

# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Jacky Morales-Ferrand

**SUBJECT:** SEE BELOW

**DATE:** June 5, 2018

Approved

*D-DSL*

Date

*6/8/18*

**SUBJECT: FINAL PUBLIC HEARING AND APPROVAL OF THE FY 2018-2019  
ANNUAL ACTION PLAN AND AWARD OF THE COMMUNITY  
DEVELOPMENT BLOCK GRANT FUNDED LEGAL SERVICES  
PROPOSAL**

## RECOMMENDATION

- (a) Hold a final public hearing regarding the approval of the City's FY 2018-2019 Annual Action Plan and take public comment;
- (b) Adopt the FY 2018-2019 Annual Action Plan, including the FY 2018-2019 funding recommendations for the four federal formula grants received by the City each year, including the:
  - (1) Community Development Block Grant (CDBG) Program;
  - (2) HOME Investment Partnership Program (HOME);
  - (3) Housing Opportunities for Persons with HIV/AIDS (HOPWA) Program; and,
  - (4) Emergency Solutions Grant (ESG) Program;
- (c) Approve staff recommendation to award \$500,000 in CDBG funds to the San José Housing Rights Consortium, which consists of five agencies, including Law Foundation of Silicon Valley, Senior Adults Legal Assistance, Asian Law Alliance, Bay Area Legal Aid, and Project Sentinel, selected under the Legal Services for Low-income Tenants and Landlords Request for Proposal (RFP);
- (d) Authorize the Housing Department to submit the FY 2018-2019 Annual Action Plan to the U.S. Department of Housing and Urban Development; and
- (e) Adopt a resolution authorizing the Director of Housing to negotiate and execute all non-capital project agreements to implement the projects and services identified in this memorandum not requiring CEQA review, including new agreements awarded through the federal services RFP, and to negotiate all capital project agreements and contracts, including any amendments or modifications for the expenditure of CDBG, ESG, HOME, and HOPWA funds on behalf of the City.

## **OUTCOME**

The City Council's approval of the FY 2018-2019 Annual Action Plan will enable staff to submit the federally-mandated document to the U.S. Department of Housing and Urban Development (HUD) by the June 29, 2018 deadline. Meeting this deadline will enable the City to remain eligible to receive approximately \$14.3 million in federal housing and community development funds in FY 2018-2019. The approved recommendations will allow the Director of Housing to negotiate and execute agreements with agencies receiving federal funding to implement the strategies identified in the FY 2018-2019 Annual Action Plan.

## **EXECUTIVE SUMMARY**

This action requests approval of the Annual Action Plan (Plan), a yearly planning report that HUD requires of jurisdictions receiving federal funds via formula grant. This memorandum summarizes key expenditures within the FY 2018-2019 Plan which total \$28.7 million. This includes approximately \$14.3 million in new federal funds, \$2.6 million in estimated loan repayments and \$11.7 million in commitments from previous fiscal years. This Plan outlines each of the four primary goals established in the five-year Consolidated Plan. It also provides a description of the proposed activities and funding recommendations for each of the four federal funds. The activities proposed in the Plan are based on the significant stakeholder outreach conducted to solicit input and to develop the Plan.

CDBG funds comprise the largest group of expenditures in the plan at just over \$16.0 million. This includes close to \$2.0 million of proposed expenditures on Public Services, \$12.4 million in CDBG on various Community Development Investments. In conformance with HUD guidelines, another \$1.7 million will be used for administrative purposes.

At \$10.6 million, budgeted expenditures for the HOME fund is the second largest federal program. As proposed, the fund's primary expenditures include \$7.7 million in affordable housing developments for formerly homeless residents and \$2.5 million for rental vouchers to formerly homeless residents. Another \$1.1 million is budgeted for HOPWA. ESG will provide an additional \$0.7 million for homeless outreach and homelessness prevention programs.

As part of the CDBG expenditure plan, this memorandum includes a recommendation to award a new contract for Legal Services for Low-income Tenants and Landlords to a consortium of five agencies, which was selected through a competitive selection process.

## **BACKGROUND**

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

Every five years, HUD requires entitlement jurisdictions such as San José to develop a Five-Year Consolidated Plan. The Consolidated Plan serves the following purposes: it 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 the current 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 (Plan), which identifies a one-year strategy for meeting the goals contained in the Five-Year Plan. This proposed Annual Action Plan covers FY 2018-2019.

### **FY 2018-2019 Annual Action Plan Process**

In November 2017, Housing Department staff initiated the planning and development process for the FY 2018-2019 Annual 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 which have been incorporated into the draft Plan.

The draft Plan was released on May 18, 2018, for public comment. The document can be found at <http://www.sanjoseca.gov/DocumentCenter/View/77624>. 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, which is scheduled to occur on June 19, 2018. The City Council will be asked to approve the Plan at that meeting.

This year, the draft FY 2018-2019 Plan was released later than usual due to delays by the federal government in adopting its 2018 federal budget. This in turn, delayed 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 from 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.

#### Legal Services for Low-income Tenants and Landlords RFP

Consistent with the City's priority to Strengthen Neighborhoods and promote Fair Housing, the Housing Department released an RFP for CDBG-funded Legal Services for Low-income Tenants and Landlords on February 20, 2018. A description of the RFP process and agencies recommended for funding is provided in the *Legal Services for Low-income Tenants and Landlords RFP Funding Award Recommendations* section of this memo.

#### ANALYSIS

For FY 2018-2019, the City has been informed that it will receive \$14.3 million total in CDBG, HOME, HOPWA, and 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 programed 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**

<b>Fund</b>	<b>Annual Allocation</b>	<b>Prior-year Carryover*</b>	<b>Estimated 2018-2019 Program Income</b>	<b>Total Estimated Resources</b>
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
<b>Total</b>	<b>\$14,347,810</b>	<b>\$11,682,653</b>	<b>\$2,630,000</b>	<b>\$28,660,463</b>

*\*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 Annual Action Plan Goals

The FY 2018-2019 Annual Action Plan contains a description of all activities recommended for funding. Each activity detailed in the Plan is aligned with the four goals of the Consolidated

Plan and contributes to meeting the City's five-year objectives. Below is a summary of the four primary goals and the expected outputs for FY 2018-2019:

Affordable Housing

- The development of at least 50 new rental apartments, affordable to low-income households, will be funded with HOME funding.
- At least 75 low-income people living with HIV/AIDS will receive rental assistance, making their housing affordable. Households receiving rental assistance shall also receive housing placement assistance, medical and housing case management, and self-sufficiency services as needed.

Respond to Homelessness and Its Impacts on the Community

- At least 850 homeless individuals will be served in overnight shelters.
- At least 100 households will receive rapid rehousing assistance through the HOME Tenant-Based Rental Assistance program. Rapid re-housing participants also receive housing placement assistance and case management.
- At least 600 outreach contacts will be made through ESG- and CDBG-funded street outreach programs. These contacts include street-based case management services and participation in the County's Continuum of Care's coordinated assessment.

Strengthening Neighborhoods

- At least 200 seniors will be served with meals/nutrition, transportation, and/or shared housing services.
- At least 250 neighborhood residents will receive services to meet basic needs, develop leadership skills, and/or increase self-sufficiency.
- At least 10 jobs will be created for homeless and formerly homeless individuals.
- At least 775 households will benefit from enhanced code enforcement services in CDBG low-income focus areas, including inspections of multifamily apartments to increase the livability and habitability of rental apartments.
- Approximately 1,000 low-income and other vulnerable residents will be served through nonprofit facilities rehabilitation funding through improved facilities and more effective service delivery.
- At least 300 low-income residents will be provided with tenant/landlord counseling and/or legal services, increasing housing and neighborhood stability.

Promote Fair Housing Choice

- At least 220 residents will be served through outreach and education on fair housing issues, fair housing testing and/or legal assistance.

As usual, accomplishments of the 2018-2019 federal funding recipients will be detailed in the Consolidated Annual Performance Evaluation Report after the completion of next fiscal year.

**FY 2018-2019 Planned Activities**

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*).

**CDBG Program**

CDBG 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 Improvement (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 indirect services 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**

<b>Category</b>	<b>CDBG Activities</b>	<b>Funding</b>
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	\$500,000
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
<b>Total</b>		<b>\$16,038,600</b>

**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 all proposed public services. It includes existing service providers currently in a three-year funding cycle, as well as new services being proposed. Staff is recommending for FY 2018-2019 at the indicated funding levels.

