



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: May 14, 2018

Approved

Date

5/25/18

SUBJECT: PUBLIC HEARING FOR THE DRAFT 2018-2019 ANNUAL ACTION PLAN

RECOMMENDATION

It is recommended that the City Council:

- 1) Conduct a Public Hearing on the Draft FY 2018-2019 Annual Action Plan (Plan), as required by the U.S. Department of Housing and Urban Development (HUD); and,
- 2) Provide Housing Department staff with input on the draft FY 2018-2019 Annual Action Plan and funding priorities.

OUTCOME

The purpose of this item to: 1) provide the opportunity for public input on the housing, public services, and community and neighborhood development priorities in San José; and 2) obtain City Council input on the final Plan to be considered for adoption at the June 19, 2018 City Council meeting. HUD requires the City's approval of an Annual Action Plan as a condition of receiving approximately \$14.3 million in federal funding. Upon City Council adoption of the Plan on June 19, the Housing Department will submit the final document to HUD by the July 1, 2018 deadline.

EXECUTIVE SUMMARY

This action requests approval of the Plan, a yearly planning report that HUD requires of jurisdictions receiving federal funds via formula grant. This memorandum summarizes the key elements on the use of approximately \$14.3 million the City is projected to receive in

FY 2018-2019. The report details an itemized description of the proposed activities and funding recommendations for each of the four federal funds. The activities proposed in the Plan are based on stakeholder outreach conducted to solicit input and to develop the Plan.

The Plan summarizes the proposed uses for the following: \$1.7 million in Community Development Block Grant (CDBG) on Public Services; \$12.4 million in CDBG on various construction and non-construction Community Development Investments; \$7.7 million in HOME Investment Partnerships Program (HOME) on affordable housing developments with apartments for formerly homeless residents; \$2.5 million in HOME for rental vouchers to formerly homeless residents; \$1.0 million in Housing for Persons with AIDS (HOPWA); and \$738,000 in Emergency Solutions Grants (ESG) for homeless outreach and homelessness prevention programs.

BACKGROUND

As a HUD entitlement jurisdiction, San José receives federal formula grants each year from HUD for housing and community development activities. The funding is allocated to the City based on several factors including population, poverty, and housing statistics.

Every five years, HUD requires entitlement jurisdictions to develop a Five-Year Consolidated Plan. The Consolidated Plan: assesses the City's current housing market; analyzes demographic, ethnic, and socio-economic conditions; and, identifies populations within the City that have the greatest community and housing needs. It also defines the City's priority needs, strategies, and objectives for reducing the most prevalent barriers to housing and services in our community.

In May 2015, the City adopted the Five-Year Consolidated Plan for the FY 2015-2020 period. The City participated in a Countywide collaboration to analyze data on housing needs and to develop this cycle's Consolidated Plan. The City then refined and prioritized the identified broad regional objectives to establish its four major goals, which meet both regional and local priorities:

- 1) Increase and preserve affordable housing opportunities;
- 2) Respond to homelessness and its impacts on the community;
- 3) Strengthen neighborhoods; and
- 4) Promote fair housing.

In each of the five years in the Consolidated Plan, HUD requires entitlement jurisdictions to submit an Annual Action Plan which identifies a one-year strategy for meeting the goals contained in the Five-Year Plan. This proposed Plan covers FY 2018-2019.

FY 2018-2019 Plan Process

In early November 2017, the Housing Department initiated the planning and development process for the FY 2018-2019 Plan. The outreach and citizen participation process is summarized in pages 24-30 of the draft Plan. After receiving public input on the funding priorities, City staff presented the results of the collective input and staff analysis to the Housing and Community Development Commission (HCDC) on January 11, 2018. After receiving input from HCDC, City staff finalized the funding priorities and incorporated them into the draft Plan.

The draft Plan was released on May 18, 2018, for public comment. The document is attached to this memorandum and can be found at <http://www.sanjoseca.gov/DocumentCenter/View/69031>. HUD requires that the document be made available for public input 30 days prior to City Council approval. The 30-day public comment period will continue through the second City Council hearing on the Plan on June 19, 2018.

The draft FY 2018-2019 Plan was released later than usual this year due to delays by the federal government in adopting its 2018 federal budget. This in turn delays the final public hearing and City Council consideration. In the typical annual schedule, final approvals and submission are completed in May. However, the federal government operated under multiple Continuing Resolutions (CR). This extended the use of FY 2017 discretionary spending levels from October 1, 2017, to March 23, 2018. The House and Senate finally approved the 2018 federal budget on March 22, 2018.

Given these delays, staff received guidance by HUD on how to accommodate this year's federal budget specifics in preparing the Annual Action Plan. HUD notified San José of its final federal allocation on May 1, 2018. The City was also informed that the deadline to submit the approved Plan to HUD was July 1, 2018. The City's final allocation numbers are included in this draft FY 2018-2019 Annual Action Plan.

ANALYSIS

For FY 2018-2019, the City has been informed that it will receive \$14.3 million total in Community Development Block Grant (CDBG), HOME Investment Partnerships Program (HOME), Housing Opportunities for Persons with HIV/AIDS (HOPWA), and Emergency Solutions Grants Program (ESG) entitlement grants. When prior-year balances and anticipated program income from loan repayments are added to the annual allocation, the total federal funds to be programmed in the coming year is approximately \$28.7 million. Table 1 below summarizes the FY 2018-2019 federal funding levels:

Table 1: FY 2018-2019 Federal Funding Levels

Fund	Annual Allocation	Prior-year Carryover*	Estimated 2018-2019 Program Income	Total Estimated Resources
CDBG	\$8,927,311	\$6,231,927	\$880,000	\$16,039,238
HOME	\$3,550,726	\$5,300,726	\$1,750,000	\$10,601,452
HOPWA	\$1,131,945	\$150,000	\$0	\$1,281,945
ESG	\$737,828	\$0	\$0	\$737,828
Total	\$14,347,810	\$11,682,653	\$2,630,000	\$28,660,463

*Note: The Prior-year Carryover amounts may differ from the City's annual budget due to timing differences regarding the treatment of program commitments and encumbrances.

FY 2018-2019 Plan

The FY 2018-2019 Plan contains a description of all activities recommended for funding. Each of the activities detailed in this Action Plan is aligned with the four goals of the Consolidated Plan and contributes to the City's five-year objectives. The Plan aligns the City's available resources with the planned activities that will enable the City to meet its annual goals. Completing the annual Plan helps the City stay on target to meet its five-year plan goals. The expenditure plans for CDBG, HOME, HOPWA, and ESG are provided below. All activities are described in greater detail in the draft Plan's Project Summary Table (*AP-38 Projects Summary*).

Community Development Block Grant (CDBG) Program

CDBG is a flexible funding source that supports the development of viable urban communities by providing decent housing, encouraging a suitable living environment, and expanding economic opportunities, principally for lower-income households.

As the largest and most flexible of the four federal grants, CDBG funds are divided into three categories. These include Public Services (PS), Community Development Improvements (CDI), and Administration activities. The CDI category is further delineated into construction projects and non-construction projects. Construction projects consist of capital projects that directly fund physical improvements such as facility or infrastructure improvements. Non-construction projects include programs and other services, such as job training, provided to Low- and Moderate-Income Households.

Table 2 outlines the City's planned CDBG expenditures for the coming year by category and activity. Additional detail on these activities are provided in subsequent tables in this memo.

Table 2: CDBG Activities for FY 2018-2019

Category	CDBG Activities	Funding
PS	Senior Services	\$200,000
PS	Neighborhood Engagement and Leadership Training	\$240,000
PS	Services for Homeless and Unhoused Populations	\$724,000
PS	Citywide Legal Services for Low-income Tenants and Landlords	\$500,000

Category	CDBG Activities	Funding
PS/Admin	Fair Housing	\$300,000
CDI	Place-based Street and Infrastructure Enhancements	\$2,784,000
CDI	Affordable Housing Site Acquisition & Infrastructure	\$5,014,000
CDI	Nonprofit Facility Rehabilitation	\$1,126,000
CDI	Targeted Code Enforcement	\$1,099,138
CDI	Minor Home Repair	\$1,640,000
CDI	Job Training for Homeless individuals	\$500,000
CDI	Soft Story Grant Match	\$200,000
Admin	Grants Management	\$1,711,462
Total		\$16,038,600

CDBG – Public Services

CDBG funds can pay for a variety of Public Services for low-income individuals. Program regulations require that funding for Public Services be capped at 15% of the annual allocation combined with the prior year’s Program Income. Program Income is primarily comprised of repayments of loans made from federal funds. Services are generally funded on a three- to five-year funding cycle to provide predictability in service delivery and to support organizational capacity of service providers.

