults and include on-the-job training, vocational training, work experience, and Jobs for California Graduates. The City is committed to continuing partnerships of these programs and agencies through the five year planning period.

NON-HOMELESS SPECIAL NEEDS HOUSING

Non-homeless Special Needs (91.220 (c) and (e))

**Please also refer to the Non-homeless Special Needs Table in the Needs.xls workbook.*

- 1. Describe the priorities and specific objectives the jurisdiction hopes to achieve for the period covered by the Action Plan.*
- 2. Describe how Federal, State, and local public and private sector resources that are reasonably expected to be available will be used to address identified needs for the period covered by this Action Plan.*

Program Year 2 Action Plan Specific Objectives response:

As defined in Policy B-5.b of the City's 2010 Consolidated Plan, the City will continue to work closely with the Central Valley Coalition for Affordable Housing (a local CHDO) to develop projects to serve groups/individuals with special needs.

For many years, the City has assisted disabled individuals through the Housing Rehabilitation and Reconstruction Program. These projects are not reported separately from other rehabilitation projects. Since 1994, the City has assisted 86 households through this Program. Improvements made to these homes include handicap-accessible kitchens and bathroom, and ramps for wheelchair accessibility. Any of the rehabilitation or reconstruction projects under taken in FY 2011 will be considered for handicap accessible improvements as needed.

The City's goal for FY 2011 is to assist at least one special needs household with CDBG funds. This will be accomplished either through a joint project with the Central Valley Coalition for Affordable Housing or through the rehabilitation/reconstruction program.

The City of Merced contracts with the Merced County Association of Governments to prepare and implement the Continuum of Care strategy. Strategies to prevent homelessness and address the special needs community who are not homeless include activities to prevent low-income individual persons and families from becoming homeless by providing free finance management classes, life skills training, counseling, utility and rental assistance, free furniture, clothes, meals, and groceries. There are a number of privately and publicly funded organizations, including the County of Merced, participating in these efforts.

Housing Opportunities for People with AIDS

**Please also refer to the HOPWA Table in the Needs.xls workbook.*

- 1. Provide a Brief description of the organization, the area of service, the name of the program contacts, and a broad overview of the range/ type of housing activities to be done during the next year.*
- 2. Report on the actions taken during the year that addressed the special needs of persons who are not homeless but require supportive housing, and assistance for persons who are homeless.*

3. *Evaluate the progress in meeting its specific objective of providing affordable housing, including a comparison of actual outputs and outcomes to proposed goals and progress made on the other planned actions indicated in the strategic and action plans. The evaluation can address any related program adjustments or future plans.*
4. *Report on annual HOPWA output goals for the number of households assisted during the year in: (1) short-term rent, mortgage and utility payments to avoid homelessness; (2) rental assistance programs; and (3) in housing facilities, such as community residences and SRO dwellings, where funds are used to develop and/or operate these facilities. Include any assessment of client outcomes for achieving housing stability, reduced risks of homelessness and improved access to care.*
5. *Report on the use of committed leveraging from other public and private resources that helped to address needs identified in the plan.*
6. *Provide an analysis of the extent to which HOPWA funds were distributed among different categories of housing needs consistent with the geographic distribution plans identified in its approved Consolidated Plan.*
7. *Describe any barriers (including non-regulatory) encountered, actions in response to barriers, and recommendations for program improvement.*
8. *Please describe the expected trends facing the community in meeting the needs of persons living with HIV/AIDS and provide additional information regarding the administration of services to people with HIV/AIDS.*
9. *Please note any evaluations, studies or other assessments that will be conducted on the local HOPWA program during the next year.*

Program Year 2 Action Plan HOPWA response:

Housing services for people with AIDS and related diseases are currently provided by the Merced County Community Action Agency. The Agency currently provides housing placement and eviction prevention for persons with HIV/AIDS. The Agency typically provides help to approximately 14 people per year equaling approximately \$40,000 in assistance. The Agency receives HOPWA funds from HUD to provide these services. The City is committed to assisting the agency with obtaining continued funding for these services and encourages the development of housing for individuals with these special needs.

Specific HOPWA Objectives

Describe how Federal, State, and local public and private sector resources that are reasonably expected to be available will be used to address identified needs for the period covered by the Action Plan.

Program Year 2 Specific HOPWA Objectives response:

As explained above, the City does not receive HOPWA funds, but supports all efforts to obtain funding from other agencies.

Other Narrative

Include any Action Plan information that was not covered by a narrative in any other section.

CERTIFICATIONS

In accordance with the applicable statutes and the regulations governing the consolidated plan regulations, the jurisdiction certifies that:

Affirmatively Further Fair Housing -- The jurisdiction will affirmatively further fair housing, which means it will conduct an analysis of impediments to fair housing choice within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting that analysis and actions in this regard.

