

RESOLUTION NO.

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE 1) APPROVING THE SUBSTANTIAL AMENDMENT TO THE FISCAL YEAR 2022-2023 ANNUAL ACTION PLAN THAT INCLUDES CHANGES TO THE FEDERAL NEIGHBORHOOD STABILIZATION PROGRAM AND THE COMMUNITY DEVELOPMENT BLOCK GRANT TO THE CITY OF SAN JOSE; 2) AUTHORIZING THE HOUSING DEPARTMENT TO SUBMIT THE SUBSTANTIAL AMENDMENT TO THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT; AND 3) AUTHORIZING THE CITY MANAGER OR HER DESIGNEE TO NEGOTIATE AND EXECUTE AGREEMENTS WITH GRANTEES FOR THE ACTIVITIES IDENTIFIED IN THESE ANNUAL ACTION PLAN AMENDMENTS AND ALL RELATED CONTRACT AMENDMENTS, EXTENSIONS, AND CHANGES

WHEREAS, the Annual Action Plan governs the expenditure of entitlement funds and competitive grants that the City of San José (“City”) receives from the U.S. Department of Housing and Urban Development (“HUD”); and

WHEREAS, on August 9, 2022, the City Council approved the Fiscal Year 2022-2023 Annual Action Plan (“Annual Action Plan”), which includes the expenditure of Neighborhood Stabilization Program (“NSP1”) and Community Development Block Grant (“CDBG”) funds; and

WHEREAS, in 2009, under the Housing Economic Recovery Act of 2008, the City was awarded a \$5,628,283 NSP1 grant to mitigate the impacts of the 2008 to 2010 foreclosure crisis and the City successfully acquired and resold or rented 14 owner-occupied, single-family residences and two fourplex apartment buildings to income-eligible households; and

WHEREAS, the NSP1 program generated \$3,127,329 in program income, of which \$2,543,108 was re-invested into the program, and program income is money directly generated from loan repayments from these investments; and

WHEREAS, under NSP1 regulations, program income received prior to, at the time of, or after closeout may be transferred to an annual CDBG program and the transferred funds will become CDBG program income; and

WHEREAS, there is \$584,220 available in NSP1 program income and these funds are subject to CDBG statutory and regulatory requirements for CDBG program income; and

WHEREAS, HUD recognizes that some grantees no longer have an adequate pool of NSP1-eligible foreclosed or abandoned properties in the specified targeted areas and acknowledges there are other community needs that CDBG funding could be used to address; and

WHEREAS, NSP1 recipients are in the process of closing out their programs because the federal government discontinued funding the Neighborhood Stabilization Programs, and in June 2022, the City's Housing Department initiated the NSP1 closeout process that will be completed in this fiscal year and transferring the funds into the CDBG program is one of the requirements of the closeout process; and

WHEREAS, before the funds can be transferred into the CDBG program, the funds must be allocated in the Annual Action Plan so that the public will know how the funds will be spent; and

WHEREAS, staff recommends reallocating NSP1 program income funds in the Annual Action Plan to the CDBG program for CDBG-eligible uses of public service, community development and administration; and

WHEREAS, these proposed changes to the Annual Action Plan meet HUD's Substantial Amendment requirements because the NSP1 funds will no longer be used to acquire and rehabilitate foreclosed single-family homes or apartments, and the closure of the NSP1 program and the transfer of funds to CDBG is over \$100,000 in the Community Development and Administration funding categories; and

WHEREAS, the City desires to approve the Substantial Amendment to the Annual Action Plan, authorize the Housing Department to submit the Substantial Amendment to HUD, and negotiate and execute agreements with grantees for the activities identified in these Annual Action Plan amendments and all related contract amendments, extensions, and changes;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SAN JOSE THAT:

1. The following changes relating to the Substantial Amendment to the Fiscal Year 2022-2023 Annual Action Plan are hereby approved:
 - (i) Decrease NSP1 program income funds by \$584,220 and redirect funds to Community Development Block Grant eligible uses;
 - (ii) Increase Community Development Block Grant program income funds by \$584,220 and apply funds to other Community Development Block Grant eligible uses.
2. The Housing Department is hereby authorized to submit the Substantial Amendment to the U.S. Department of Housing and Urban Development.

3. The City Manager or her designee is hereby authorized to negotiate and execute agreements with grantees for the activities identified in these Annual Action Plan amendments and all related contract amendments, extensions, and changes.

ADOPTED this _____ day of _____, 2023, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

MATT MAHAN
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk