



Memorandum

TO: NEIGHBORHOOD SERVICES AND
EDUCATION COMMITTEE

FROM: Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: August 27, 2018

Approved

Date

9/5/18

**SUBJECT: FY 2017-2018 CONSOLIDATED ANNUAL PERFORMANCE
EVALUATION REPORT (CAPER)**

RECOMMENDATION

Accept the report on the progress towards achieving the housing and community development goals identified in the City's five-year Consolidated Plan (2015-2020) and the FY 2017-2018 Annual Action Plan (Housing) regarding the use of federal funds from the U.S. Department of Housing and Urban Development (HUD).

OUTCOME

Approval of the Consolidated Annual Performance and Evaluation Report (CAPER) will ensure compliance with HUD's reporting requirements and will enable the City to continue qualifying for much-needed federal funds for housing and community development programs.

EXECUTIVE SUMMARY

This memorandum summarizes the accomplishments contained within the FY 2017-2018 CAPER. The CAPER describes the progress towards achieving the housing and community development goals identified in the City's five-year Consolidated Plan (2015-2020) and the FY 2017-2018 Annual Action Plan. Highlights include achievements in the four areas of need identified in the five-year Consolidated Plan. These include: 1) Increase and Preserve Affordable Housing; 2) Respond to Homelessness and its Impact on the Community; 3) Strengthen Neighborhoods; and (4) Promote Fair Housing Choices. The accomplishments reflect measures stated in grant agreements with service providers, as well as the results of community development projects completed by various City departments. They summarize only the goals associated with the City's federally-funded activities.

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Increase and Preserve Affordable Housing

- 90 affordable apartments were constructed and are occupied by low-income households; and
- 66 persons living with HIV/AIDS received permanent rental assistance.

Respond to Homelessness and its Impact on the Community

- 69 homeless households received rental assistance;
- 1,170 homeless people received outreach and/or shelter services;
- 5,455 outreach contacts were made with homeless individuals; and
- 68 homeless or formerly homeless individuals participated in job training.

Strengthening Neighborhoods

- 67,101 low-income residents benefited from public facility improvements in their neighborhoods;
- 261 low-income seniors received meals, nutrition, or socialization services;
- 154 low-income residents participated in leadership development programs;
- 1,824 households received safety or accessibility improvements to their home; and
- 378 homes were improved as a result of enhanced code enforcement services.

Fair Housing

- 328 low-income households received fair housing education or legal services.

While the information detailed above describes the number of individuals and households that benefited from projects supported with federal funds, the impact of these services on the lives of those receiving services is described on the following pages. The federal resources supporting these services help to leverage local funding and to increase the City's impact in addressing the needs of the community.

BACKGROUND

As an entitlement community, San José receives federal funding each year directly from HUD. Administered by the City's Department of Housing, the federal funds are vitally-needed to support several City initiatives and to help the Department meet its mission to strengthen and revitalize San José's communities through housing and neighborhood investments.

To qualify for these funds, HUD requires that the City complete the following three documents:

1. A Five-Year Consolidated Plan (Five-Year Plan) which documents the City's housing needs and its strategies for meeting those needs during a five-year period. The City is currently in the third year of its 2015-2020 Five-Year Plan.

2. An Annual Action Plan (Annual Plan) which details the investment strategy in each of the five years within a Consolidated Plan cycle to meet identified priorities. The City Council approved the FY 2017-2018 Annual Action Plan on June 20, 2017.
3. A Consolidated Annual Performance and Evaluation Report (CAPER) which summarizes the City's progress in meeting the objectives of each respective Annual Plan. The draft FY 2017-2018 CAPER is available on the Housing Department's [website](#) and is attached as **Attachment A** to this memo.

These Plans guide the funding priorities for San José's federal housing grant programs that are administered by the City's Housing Department and overseen by HUD. The City is required to submit the CAPER to HUD by September 28, 2018. The September 25, 2018, City Council meeting will provide an opportunity for public input on the report and for the City Council to consider approval of the CAPER prior to its submission to HUD.