**Table 3: CDBG Public Services Activities**

<b>Service Type</b>	<b>Agency</b>	<b>Program</b>	<b>Funding</b>
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
Homeless Services	TBD	Homeless Outreach, Engagement and Prevention	\$514,000
Fair Housing	Silicon Valley Law Foundation Consortium (five agencies)	Fair Housing Services*	\$50,000
Legal Services	San José Housing Rights Consortium (five agencies)	Legal Services for Low-income Tenants and Landlords	\$500,000
<b>Total</b>			<b>\$1,714,000</b>

*\*These services will be funded from CDBG Administrative funds and CDBG Public Services funds. The total amount recommended from CDBG is \$300,000. Another \$100,000 is funded from HOME.*

Additional information on proposed services is as follows:

Senior Services (\$200,000) – The City is currently funding two agencies that provide home delivered meals and accessible transportation to handicapped and frail seniors. The Health Trust Meals on Wheels Program and the Portuguese Organization for Senior Services and Opportunities administer programs to engage low-income, homebound seniors residing in San José with direct food assistance, accessible transportation, and reduction of social isolation. Staff is recommending to continue funding the current agencies at the same level through FY 2018-2019. This will be the second year of funding for these programs:

*Agency: The Health Trust Meals on Wheels / Funding: \$125,000*

*Agency: Portuguese Organization for Senior Services and Opportunities / Funding: \$75,000*

Neighborhood Engagement and Leadership Training (\$240,000) – The City is currently funding two agencies that provide a variety of neighborhood-focused programs to increase social capital (i.e., a form of economic and/or cultural capital in which social networks are essential components to community growth) in the City's Place-based neighborhoods and other lower-income neighborhoods. SOMOS Mayfair and CommUniverCity engage the community and develop leadership skills of residents. Their goal is to promote, support, and sustain civic engagement by residents that are typically underrepresented in city governance and civic processes. Staff is recommending to continue funding the current agencies at the same levels through FY 2018-2019. This will be the second year of funding for these programs. A one-time extension of tenant referral services for Santee residents is also proposed in the amount of \$40,000.

*Agency: SOMOS Mayfair / Funding: \$150,000*

*Agency: CommUniverCity / Funding: \$50,000*

*Agency: TBD for Santee/ Funding \$40,000*

Services for homeless and unhoused residents (\$724,000) – The Housing Department is currently evaluating RFP responses for Homeless Outreach, Engagement and Prevention Programs. The Department will bring funding recommendations to the City Council in August 2018. To provide continuity of Citywide outreach and engagement services, staff recommends continued funding of HomeFirst and PATH for an additional three months in FY 2018-2019. The Plan proposes to provide CDBG funding of \$210,000 for the two three-month contract extensions and \$514,000 for the Outreach & Engagement and Homeless Prevention Programs RFP.

*Agency: HomeFirst / Funding: \$165,000*

*Agency: PATH / Funding: \$45,000*

*Agencies: TBD / Funding: \$514,000*

Fair Housing – Fair Housing services include: outreach and education on fair housing issues. More information on this service is covered under the CDBG Administration section of this memo. Only \$50,000 is being funded through the Public Services category.



Legal Services for Low-income Tenants and Landlords – A total of \$500,000 is being recommended for this purpose. More detail on the services and agencies providing the services is outlined in the *Legal Services for Low-income Tenants and Landlords RFP Funding Award Recommendations* section of this memo.

### **Community Development Investments**

Community Development Investment (CDI) funds can be used to fund infrastructure and other needs. There is no limit on the amount of funding that may be dedicated to the CDI category. The FY 2018-2019 Annual Plan proposes to allocate \$12.4 million in CDBG CDI activities. The Plan further categorizes CDI projects into three activities: 1) CDI Place-Based Construction Projects; 2) Nonprofit Facility Rehabilitation; and 3) CDI Non-construction projects.

#### CDI Place-based Projects (\$7,798,000)

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 site acquisition and infrastructure supporting the development of new affordable housing. As with most capital projects, these funds will start being drawn next fiscal year but may result in expenditures over multiple years.

**Table 5: CDBG - CDI Place-based Construction Projects**

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

Additional information on proposed projects is provided below:

- *Evans Lane Library & Infrastructure, Traffic Calming, and Community Garden* – In support of the needs identified by the residents in the Evans Lane/Canoas Gardens neighborhood, this project anticipates adding and upgrading lighting in the area, adding traffic calming measures, and building a library and community garden. 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.
- *The Haven* – The Housing Department anticipates rehabilitating the City-owned emergency shelter for disaster victims, known as The Haven.
- *The Green Alleyways Project* – The poor condition of deteriorated alleyways has been an ongoing concern of neighborhood residents. Several alleyways are unpaved or have damaged pavement, creating a rough roadbed that also floods in storms. Improvements will provide a reliable roadway surface to ensure safe access for residents, improve accessibility, improve stormwater management, and raise awareness of stormwater issues.
- *Affordable Housing Site Acquisition and Infrastructure* – The Department anticipates using additional funds on opportunities for site acquisition and infrastructure related to creation of new affordable housing.

