



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Erik L. Soliván

SUBJECT: See Below

DATE: March 16, 2026

Approved

Date:

3/24/26

COUNCIL DISTRICT: Citywide

SUBJECT: Second Substantial Amendment to the Fiscal Year 2025-2026 Annual Action Plan

RECOMMENDATION

- (a) Conduct a public hearing and receive public comment on the Second Substantial Amendment to the Fiscal Year 2025-2026 Annual Action Plan, as required by the United States Department of Housing and Urban Development.
- (b) Adopt a resolution relating to the Second Substantial Amendment to the Fiscal Year 2025-2026 Annual Action Plan to incorporate additional projects funded with Community Development Block Grant funds, subject to the appropriation of funds, including the authority to:
 - (1) Approve the proposed changes set forth in the Second Substantial Amendment to the Fiscal Year 2025-2026 Annual Action Plan; and
 - (2) Authorize the Housing Director, or his designee, to submit the Second Substantial Amendment to the Fiscal Year 2025-2026 Annual Action Plan to the United States Department of Housing and Urban Development.
- (c) Adopt a resolution authorizing the Housing Director, or his designee, to negotiate and execute agreements with Veggielution, in an amount not to exceed \$750,000, retroactive from April 1, 2026, through June 30, 2026 for the Community Development Investment project that will begin during Fiscal Year 2025-2026, subject to the appropriation of funds.

SUMMARY AND OUTCOME

This memorandum presents the Second Substantial Amendment to the Fiscal Year 2025-2026 Annual Action Plan (AAP), proposing the addition of new Community Development Investment projects funded through the Community Development Block Grant (CDBG) Program. These projects support public infrastructure and community facility improvements that primarily benefit low- and moderate-income (LMI) communities.

This action will provide City Council and the public with an opportunity to review and comment on the proposed changes in accordance with the United States Department of Housing and Urban Development's (HUD) Citizen Participation requirements.

City Council approval of the Second Substantial Amendment will formally update the FY 2025-2026 AAP and authorize the Housing Director, or his designee, to submit the substantial amendment to HUD. The proposed changes are consistent with the priorities established in the 2025-2030 Consolidated Plan and support additional CDBG-funded investments that improve public safety, expand access to cultural and community resources, and strengthen neighborhood conditions in LMI areas.¹

BACKGROUND

The City of San José (City) receives annual formula funding from HUD through the CDBG Program to support eligible housing and community development activities that primarily benefit LMI households and neighborhoods. As a condition of receiving this funding, HUD requires the City to prepare and submit an AAP identifying the specific activities and funding allocations for each program year.

On June 3, 2025, City Council approved the 2025-2030 Consolidated Plan and the FY 2025-2026 AAP, which established the City's five-year housing and community development priorities and outlined the planned use of federal CDBG, HOME Investment Partnerships, Emergency Solutions Grant, and Housing Opportunities for Persons with AIDS funds for the upcoming fiscal year. The FY 2025-2026 AAP included funding for public services, administration, economic development, and Community Development Investment projects, including both construction and non-construction activities. It also identified approximately \$4.7 million in CDBG funds to be reserved for additional Community Development Investment construction activities, including eligible public infrastructure or community facility improvement and rehabilitation projects.

In early fall 2025, the Housing Department issued a CDBG Request for Proposals for eligible nonprofit organization-led capital improvement projects.

¹ City of San José, *2025-2030 Consolidated Plan*, June 2025:
<https://www.sanjoseca.gov/home/showpublisheddocument/124258/638919124124430000>

In accordance with section 24 of the Code of Federal Regulations, part 91, HUD requires jurisdictions to amend their AAP when there is a substantial change in the use of CDBG funds, including the addition of new projects.² Under the City’s Community Participation Plan (formally named “Citizen Participation Plan”), such substantial amendments require a public review and comment period as well as a public hearing prior to City Council consideration and submission to HUD.³

On January 13, 2026, City Council approved the First Substantial Amendment to the FY 2025-2026 AAP, proposing the addition of two new Community Development Investment projects supporting public infrastructure and community facility improvements.