ANALYSIS

The City received a total allocation of \$12,463,415 in federal funding from CDBG, HOME, HOPWA, and ESG programs for FY 2017-2018. Major accomplishments achieved during the fiscal year are highlighted in the following sections. Each set of annual goals in the 2017-2018 Annual Action Plan are measured against progress toward the goals set in the five-year Consolidated Plan. Each of the federal grants has specific requirements on how funds can be used to meet the goals/areas of need. The main objective of each program is described below.

Community Development Block Grant (CDBG): As the largest and most flexible of the four federal grants, the CDBG funds are divided into four categories. These include Public Services, Community Development Investment (CDI) Activities, Administration, and Section 108 loan repayments. The CDI category is further delineated into non-construction and construction projects.

HOME Investment Partnerships Program (HOME): These funds must be used to provide affordable housing opportunities.

Emergency Solutions Grant (ESG): These funds must be used for solutions to address homelessness.

Housing Opportunities for Persons With Aids (HOPWA): The HOPWA grant must be used to fund agencies that provide housing and support services to low-income individuals living with HIV/AIDS.

A summary of the total federal fund expenditures by goal and program is provided in Table A below. The figures included in the table are estimates and will be updated prior to submission of the CAPER to HUD. It should be noted that the total expenditures of \$17,359,246 exceeds the funds allocated for FY 2017-2018. This is due to expenditures of "program income" as well as

the City's annual funding allocation. Program income consists primarily of construction loan repayments from loans originated in prior years. Program income must be spent before the current fiscal year's allocation is spent.

Table A: 2017-18 Federal Grant Expenditures by Goal and Program					
Goal	CDBG	HOME	ESG	HOPWA	Total*
Responding to Homelessness and its Impacts on the Community	\$572,948	\$1,156,074	\$717,672	-	\$2,446,694
Increase and Preserve Affordable Housing Opportunities	\$0	\$7,809,150	-	\$669,111	\$8,478,261
Strengthening Neighborhoods	\$2,713,385	-	-	-	\$2,713,385
Promoting Fair Housing Choice	\$276,695	\$21,419	-	-	\$298,114
Section 108	\$2,023,821	-	-	-	\$2,023,821
Administration**	\$1,256,865	\$85,309	\$26,819	\$29,977	\$1,398,970
Total	\$6,843,715	\$9,071,952	\$744,491	\$699,088	\$17,359,246

*Note: The total expenditure amounts may differ from the amounts reflected in the annual budget due to timing differences regarding the treatment of program commitments and encumbrances. Numbers may not add due to rounding.

**Note: The HOME administrative funds include both administrative expenses for the Housing Department and the City's nonprofit TBRA administrator.

Following are summaries of each goal area and outcomes from programs serving each goal.

RESPOND TO HOMELESSNESS AND ITS IMPACTS ON THE COMMUNITY

The 2017 Homeless Census and Survey identified a total of 4,350 individuals residing in San José on any given night. This point-in-time figure represents a 7% increase from the number identified in the 2015 census, when 4,063 individuals were identified. Out of the total 4,350 persons, 74% of the population was unsheltered (residing on the street, in vehicles, in abandoned buildings, or in encampment areas).

In San José and Santa Clara County, the primary change in homelessness in the 2017 results is attributable to the significant increases in the number of unaccompanied children and young adults. As previously mentioned, the City implemented a dedicated youth count and survey in response to direction from HUD. The new approach provided for a more extensive coverage of areas throughout San José than in past years. The results from this work yielded significant increases for the numbers of both unaccompanied children and transition age youth. The data from this year will serve as a baseline for measuring progress towards the HUD objective of ending youth homelessness by 2020.

Despite the increase in the homeless count attributable to youth and young adult numbers, the City and its partners have made significant progress in moving more people off of the streets and

into housing. Based on the 2017 data, it appears that the City's efforts to address homelessness have been successful in reducing the number of those living in encampments (-17%), chronically homeless (-14%), homeless families (-12%), and veterans (-6%). Efforts to end homelessness remain a top priority in San José. The City expended over \$2.5 million in federal CDBG, HOME, and ESG funds toward services and housing for San José's homeless residents last fiscal year. Because Homeless Census and Survey counts are done every two years, efforts will be re-evaluated in FY 2018-2019 in relation to the upcoming 2019 Homeless Census and Survey.