Anti-displacement and Relocation Plan -- It will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, and implementing regulations at 49 CFR 24; and it has in effect and is following a residential ant displacement and relocation assistance plan required under section 104(d) of the Housing and Community Development Act of 1974, as amended, in connection with any activity assisted with funding under the CDBG or HOME programs.

Drug Free Workplace -- It will or will continue to provide a drug-free workplace by:

1. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition;
2. Establishing an ongoing drug-free awareness program to inform employees about --
 - (a) The dangers of drug abuse in the workplace;
 - (b) The grantee's policy of maintaining a drug-free workplace;
 - (c) Any available drug counseling, rehabilitation, and employee assistance programs; and
 - (d) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;
3. Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph 1;
4. Notifying the employee in the statement required by paragraph 1 that, as a condition of employment under the grant, the employee will -
 - (a) Abide by the terms of the statement; and
 - (b) Notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction;
5. Notifying the agency in writing, within ten calendar days after receiving notice under subparagraph 4(b) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer or other designee on whose grant activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant;

6. Taking one of the following actions, within 30 calendar days of receiving notice under subparagraph 4(b), with respect to any employee who is so convicted:
 - (a) Taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or
 - (b) Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency;
7. Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs 1, 2, 3, 4, 5 and 6.

Anti-Lobbying -- To the best of the jurisdiction's knowledge and belief:

1. No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement;
2. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions; and
3. It will require that the language of paragraph 1 and 2 of this anti-lobbying certification be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

Authority of Jurisdiction -- The consolidated plan is authorized under State and local law (as applicable) and the jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations.

Consistency with plan -- The housing activities to be undertaken with CDBG, HOME, ESG, and HOPWA funds are consistent with the strategic plan.

Section 3 -- It will comply with section 3 of the Housing and Urban Development Act of 1968, and implementing regulations at 24 CFR Part 135.



Signature/Authorized Official

DL-10-2011
Date

City Manager
Title

Specific CDBG Certifications

The Entitlement Community certifies that:

Citizen Participation -- It is in full compliance and following a detailed citizen participation plan that satisfies the requirements of 24 CFR 91.105.

Community Development Plan -- Its consolidated housing and community development plan identifies community development and housing needs and specifies both short-term and long-term community development objectives that provide decent housing, expand economic opportunities primarily for persons of low and moderate income. (See CFR 24 570.2 and CFR 24 part 570)

Following a Plan -- It is following a current consolidated plan (or Comprehensive Housing Affordability Strategy) that has been approved by HUD.

Use of Funds -- It has complied with the following criteria:

1. **Maximum Feasible Priority.** With respect to activities expected to be assisted with CDBG funds, it certifies that it has developed its Action Plan so as to give maximum feasible priority to activities which benefit low and moderate income families or aid in the prevention or elimination of slums or blight. The Action Plan may also include activities which the grantee certifies are designed to meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community, and other financial resources are not available);
2. **Overall Benefit.** The aggregate use of CDBG funds including section 108 guaranteed loans during program year(s) , (a period specified by the grantee consisting of one, two, or three specific consecutive program years), shall principally benefit persons of low and moderate income in a manner that ensures that at least 70 percent of the amount is expended for activities that benefit such persons during the designated period;
3. **Special Assessments.** It will not attempt to recover any capital costs of public improvements assisted with CDBG funds including Section 108 loan guaranteed funds by assessing any amount against properties owned and occupied by persons of low and moderate income, including any fee charged or assessment made as a condition of obtaining access to such public improvements.

However, if CDBG funds are used to pay the proportion of a fee or assessment that relates to the capital costs of public improvements (assisted in part with CDBG funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds.

The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108, unless CDBG funds are used to pay the proportion of fee or assessment attributable to the capital costs of public improvements financed from other revenue sources. In this case, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. Also, in the case of properties owned and occupied by moderate-income (not low-income) families, an assessment or charge may be made against the property for public improvements financed by a

source other than CDBG funds if the jurisdiction certifies that it lacks CDBG funds to cover the assessment.

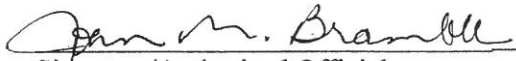
Excessive Force -- It has adopted and is enforcing:

1. A policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and
2. A policy of enforcing applicable State and local laws against physically barring entrance to or exit from a facility or location which is the subject of such non-violent civil rights demonstrations within its jurisdiction;

Compliance With Anti-discrimination laws -- The grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 USC 2000d), the Fair Housing Act (42 USC 3601-3619), and implementing regulations.

Lead-Based Paint -- Its activities concerning lead-based paint will comply with the requirements of 24 CFR Part 35, subparts A, B, J, K and R;

Compliance with Laws -- It will comply with applicable laws.