ANALYSIS

The Housing Department conducted a review of the proposed capital improvement projects to assess eligibility, feasibility, and readiness for implementation. Key evaluation considerations included alignment with CDBG eligibility requirements and national objectives, consistency with the goals and strategies outlined in the City’s 2025-2030 Consolidated Plan and AAP, the clarity and completeness of each project’s scope of work, and the capacity of the implementing department or organization to carry out the work within the required expenditure schedule. Staff also evaluated each project’s ability to meet HUD and City timeliness requirements, including the expectation that at least 85 percent of allocated funds be expended by April 30 of the same fiscal year. Table 1 below summarizes the proposed additional Community Development Investment Project.

Table 1: Community Development Investment Project Summary

Project Name	Agency Partner	Description	Funding Source / Allocation	Proposed Outcome
Field to Farmstand: Building East San José’s Community Food Infrastructure	Veggielution	Construct a new produce packing facility and upgrade community spaces used for food distribution, workforce training, and resident-led leadership development.	CDBG / \$750,000	Provide paid and volunteer career training to at least 60 residents annually; Support 20 local food entrepreneurs each year through Eastside Grown; Maintain safe, inclusive community spaces that primarily serve LMI residents of East San José
TOTAL			\$750,000	

² United States Department of Housing and Urban Development, Section 24 of the Code of Federal Regulations , Part 91 – Citizen Participation (24 CFR § 91.105) and Substantial Amendments (24 CFR § 91.505), web link: <https://www.ecfr.gov/current/title-24/subtitle-A/part-91>

³ City of San José, *Community Participation Plan*, amended June 2025: <https://www.sanjoseca.gov/home/showpublisheddocument/123517/638889540655970000>

Field to Farmstand: Building East San José's Community Food Infrastructure

Veggielution will implement targeted facility improvements at its community farm site in East San José's Mayfair neighborhood. CDBG funds will support:

1. The construction of a new food-safe packing facility with areas for sorting and cold storage, built to United States Department of Agriculture and Santa Clara County Health Department standards;
2. Upgrades to community spaces, including shade structures and pathways to improve accessibility for volunteers, families, and trainees;
3. Solar-ready systems and water-capturing systems to advance climate and energy resilience; and
4. Multi-use training area to host food entrepreneurship workshops, youth workforce programs, resident leadership sessions, and nutrition and wellness classes for LMI residents in the Mayfair neighborhood.

Together, these improvements will strengthen local food access, support community-based economic pathways, and reinforce Veggielution's role as a neighborhood hub for food, health, and community resilience.

The Attachment to this memorandum provides a summary of the proposed Second Substantial Amendment to the FY 2025-2026 AAP detailed above.

EVALUATION AND FOLLOW-UP

Following City Council approval, the Housing Department will submit the substantial amendment and any associated public comments to HUD. The HUD-approved amended AAP will then be posted on the Housing Department's website and made available to the public upon request, consistent with the City's Community Participation Plan.

Housing Department staff will also coordinate with Veggielution to update and finalize project scopes, confirm compliance with all applicable federal requirements, and execute the funding agreements. These agreements will include detailed scopes of work, project budgets, performance measures, and implementation timelines consistent with CDBG eligibility and HUD requirements.

Furthermore, before executing any construction-related contracts, staff will ensure completion of all applicable environmental reviews in accordance with the National Environmental Policy Act and the California Environmental Quality Act, as well as compliance with other federal cross-cutting and labor standards requirements.

The Housing Department will monitor progress on the project added through this Second Substantial Amendment through ongoing coordination, reporting, and compliance review. Expenditures and programmatic outcomes will be tracked to ensure

alignment with the goals of the FY 2025-2026 AAP and HUD timeliness requirements. Information on project implementation and progress will be included in the City's Consolidated Annual Performance and Evaluation Report, which is submitted to HUD at the close of each program year and presented to City Council annually in September.

FISCAL IMPACTS

Approval of the Second Substantial Amendment to the FY 2025-2026 AAP will program existing CDBG funds that were previously reserved for Community Development Investment activities to support the Field to Farmstand project, awarding Veggielution \$750,000. The proposed actions utilize budgeted resources from the Community Development Block Grant (CDBG) Fund (Fund 441) and include the repurposing of funds in the Neighborhood Infrastructure Improvements appropriation. These funds were originally designated for a project that was subsequently cancelled and are now being redirected to support the new Veggielution project. These actions result in no net change to the overall CDBG allocation amount approved for FY 2025-2026.