Table B summarizes major outcomes of federally-funded projects responding to homelessness. A comparison of goals to outcomes for all service projects in each of categories of activities described in the report is included in **Attachment B** to this memo.

Table B: Respond to Homelessness and Its Impacts on the Community			
Projects	Agency	Unduplicated Individuals/ Households Served	Outcomes
HOME Rental Assistance	The Health Trust	60 households	60 homeless individuals/households were provided a rental subsidy to ensure they paid no more than 30% of their income towards housing costs. All clients received case management services.
Rapid Rehousing and Supportive Services	Bill Wilson Center Consortium	119 individuals	9 homeless individuals/individuals were provided a rental subsidy to ensure they paid no more than 30% of their income towards housing costs. All clients received case management services. 32% of clients (38 individuals) served through emergency shelter and/or supportive services exited to permanent housing destinations.
Citywide Outreach & Shelter	HomeFirst	612 individuals	14% of clients (85 individuals) moved from street to permanent housing destinations or temporary destinations and some institutional destinations.
Downtown Outreach Program	PATH	439 individuals	37% of clients (162 individuals) moved from street to temporary destinations and some institutional destinations. 439 individuals (100%) completed an assessment and were added to the Community Queue to be matched with housing opportunities as they become available. 18% of clients who received assessment (79 individuals) moved from street to permanent housing destinations.
Total	1,230 individuals/households served		

Under the HOME-funded Tenant Based Rental Assistance (TBRA) program and ESG-funded Rapid Rehousing program, 69 homeless households received rental subsidies to assist them in obtaining permanent housing.

The City continued to support outreach services through a City-wide program operated by HomeFirst, as well as a Downtown program operated by PATH. These two programs play a

vital role in funding staff to complete assessments of homeless individuals and families so they are eligible to receive services through the County-wide system of services.

In addition to the services provided, the City supported the rehabilitation of facilities where homeless individuals and families receive services. CDBG funding enabled HomeFirst to rehabilitate the Boccardo Reception Center, including accessibility improvements and kitchen improvements. The Recovery Café was also rehabilitated with CDBG funding to improve the kitchen and to add accessibility improvements for the assembly space and classrooms. Predevelopment for the rehabilitation of the Bill Wilson Center Youth Drop-in Center is underway and significant construction will be completed in FY 2018-19.

INCREASE AND PRESERVE AFFORDABLE HOUSING OPPORTUNITIES

In FY 2017-2018, the City used federal funds for several developments that are providing new affordable housing opportunities.

The City invested \$2,000,000 in CDBG funds towards property acquisition for Villas on the Park in FY 2017-2018, a forthcoming permanent supportive housing development currently under construction. Villas will offer 83 apartments for homeless individuals in the Downtown once it is completed.

In 2017-2018, the City Council approved an increase of \$1,500,000 in HOME funds for Second Street Studios, for a total HOME investment of \$9,500,000. The development will offer 134 apartments (128 studios and 6 one-bedroom apartments), all of which will be permanent supportive apartments for homeless households. Completion and full occupancy is expected in FY 2018-2019.

The City also invested federal funds in The Plaza Hotel, a formerly vacant and dilapidated 47-unit SRO building located at 96 South Almaden Boulevard. For homeless residents with housing coupons/vouchers, finding affordable housing has been a tremendous challenge in the San José area. To address this challenge, the City used CDBG funds to acquire and rehabilitate The Plaza. Rehabilitation was completed in May 2018. The property is currently leasing up and is expected to be fully occupied in fall 2018.

In the past fiscal year, the City continued to monitor predevelopment progress on Gallup/Mesa, for which it invested \$1,162,358 in CDBG funds toward property acquisition in 2016-2017. Gallup/Mesa will likely house another permanent supportive housing development. It is currently anticipated to offer approximately 41 affordable homes for transition-aged youth, seniors, and youth mentors. The development currently hopes to start construction in winter 2020.