Table 3 lists existing services and service providers currently in a three-year funding cycle. Staff is recommending to extend the following services through FY 2018-2019 at the indicated funding levels.

Table 3: Existing Service Providers in Three-Year CDBG Funding Cycle

Service Type	Agency	Program	Funding
Senior Services	The Health Trust	Meals On Wheels – Senior Services	\$125,000
Senior Services	Portuguese Organization for Social Services Opportunities	Senior Access and Health Support	\$75,000
Neighborhood Engagement	SOMOS Mayfair	Home Grown Talent Project	\$150,000
Neighborhood Engagement	CommUniverCity	Community Leadership Development	\$50,000
Neighborhood Engagement	TBD	Santee Neighborhood Engagement and Referrals	\$40,000
Homeless Services	HomeFirst	Citywide Outreach & Shelter	\$165,000
Homeless Services	PATH	Citywide Outreach & Shelter	\$45,000
Fair Housing	Silicon Valley Law Foundation - Five Agency Consortium	Fair Housing Services*	\$50,000
Total			\$700,000

**These services will be funded from CDBG Administrative funds and CDBG Public Services funds. The total amount recommended is \$300,000.*

In addition, the Housing Department has issued two Requests for Proposals (RFP) for services. These include: 1) legal services for low-income tenants and landlords, and 2) outreach and engagement for homeless populations, and homelessness prevention programs, in coordination with the County of Santa Clara. The Department expects to recommend funding for both of these RFPs in June 2018 with the final draft Plan.

Table 4: Pending Awards for CDBG-funded Services

Service Type	Agency	Program	Funding
Legal Services	Agency selection not complete	Legal Services for Low-income Tenants and Landlords	\$500,000
Homeless Services	Agency selection not complete	Outreach & Engagement and Homeless Prevention Programs	\$514,000
Total			\$1,014,000

CDBG - Community Development Investment Funds

Community Development Investment (CDI) funds can be used to fund public infrastructure and other needs that serve low-income individuals. There is no limit on the amount of funding that may be dedicated to the CDI category. The FY 2018-2019 Plan allocated CDBG funding to the following CDI activities:

Place-based Projects – Housing Department staff has coordinated with other City Departments to identify infrastructure and other capital projects eligible for CDBG that benefit the City’s lower-income communities. Since 2012, CDBG resources have leveraged investments in the Santee/McKinley, Mayfair, and Five Wounds/Brookwood Terrace neighborhoods to create clean, safe, and engaged neighborhoods. In FY 2018-2019, the Housing Department is broadening its neighborhood focus to include three low-income areas adjacent to planned housing developments for formerly-homeless residents at Evans Lane, Senter Road, and South Second Street. Also included in this category are funds for the Housing Department’s acquisition of sites and for infrastructure work supporting affordable developments. As with most capital projects, the affordable housing site acquisition and infrastructure funds are expected to start next fiscal year but may result in expenditures over multiple years. The Plan allocates funds in FY 2018-2019 for the following proposed City projects:

Table 5: CDI Place-based Projects

Project	Description	Funding
Evans Lane Library & Infrastructure, Traffic Calming, and Community Garden	Installation of a bridge library and community garden. Installation of new and upgraded lighting in the area, and adding traffic calming measures. Installation of road and other infrastructure. In addition to supporting the areas immediately adjacent to the future affordable housing to be built at Evans Lane, this project serves the needs of the broader community.	\$2,000,000
The Haven	Rehabilitation of City-owned emergency shelter for disaster victims	\$300,000
Green Alleyways	Additional funds for targeted alleyways	\$484,000

Project	Description	Funding
Affordable Housing Site Acquisition and Infrastructure	Site acquisition and infrastructure related to creation of new affordable housing	\$5,014,000
Total		\$7,798,000

Nonprofit Facility Rehabilitation – Community-based organizations provide vital services for the residents of San José. They offer services that are often not feasible for public or private organizations to administer. Many organizations struggle to raise the revenue needed to provide basic essential services for the City’s most at-risk residents. This ongoing lack of resources leaves many agencies with the inability to maintain or improve the facilities where their staff are located and where direct services to clients are provided. CDI funding for nonprofit facilities has been identified as a critical need by many of the nonprofit agencies in San José and has been listed as a priority by the Silicon Valley Council of Nonprofits. Accordingly, the Plan identifies that funds be allocated for the purposes listed in Table 6.