Nonprofit Facility Rehabilitation (\$1,126,000)

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 lack of on-going resources makes it difficult for many agencies to maintain or improve the facilities 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: CDBG - CDI Nonprofit Facility Rehabilitation**

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

Additional information on proposed projects is provided below:

- *Bill Wilson Enclave Rehabilitation* – \$276,000 of CDBG funds from FY 2018-2019 will be used to support completion of the Bill Wilson Center Rehabilitation project, originally funded in the FY 2014-2015 Annual Action Plan. Funds will rehabilitate the homeless drop-in center, which includes three buildings on the corner of South 2<sup>nd</sup> and Margaret Streets. During the planning phase of this project, \$726,201 was moved from the FY 2016-2017 to be funded from FY 2017-2018 CDBG funds. The total project allocation is \$924,132.
- *Nonprofit Facility RFP* – The balance of \$850,000 allocated to nonprofit facility rehabilitation will be awarded through a new RFP to be released in late summer or early fall 2018. It is anticipated that additional funds will be added to this category from next year's allocation of CDBG funds.

CDI-funded Non-construction (\$3,439,138)

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. Table 7 provides a list of the programs to be funded under the CDI category:

**Table 7: CDI Non-construction Projects**

<b>Agency</b>	<b>Program</b>	<b>Funding</b>
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 and creation 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
<b>Total</b>		<b>\$3,439,138</b>

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

Additional information on these proposed CDI Non-construction projects is provided below.

- *Enhanced Code Enforcement* – Enhanced Code Enforcement services focus on proactive inspections of multifamily properties in the City's designated Place-based neighborhoods. For Code Enforcement to be eligible as a CDI activity, it must be linked with a special program such as the City's Place-Based Neighborhood Initiative. In FY 2018-2019, the

primary focus CDBG-funded Enhanced Code Enforcement will be in the Cadillac neighborhood and Santee neighborhoods.

- *Minor Repair Program* – This program provides minor repairs to single family and mobilehomes to address immediate health and safety needs, and create a decent living and safe living environment for low-income homeowners in San José. The focus of the repairs will be maintenance-type repairs (e.g., faucet repairs, roof patching), emergency and critical repair (e.g., grab bars, ramps), and larger limited rehabilitation (e.g., roof replacements). Historically, over 80% of the residents benefitting from these services are senior homeowners. Staff is recommending to continue funding the current agencies at the following levels through FY 2018-2019.

This will be the second year of funding for these home repair programs.

*Agency: Rebuilding Together Silicon Valley / Funding: \$1,100,000*

*Agency: Habitat for Humanity East Bay Silicon Valley / Funding: \$540,000*

- *Job training* – The program will support job training for homeless and at risk individuals. This program must meet the national objective of job creation and retention for low and moderate-income residents. This requirement is met when job training participants are placed in permanent jobs. In order to be eligible for CDBG, the job training must be tied to assistance to for-profit businesses. Staff is recommending to continue funding to San José Streets Team at the same levels through FY 2018-2019. This will be the second year of funding for this program.

*Agency: San José Streets Team / Funding: \$500,000*

- *City (interdepartmental)* – This match funding of \$200,000 is related to a State of California grant to update the City's inventory for soft story residences and to create a program that includes a pilot to provide partial funding for seismic rehabilitation of soft story buildings. A separate memorandum on the grant application will be brought to City Council in June 2018.

#### CDBG Administration:

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 both the Administrative category and the Public Services 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, some funds are targeted for consulting services to start an Assessment of Fair Housing study per HUD's guidance.