COORDINATION

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

PUBLIC OUTREACH

This memorandum will be posted on the City Council Agenda website for the April 7, 2026 City Council meeting.

Under the City's Community Participation Plan, two publicly noticed hearings are required to provide the public with an opportunity to comment on the proposed amendment. The first public hearing was held as a community meeting on March 19, 2026, in person at City Hall and virtually via Zoom. The April 7, 2026, City Council meeting will serve as the second and final public hearing, at which time the City Council is expected to consider and approve the Second Substantial Amendment to the FY 2025-2026 AAP. Following approval, the Housing Department will submit the amended AAP to HUD.

Staff published official notices of the public hearing and the associated 15-day public review period in accordance with the City's Community Participation Plan. The draft Second Substantial Amendment was made available for public review on the Housing Department's website from March 9, 2026, through April 7, 2026. Official notices were published in English, Spanish, Vietnamese, Chinese, and Tagalog in local newspapers,

and electronic notifications were distributed to individuals and organizations with an interest in housing and community development matters.

All public comments received, both verbal and written, along with the City's responses, will be included in the amended AAP package submitted to HUD following City Council approval.

BOARD, COMMISSION, COMMITTEE RECOMMENDATION AND INPUT

No board, commission, or committee recommendation or input is associated with this action.

CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/
Erik L. Soliván
Director, Housing Department

For questions, please contact Sarah Fields, Deputy Director, Housing Department at sarah.fields@sanjoseca.gov or (669) 369-8999.

ATTACHMENT: Summary: Draft Second Substantial Amendment to the FY 2025-2026
AAP

ATTACHMENT

Summary: Draft Second Substantial Amendment to the FY 2025-2026 AAP

Background

This is a proposed Second Substantial Amendment to the City's Fiscal Year 2025-2026 Annual Action Plan (AAP). The purpose of the amendment is to program previously reserved CDBG funds for specific Community Development Investment infrastructure projects that will be implemented during the FY 2025-2026 program year.

The City's AAP outlines its funding strategy for the CDBG, HOME Investment Partnerships, Emergency Solutions Grant, and Housing Opportunities for Persons with AIDS programs. The AAP implements the priorities of the City's 2025-2030 Consolidated Plan and is developed through public input, data analysis, and community planning.

In the adopted FY 2025-2026 AAP, a portion of CDBG funds was reserved for future Community Development Investment construction activities, including public infrastructure and community facility improvements. The proposed Second Substantial Amendment herein identifies the specific projects to be funded with those reserved CDBG funds.

Substantial Amendment is Needed

All entitlement jurisdictions that receive HUD formula funding are required to maintain an adopted Community Participation Plan. The City's Community Participation Plan establishes the process for amending the Consolidated Plan and AAP and defines the circumstances under which a substantial amendment is required.

Under the City's Community Participation Plan, a substantial amendment includes any change that:

- Increases or decreases the amount allocated to a funding category by \$250,000, or by an amount exceeding 25% of the total allocation for that category, whichever is greater; or
- Significantly alters the intended beneficiaries or persons to be served by a program or activity; or
- Adds a new activity that was not previously identified in the adopted AAP.

The proposed changes to the FY 2025-2026 AAP meet the definition of a substantial amendment because it adds specific new Community Development Investment projects that were not previously identified in the previously approved plan. Therefore, this Second Substantial Amendment requires a formal public review and approval process before submission to HUD.

Proposed Amendment

Beginning in the Community Development Investment activities section of the adopted FY 2025-2026 AAP, including Annual Plan and related project tables, the CDBG allocations for Community Development Investment projects will be amended as follows to grant previously reserved funds to a new Agency Partner:

Second Substantial Amendment Project Summary

Project Name	Agency Partner	Description	Funding Source / Allocation	Proposed Outcome
Field to Farmstand: Building East San José's Community Food Infrastructure	Veggielution	Construct a new produce packing facility and upgrade community spaces used for food distribution, workforce training, and resident-led leadership development.	CDBG / \$750,000	Provide paid and volunteer career training to at least 60 residents annually; Support 20 local food entrepreneurs each year through Eastside Grown; Maintain safe, inclusive community spaces that primarily serve LMI residents of East San José
TOTAL			\$750,000	