Table 6: CDI Nonprofit Facility Rehabilitation

Agency	Program	Funding
TBD	Nonprofit Facility Rehabilitation RFP in Fall	\$850,000
Bill Wilson Agency	Continued rehabilitation of Bill Wilson Enclave Youth Shelter	\$276,000
Total		\$1,126,000

CDI-funded Non-construction – Non-construction CDI projects include programs and other indirect services benefitting low- and moderate-income individuals and households. Enhanced Code Enforcement and Job Creation are two of the only “service” activities that can be funded with CDI funds. For Code Enforcement to be eligible, it must be linked with a special program such as the City’s Place-Based Neighborhood Initiative. Table 7 provides a list of the programs to be funded under the CDI category:

Table 7: CDI Non-construction Projects

Agency	Program	Funding
City Code Enforcement	Enhanced Code Enforcement in targeted neighborhoods	\$1,099,138
Rebuilding Together Silicon Valley	Minor Repair and Limited Rehab for Low-Income Homeowners Program	\$1,100,000
Habitat for Humanity	Minor Repair and Limited Rehab for Low-Income Homeowners Program	\$540,000
San José Streets Team	Job training for homeless and at risk individuals	\$500,000
City (interdepartmental)*	Match funding to State grant for new pilot program on Soft Story residences	\$200,000
Total		\$3,439,138

**Note: Staff will bring a separate memorandum to City Council on this grant application in June 2018.*

Administrative: Recognizing the significant requirements associated with managing CDBG funds, HUD allows funding of administrative planning and oversight utilizing up to 20% of the sum of the annual allocation plus the current year's Program Income. In addition to grant planning and oversight, Fair Housing is the sole service that can be paid from the Administrative category as well as the Public Service category. In FY 2018-2019, the Housing Department will continue to provide the majority of the cost of Fair Housing services out of this CDBG category with the remainder funded out of Public Services. In addition, some Administrative funds will pay other City departments' staff's work on CDBG-related activities. This includes the City Attorney's Office and Planning, Building and Code Enforcement Department. Finally, up to \$100,000 is planned for consulting services to start an Assessment of Fair Housing study per HUD's guidance. The total allocation for Administrative in FY 2018-2019 is \$1,961,462.

Table 8: CDBG Administrative

Agency	Program	Funding
City	Grant planning, administration, and support	\$1,611,462
Consultant	Assessment of Fair Housing analysis	\$100,000
Silicon Valley Law Foundation / Collaborative	Fair Housing Legal and Educational Services*	\$250,000
Total		\$1,961,462

**These services will be funded from CDBG Administrative funds and CDBG Public Services funds. The total amount recommended is \$300,000.*

HOME Program

The HOME program provides financial assistance to help increase the supply of affordable rental and homeownership housing for low-income households through the acquisition, rehabilitation, or construction of affordable housing and through the provision of tenant-based rental assistance. Tenant-based rental assistance will be provided within the City's Rapid Rehousing program.

HOME funds, including unspent funds from last year and projected program income, are proposed to be allocated in FY 2018-2019 as listed in Table 9. It should be noted that HOME rules require that new affordable housing developments must have all other financing obtained and be able to start construction within one year of committing the funds. For this reason, the Housing Department must sometimes hold a significant portion of funds until a project is almost ready to start construction. It is anticipated that staff will request commitments of HOME for new affordable housing developments through the City's forthcoming Notice of Funding Availability (NOFA). Staff anticipates issuing this NOFA in Summer 2018.

Table 9: Proposed 2018-2019 HOME Activities

Project	Allocated Amount
New Development (including project delivery)	\$7,751,452
Program Administration	\$250,000
Fair Housing Services (Admin)	\$100,000
Tenant-Based Rental Assistance (TBRA)	\$2,500,000
Total HOME	\$10,601,452

Housing Opportunities for Persons with HIV/AIDS (HOPWA) Program

The HOPWA program provides local jurisdictions and nonprofits with resources and incentives to support long-term strategies for meeting the housing needs of low-income individuals living with HIV/AIDS and their families.

In FY 2018-2019, the City is projected to receive \$1,131,945 in HOPWA funds. The Health Trust was selected through a previous federally-funded services RFP to provide rental assistance and supportive housing services. Staff is recommending to continue funding The Health Trust to administer HOPWA activities at the following levels through FY 2018-2019. This will be the third year of funding for these programs.