**Table 8: CDBG Administrative**

<b>Agency</b>	<b>Program</b>	<b>Funding</b>
City	Grant planning, administration, and support	\$1,632,679
Consultant	Assessment of Fair Housing analysis	\$33,857
Silicon Valley Law Foundation / Collaborative	Fair Housing Legal and Educational Services*	\$250,000
City Attorney Office	Legal Staffing	\$19,926
Planning, Building, and Code Enforcement	Environmental Reviews	\$25,000
<b>Total</b>		<b>\$1,961,462</b>

*\*These services will be funded from CDBG Administrative funds and CDBG Public Services funds. The total amount recommended from CDBG is \$300,000. An additional \$100,000 is funded from HOME.*

- *Fair Housing Services* – Fair Housing services include: outreach and education on fair housing issues; fair housing testing; enforcement of fair housing laws; and technical assistance to the Housing Department on how to monitor City-financed developments for fair housing compliance. The City will continue to contract with a consortium of five agencies to provide these services, with the Law Foundation of Silicon Valley serving as the consortium lead. In addition to CDBG, a portion of the Fair Housing services are funded with HOME funds. Staff is recommending to continue funding the Law Foundation at the following levels through FY 2018-2019. This will be the third year of funding for these programs.

*Agency: Law Foundation of Silicon Valley Collaborative / Funding: \$400,000 (\$250,000 CDBG Admin, \$50,000 CDBG Public Services, \$100,000 HOME)*

- *Grant Planning and Oversight* – Approximately \$1.6 million is allocated to grant planning and administration in FY 2018-2019. This funds the administration of federally-funded grants. This includes activities such as community outreach, annual planning, procurement of services, capital project administration, contract development/management, sub-grantee monitoring, reporting, legal services, and environmental review. If there are savings on the City staff line item, which are expected, they may be used to augment funds for the fair housing consultant contract.

### **HOME Program**

The HOME program provides financial assistance to increase the supply of affordable rental and homeownership housing through the acquisition, rehabilitation, or construction of affordable housing. It can also be used to fund 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. 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. Staff anticipates issuing this Notice of Funding Availability in summer 2018.

**Table 9: Proposed 2018-2019 HOME Activities**

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

**Housing Opportunities for Persons with HIV/AIDS 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**

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

**Emergency Solutions Grant 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**

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

**Legal Services for Low-income Tenants and Landlords Request for Proposal (RFP)**  
**Funding Award Recommendations**

During community and stakeholder feedback on the Annual Plan, several areas were consistently identified as a significant need in San José. These include: Fair housing, tenant protections, and legal services for low-income tenants. The City Auditor's audit of the Apartment Rent Ordinance also recommended that the Housing Department contract with legal services nonprofits to better assist landlords and tenants.<sup>1</sup> On May 9, 2017, the City Council approved the Tenant Protection Ordinance. As part of this action, staff was directed to identify "a means for funding legal services for low income tenants needing assistance in effectuating their just cause protections." Based on this input and direction, the Housing Department developed an RFP for Legal Services for Low-income Tenants and Landlords (Legal Services RFP). The goal of this service is to increase housing stability by providing landlord/tenant counseling, education, referrals, and legal assistance to tenants facing unlawful evictions or other landlord/tenant issues. This will be the first year providing these services.

The Housing Department released the Legal Services RFP on February 20, 2018. The Department conducted an application workshop on February 27, 2018, which was optional for agencies to attend. The following agencies, listed in order from highest scoring to lowest scoring proposals, submitted qualifying applications to the City by the application response deadline of 12:00 PM on April 6, 2018:

Legal Services Proposals		
Proposed Activity	Agency	Amount
Legal Services	San José Housing Rights Consortium	\$500,000
Legal Services	Vietnamese Voluntary Foundation	\$134,674
Total Proposals		\$634,674

After proposals were submitted, a review panel evaluated and scored the proposals based on pre-established rating criteria. The Legal Services RFP panel included staff from the Housing Department, City Attorney's Office, and the City of Mountain View.

The criteria for selecting funding recipients are listed below:

Criteria	Weight
Project Eligibility	Pass/Fail
Audit Review	Pass/Fail
Program Description	35%
Organizational and Financial Capacity and Experience	30%
Outputs and Outcomes	25%
Budget and Fee Structure	10%
Matching Funds Bonus	+2 or +4 (on 100-point scale)

<sup>1</sup> Office of the San José City Auditor, "The Apartment Rent Ordinance: Additional Investment, Improved Processes, and Strategic Resource Deployment Needed to Better Serve Tenants and Landlords," Report 16-10, Nov. 2016, p.53, <http://www.sanjoseca.gov/DocumentCenter/View/62894>.

The San José Housing Rights Consortium, led by the Law Foundation of Silicon Valley, was selected based on their rankings and panel recommendations. The consortium is a collaboration of five agencies that includes the Law Foundation, Project Sentinel, Bay Area Legal Aid, Senior Adults Legal Assistance, and Asian Law Alliance.

