



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Jacky Morales-Ferrand

**SUBJECT:** SEE BELOW

**DATE:** August 9, 2022

Approved

Date

8/9/2022

## SUPPLEMENTAL

**SUBJECT: FINAL PUBLIC HEARING ON THE FISCAL YEAR 2022-23 ANNUAL ACTION PLAN FOR THE US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

## REASON FOR SUPPLEMENTAL

This supplemental memorandum provides an update on the proposed funding amounts for programs in the Community Development Block Grant (CDBG) public service category.

## BACKGROUND

On April 26, 2022, the City Council held a public hearing and approved the proposed draft Fiscal Year 2022-23 Annual Action Plan. The draft also included a contingency plan on how staff would adjust amounts to be awarded pursuant to receiving the final U.S. Department of Urban Development (HUD) allocations, specifically staff proposed that increases or decreases would be spread proportionally across the board per source.<sup>1</sup> On May 13, 2022, the City received notice of its final formula allocation amounts for FY 2022-23. The City will receive approximately \$14.4 million in CDBG, HOME, HOPWA, and ESG entitlement grants. While the total is only approximately \$9,517 less than the total of last year's allocations, not all entitlement grants received a funding cut. The HOME funds increased by 10.6% and HOPWA allocation increased by 6.3%. The CDBG allocation decreased by 4.9% and ESG allocation decreased by 2%. The Housing Department proposed to reduce the CDBG Public Service funding contracts by 4.9% and there are no proposed reductions to the ESG contracts. CDBG only allows a maximum of 15% of the total grant to be used for public service activities. The proposed Action Plan funded Public Service activities at the maximum level allowed by HUD.

<sup>1</sup> Report to Council April 26, 2022 item 8.3:

<https://www.sanjoseca.gov/home/showpublisheddocument/85226/63787092128970000>

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**ANALYSIS**

The Housing Department has identified a funding source to restore the CDBG Public Service programs to FY2021-22 levels. The Department is in process of closing out another federally funded program called the Neighborhood Stabilization Program (NSP). It was established for the purpose of providing emergency assistance to stabilize communities with high rates of foreclosed homes. Congress has not allocated any funding to the program for years and most cities are in process of closing out their programs. San José will have approximately \$584,000 in leftover funds from NSP and proposes to use these funds to make up the reduction in CDBG funds for FY22-23. Table 1 below identifies the contracts that were originally reduced (in the memorandum dated July 26, 2022) and the proposed new amounts.

**Table 1: CDBG Public Service Proposed Amounts**

<b>Activity</b>	<b>Agency</b>	<b>Program</b>	<b>Previously Proposed Amount</b>	<b>NEW Proposed Amount</b>
Legal Services	SJ Housing Rights Consortium	Legal services for low-income tenants and landlords	\$454,730	\$475,115
Neighborhood Engagement	SOMOS Mayfair	Home Grown Talent Project	\$118,875*	\$150,000
Neighborhood Engagement	CommUniversity	Community Leadership Development	\$71,325	\$75,000
Services for Homeless	HomeFirst	Citywide Street Outreach	\$380,385	\$399,983
Fair Housing	Law Foundation Silicon Valley	Fair Housing Services	\$190,200	\$200,000
<b>Total</b>			<b>\$1,215,515</b>	<b>\$1,300,098**</b>

*\*There was a mathematical error in the staff report dated July 26, 2022, resulting in a larger decrease than 4.9% for SOMOS Mayfair.*

*\*\*Final total will be brought forward to Council in a substantial amendment to the annual action plan.*

The Housing Department must finish closing the NSP program with HUD, it’s anticipated that will be complete in the next month. Finally, the Department will have to conduct a substantial amendment to its FY2022-23 Annual Action Plan to recognize and allocate the \$584,000 in leftover funds. The final totals may adjust as the Department plans to work with each agency to negotiate an additional increase to adjust for inflation. The Department will return to Council with the needed budget actions to for approval by the end of the calendar year.

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## **COORDINATION**

This memorandum has been coordinated with the City Attorney's Office and the City Manager's Budget Office.

/s/

JACKY MORALES-FERRAND

Director, Housing Department

The primary author of this memorandum is Ragan Henninger, Deputy Director, for questions please contact her at [ragan.henninger@sanjoseca.gov](mailto:ragan.henninger@sanjoseca.gov).