Signature/Authorized Official

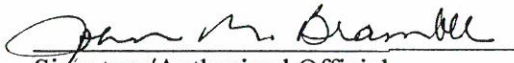
06-10-2011
Date

City Manager _____
Title

**OPTIONAL CERTIFICATION
CDBG**

Submit the following certification only when one or more of the activities in the action plan are designed to meet other community development needs having a particular urgency as specified in 24 CFR 570.208(c):

The grantee hereby certifies that the Annual Plan includes one or more specifically identified CDBG-assisted activities which are designed to meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community and other financial resources are not available to meet such needs.


Signature/Authorized Official

06-10-2011
Date

City Manager
Title

Specific HOME Certifications

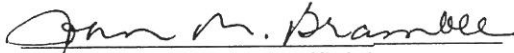
The HOME participating jurisdiction certifies that:

Tenant Based Rental Assistance -- If the participating jurisdiction intends to provide tenant-based rental assistance:

The use of HOME funds for tenant-based rental assistance is an essential element of the participating jurisdiction's consolidated plan for expanding the supply, affordability, and availability of decent, safe, sanitary, and affordable housing.

Eligible Activities and Costs -- it is using and will use HOME funds for eligible activities and costs, as described in 24 CFR § 92.205 through 92.209 and that it is not using and will not use HOME funds for prohibited activities, as described in § 92.214.

Appropriate Financial Assistance -- before committing any funds to a project, it will evaluate the project in accordance with the guidelines that it adopts for this purpose and will not invest any more HOME funds in combination with other Federal assistance than is necessary to provide affordable housing.


Signature/Authorized Official

06-10-2011
Date

City Manager _____
Title

**APPLICATION FOR
FEDERAL ASSISTANCE**

Version 7/03

1. TYPE OF SUBMISSION: Application <input checked="" type="checkbox"/> Construction <input type="checkbox"/> Non-Construction		2. DATE SUBMITTED May 12, 2011	Applicant Identifier M11-MC-06-0044
		3. DATE RECEIVED BY STATE	State Application Identifier
<input type="checkbox"/> Pre-application <input type="checkbox"/> Construction <input type="checkbox"/> Non-Construction	4. DATE RECEIVED BY FEDERAL AGENCY		Federal Identifier DUNS: 169-211-554

5. APPLICANT INFORMATION	
Legal Name:	Organizational Unit:
City of Merced	Department: Housing
Organizational DUNS: 169-211-554	Division: Housing
Address:	Name and telephone number of person to be contacted on matters involving this application (give area code)
Street: 678 W. 18th Street	Prefix: Ms.
City: Merced	First Name: Dawn
County: Merced	Middle Name
State: CA	Last Name Mendonca
Zip Code 95340	Suffix:
Country: USA	Email: mendoncad@cityofmerced.org
6. EMPLOYER IDENTIFICATION NUMBER (EIN):	Phone Number (give area code)
94-6000371	209-385-6863
	Fax Number (give area code) 209-385-6810
8. TYPE OF APPLICATION:	7. TYPE OF APPLICANT: (See back of form for Application Types)
<input type="checkbox"/> New <input checked="" type="checkbox"/> Continuation <input type="checkbox"/> Revision If Revision, enter appropriate letter(s) in box(es) (See back of form for description of letters.)	Municipal (C)
Other (specify)	Other (specify)
10. CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER:	9. NAME OF FEDERAL AGENCY:
TITLE (Name of Program): HOME	U.S. Department of Housing and Urban Development
12. AREAS AFFECTED BY PROJECT (Cities, Counties, States, etc.):	11. DESCRIPTIVE TITLE OF APPLICANT'S PROJECT:
City of Merced	Home Investment Partnerships Program (HOME)
13. PROPOSED PROJECT	14. CONGRESSIONAL DISTRICTS OF:
Start Date: 7/1/2011	a. Applicant 15
Ending Date: 6/30/2012	b. Project 15
15. ESTIMATED FUNDING:	16. IS APPLICATION SUBJECT TO REVIEW BY STATE EXECUTIVE ORDER 12372 PROCESS?
a. Federal \$ 588,197.00	a. Yes. <input type="checkbox"/> THIS PREAPPLICATION/APPLICATION WAS MADE AVAILABLE TO THE STATE EXECUTIVE ORDER 12372 PROCESS FOR REVIEW ON
b. Applicant \$.00	DATE:
c. State \$.00	b. No. <input checked="" type="checkbox"/> PROGRAM IS NOT COVERED BY E. O. 12372
d. Local \$.00	<input type="checkbox"/> OR PROGRAM HAS NOT BEEN SELECTED BY STATE FOR REVIEW
e. Other \$.00	17. IS THE APPLICANT DELINQUENT ON ANY FEDERAL DEBT?
f. Program Income \$.00	<input type="checkbox"/> Yes If "Yes" attach an explanation. <input checked="" type="checkbox"/> No
g. TOTAL \$ 588,197.00	
18. TO THE BEST OF MY KNOWLEDGE AND BELIEF, ALL DATA IN THIS APPLICATION/PREAPPLICATION ARE TRUE AND CORRECT. THE DOCUMENT HAS BEEN DULY AUTHORIZED BY THE GOVERNING BODY OF THE APPLICANT AND THE APPLICANT WILL COMPLY WITH THE ATTACHED ASSURANCES IF THE ASSISTANCE IS AWARDED.	
a. Authorized Representative	
Prefix Mr.	First Name John
Last Name Bramble	Middle Name M
b. Title City Manager	Suffix
d. Signature of Authorized Representative	c. Telephone Number (give area code) 209-385-6834
<i>John M. Bramble</i>	e. Date Signed 06-22-2011

**APPLICATION FOR
FEDERAL ASSISTANCE**

Version 7/03

1. TYPE OF SUBMISSION: Application <input checked="" type="checkbox"/> Construction <input type="checkbox"/> Non-Construction		2. DATE SUBMITTED May 12, 2011	Applicant Identifier M11-MC-06-0044	
		3. DATE RECEIVED BY STATE	State Application Identifier	
<input type="checkbox"/> Pre-application <input type="checkbox"/> Construction <input type="checkbox"/> Non-Construction	4. DATE RECEIVED BY FEDERAL AGENCY		Federal Identifier DUNS: 169-211-554	

5. APPLICANT INFORMATION

Legal Name: City of Merced		Organizational Unit: Department: Housing	
Organizational DUNS: 169-211-554		Division: Housing	
Address: Street: 678 W. 18th Street		Name and telephone number of person to be contacted on matters involving this application (give area code) Prefix: Ms.	
City: Merced		First Name: Dawn	
County: Merced		Middle Name	
State: CA		Last Name Mendonca	
Zip Code 95340		Suffix:	
Country: USA		Email: mendoncad@cityofmerced.org	

6. EMPLOYER IDENTIFICATION NUMBER (EIN):
 94-6000371

7. TYPE OF APPLICANT: (See back of form for Application Types)
☐ New ☒ Continuation ☐ Revision
 If Revision, enter appropriate letter(s) in box(es)
 (See back of form for description of letters.)
 Other (specify) ☐ ☐

8. TYPE OF APPLICATION:
☐ New ☒ Continuation ☐ Revision
 If Revision, enter appropriate letter(s) in box(es)
 (See back of form for description of letters.)
 Other (specify) ☐ ☐

9. NAME OF FEDERAL AGENCY:
 U.S. Department of Housing and Urban Development

10. CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER:
 14-218
 TITLE (Name of Program):
 CDBG

11. DESCRIPTIVE TITLE OF APPLICANT'S PROJECT:
 Community Development Block Grant (CDBG)

12. AREAS AFFECTED BY PROJECT (Cities, Counties, States, etc.):
 City of Merced

13. PROPOSED PROJECT
 Start Date: 7/1/2011 Ending Date: 6/30/2012

14. CONGRESSIONAL DISTRICTS OF:
 a. Applicant 15 b. Project 15

15. ESTIMATED FUNDING:

a. Federal	\$	1,129,761
b. Applicant	\$.
c. State	\$.
d. Local	\$.
e. Other	\$.
f. Program Income	\$.
g. TOTAL	\$	1,129,761

16. IS APPLICATION SUBJECT TO REVIEW BY STATE EXECUTIVE ORDER 12372 PROCESS?
 a. Yes. ☐ THIS PREAPPLICATION/APPLICATION WAS MADE AVAILABLE TO THE STATE EXECUTIVE ORDER 12372 PROCESS FOR REVIEW ON
 DATE:
 b. No. ☒ PROGRAM IS NOT COVERED BY E. O. 12372
☐ OR PROGRAM HAS NOT BEEN SELECTED BY STATE FOR REVIEW

17. IS THE APPLICANT DELINQUENT ON ANY FEDERAL DEBT?
☐ Yes If "Yes" attach an explanation. ☒ No

18. TO THE BEST OF MY KNOWLEDGE AND BELIEF, ALL DATA IN THIS APPLICATION/PREAPPLICATION ARE TRUE AND CORRECT. THE DOCUMENT HAS BEEN DULY AUTHORIZED BY THE GOVERNING BODY OF THE APPLICANT AND THE APPLICANT WILL COMPLY WITH THE ATTACHED ASSURANCES IF THE ASSISTANCE IS AWARDED.

a. Authorized Representative

Prefix Mr.	First Name John	Middle Name M
Last Name Bramble		Suffix
b. Title City Manager		c. Telephone Number (give area code) 209-385-6834
d. Signature of Authorized Representative <i>John M. Bramble</i>		e. Date Signed 06-22-2011