Table 10: Proposed FY 2018-2019 HOPWA Activities

Project	Allocated Amount
Rental Assistance and Supportive Housing	\$1,047,988
Grantee Administration	\$50,000
City Administration	\$33,957
Total HOPWA	\$1,131,945

Emergency Solutions Grant (ESG) Program

The ESG program provides matching grants to help pay for shelter operating expenses and for other essential services to serve individuals and families experiencing homelessness. Staff is currently administering a RFP process to determine awardees for the provision of homeless services.

Table 11: Pending Awards for ESG-funded Services

Service Type	Agency	Program	Funding
Homeless Services	Agency selection not complete	Outreach and Engagement and Homeless Prevention Programs	\$737,828

EVALUATION AND FOLLOW-UP

Staff will consider the public comments received as it develops the final draft of the Plan. The revised Plan will be brought back to the Mayor and City Council for final approval on June 19, 2018. The approved Plan must be submitted to HUD by June 30, 2018. As part of the report requesting approval of the Plan, staff will provide a summary of the specific goals to be obtained through execution of each funded activity. At the end of each Action Plan period, the City is required to submit its Consolidated Annual Plan Evaluation Report (CAPER) which summarizes the City's progress in meeting its goals as indicated in the prior year Annual Action Plan. The Housing Department will present a summary of its success in meeting the FY 2017-2018 Action Plan goals in October, 2019.

PUBLIC OUTREACH

Federal regulations stipulate that jurisdictions hold at least two public hearings to receive public comment for the Plan and funding priorities. This year, the City will hold a total of four public hearings on the 2018-2019 Plan. Staff used the meeting with the Housing & Community Development Commission (HCDC) in January 2018 to present its funding strategies and priorities and to solicit feedback. City staff sent an e-mail announcement of the public hearings on the draft Plan to over 2,600 organizations and individuals concerned about affordable housing and community development issues. Staff also published a notice in the *San Jose Mercury News* of the public meetings. These notices were translated into Spanish, Vietnamese, Chinese, and Tagalog and also were published in the *El Observador, Vietnam Daily News, World Journal, and Philippine News* newspapers. The City's public hearings are provided below.

- January 11, 2018 - HCDC
- June 5, 2018 - City Council
- June 14, 2018 - HCDC
- June 19, 2018 - City Council

All public comments provided to the City both verbally or in writing will be included in the appendices of the Plan together with staff's response when the Plan is submitted to HUD. Once approved, the FY 2018-2019 Annual Action Plan will be available on the Housing Department's website (<http://www.sanjoseca.gov/housingconplan>), or by U.S. mail at the public's request.

COORDINATION

Preparation of this report has been coordinated with the City Attorney's Office and the City Manager's Budget Office.

COMMISSION RECOMMENDATION/INPUT

On June 14, 2018, Housing Department staff will present the draft Plan to HCDC. The purpose of the meeting is to obtain HCDC's input and to hold a public hearing. Staff will summarize all public comments, including those of HCDC, for the public hearing at City Council on June 19, 2018, and will submit public comments to HUD with the final City Council-approved Plan on or before June 29, 2018.

FISCAL/POLICY ALIGNMENT

This action is consistent with the City's *Consolidated Plan 2015-2020*, adopted by the City Council on May 5, 2015, and with the City's *Adopted Housing Element 2014-2023*, in that the action provides services to very low-income households. It also furthers the advancement of

the *Community Plan to End Homelessness* approved by the City Council in February 2015. The timely submittal of the Plan to HUD will enable the City to receive and distribute approximately \$14.3 million in entitlement funds for the CDBG, HOME, HOPWA and ESG programs for FY 2018-2019.

COST SUMMARY/IMPLICATIONS

This report summarizes the expenditure plan for the City's federal funds received from HUD.

BUDGET REFERENCE

Commitments proposed in this Plan will be appropriated as part of the FY 2018-2019 budget process. Subject to City Council approval, some multi-year Community Development Infrastructure expenditures will be included in the City's FY 2018-2019 budget process.

CEQA

Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action. Specific development projects that are funded as a result of the Consolidated Annual Action Plan are subject to project-specific CEQA clearance.

/s/
JACKY MORALES FERRAND
Director of Housing

For questions, please contact Jacky Morales-Ferrand, Director of Housing, at (408) 535-3855.