<b>Selected Agencies and Recommended Funding – Legal Services for Low-Income Tenants</b>		
<b>Program</b>	<b>Agency</b>	<b>Recommended Award</b>
Legal Services	San José Housing Rights Consortium	\$500,000

A brief description of the activities to be performed through award of the Legal Services RFP is provided below.

*San José Housing Rights Consortium* – A consortium composed of five separate agencies (Consortium) will provide outreach and education services, develop and operate a legal counseling hotline, provide face-to-face legal clinics, represent tenants in eviction proceedings and administrative hearings, and provide limited legal representation for enforcement. The goal of the Consortium's activities is to prevent the displacement of low-income tenants by preserving affordable housing opportunities and preventing unjust evictions. The Consortium also plans to provide landlords and tenants an understanding of the Apartment Rent Ordinance and Tenant Protection Ordinance, to strengthen neighborhoods by keeping families in their homes, and to promote fair housing choice.

Staff notified agencies of the preliminary agency selection, subject to the City Council's approval, by April 20, 2018. Agencies were given until May 4, 2018, to submit an appeal. One appeal was received by this date. On behalf of the Director, the Deputy Director considered the appeal and made a final decision to not award funding to the appealing agency. This decision was based on evaluating the standard appeal protocols identified by the City.

The term of this agreement will be July 1, 2018 to June 30, 2019. It will include options for up to two one-year extensions. The agreement will include performance outcome requirements that the Housing Department evaluate prior to recommending approval of the option(s) to extend. These requirements include numerical goals for the number of clients served via the hotline, participate in clinics, and/or receive legal representation. All clients will be asked to complete an evaluation survey which will measure the value and effectiveness of the service. The extension will be subject to budget appropriation and City Council approval.

### **Plan Implementation**

Once the Annual Action Plan is approved by City Council, staff will work with service providers to develop agreements that include finalized scopes of service, contract budgets, performance



measures, goals, and outcomes. Upon approval of the Annual Action Plan by HUD, staff will work with agencies to finalize service agreements in preparation for execution on or about July 1, 2018.

Additionally, capital projects identified in the Annual Plan will require further development. Upon approval of the Plan by City Council, staff will work with stakeholders to develop the final project scopes and will take all necessary steps to ensure compliance with funding and project requirements. Staff will coordinate environmental reviews in compliance with the California Environmental Quality Act and the National Environmental Policy Act clearances before final commitment of funds via contract.

### **EVALUATION AND FOLLOW-UP**

The public comment period for the 2018-2019 Annual Plan closes on June 19, 2018. This is after the submission deadline for this memorandum. Therefore, a summary of all public comments, the City's responses, and potential amendments to the draft Plan will be distributed to the City Council in the form of a Supplemental Memorandum prior to the June 19, 2018, meeting at which the City Council will consider approval of the final Plan documents. As always, the City will use the Consolidated Annual Performance and Evaluation Report to report its progress toward achieving goals identified in this 2018-2019 Annual Plan after the end of that Plan year.

### **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 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**

Input on federal funding priorities was requested from HCDC at its January 11, 2018 meeting. On June 14, 2018, the Housing Department will present the draft Plan to HCDC. The purpose of the meeting is to obtain HCDC's final 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. Staff also 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. Some multi-year Community Development Infrastructure expenditures are included in this Plan. Commitments proposed in this Plan will be funded out of the FY 2018-2019 Operating Budget for the Community Development Block Grant Fund, Home Investment Partnership Program Fund, and the Multi-Source Housing Fund. Subject to City Council approval, actions will be brought forward in the 2017-2018 Annual Report budget process to align the 2018-2019 Operating Budget in these Funds to the approved FY 2018-2019 Annual Action Plan.

### **BUDGET REFERENCE**

The table below identifies the fund and appropriations to fund the contract recommended as part of this memorandum.

HONORABLE MAYOR AND CITY COUNCIL

June 5, 2018

**Subject: 2018-2019 Annual Action Plan and RFP Award**

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Fund #	Appn. #	Appn. Name	Total Appn.	Amount of Agreement	2018-2019 Proposed Operating Budget Page <sup>1</sup>	Last Budget Action (Date, Ord. No.)
441	0055	Contractual Community Services	\$1,250,000	\$500,000	X-16	N/A

<sup>1</sup> The FY 2018-2019 Proposed Operating Budget is scheduled for approval by the City Council on June 12, 2018 and adopted on June 19, 2018.

### **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.