In addition to these housing developments, the City also was able to assist or retain housing for 59 households through the Housing for People With Aids (HOPWA) program. HOPWA funds are the City's only source dedicated to providing housing and supportive services to low-income people living with HIV/AIDS.

A summary of developments currently using federal funds to create a total of 307 new or newly-affordable homes, 231 of which are federally-funded, is provided in Table C.

Table C: Increase and Preserve Affordable Housing Opportunities (New Development, Acquisition, and/or Rehabilitation)			
Development	Status	Federally-funded Affordable Apartments Added/ Under Construction	Total Affordable Apartments Added/ Under Construction
Second Street Studios	Under Construction	58	134
The Plaza Acquisition/Rehabilitation	Completed	49	49
Gallup/Mesa Land Acquisition	Predevelopment	41	41
Villas on the Park Land Acquisition	Under Construction	83	83
TOTAL		231	307

STRENGTHENING NEIGHBORHOODS

Activities pertaining to strengthening neighborhoods were solely funded through CDBG in FY 2017-2018. This category provides funding for programs, services and projects that contribute to viable urban communities through decent housing, suitable living environments, and expanded economic opportunities. These objectives were addressed in conjunction with the funding priorities identified by the community. These fall into the following three categories: 1) Public Services; 2) CDI Non-construction Projects; and 3) CDI Construction Projects.

Public Services Projects

Senior Services: The City provided CDBG funding for two services to support the needs of senior residents in San José. Last year, the City funded the Meals on Wheels Program and the Senior Access and Health Support Program. The two programs combined to serve over 29,546 meals, coordinated 514 assisted door-to-door transportation services, and provided just over 15,486 social visits and wellness checks. Together, the two programs served 261 low-income seniors in FY 2017-2018. An example of a key outcome is: 100% of the low-income dependent seniors (131 individuals) report that the food support is somewhat or extremely important in helping them remain independent in their homes.

Neighborhood Services: The City funded two nonprofit agencies to provide leadership development training, basic needs services, and skill building workshops for 334 residents and potential future community leaders. One example of a key outcome includes: 81% of participants (207 residents) in the HomeGrown Talent Program increased their leadership skills and/or took action in the community. Additionally, 94% of participants (250 residents) in the economic opportunity pipeline reported that they increased their skillsets to better position themselves for economic opportunities.

A summary of the obtained outcomes for addressing the goal of Strengthening Neighborhoods via public service projects is provided in Table D-1.

Table D-1: Strengthening Neighborhoods - Public Services			
Projects	Agency	Unduplicated	Outcomes
Senior Access and Health Support	Portuguese Organization for Social Services & Opportunities (POSSO)	130 Individuals	94% of the seniors (122 individuals) utilizing the transportation service reported improved quality of life due to greater socialization and resource utilization. 88% of seniors (114 individuals) receiving home delivered meals reported improved health because of improved nutrition and nutrition knowledge.
Meals on Wheels	The Health Trust	131 Individuals	100% (131 individuals) seniors reported that Meals On Wheels is somewhat or extremely important in helping them remain independent in their homes and is important to their daily well-being. 81% (106 individuals) of the seniors reported that the phone calls, driver visits, and other staff visits are extremely, very, or somewhat helpful in making them feel socially connected.
Home Grown Talent Project	Somos Mayfair	266 individuals*	89% of participants (237 residents) increased their self-sufficiency by addressing a critical basic need. 80% of participants (123 residents) increased their leadership skills and/or took action in the community. 94% of participants (110 residents) in the economic opportunity pipeline increased their skill sets to position themselves for economic opportunities.
CommUniverCity Community Leadership Program	CommUniverCity	11 individuals	100% of participants indicated they feel more responsibility for being a leader in the community and plan to utilize the information they learned to improve their communities.
Total	538 individuals served		

*Note: The Home Grown Talent Project, led by Somos Mayfair, includes a consortium of five nonprofit agencies, each providing different services from basic needs services to intensive leadership training. Each outcome applies to a portion of the individuals participating in the program.

Community Development Investment (CDI) - Non-Construction Projects

Work Experience Project (WEP): The City funded the San José Streets Team (SJST), a nonprofit agency with the goal of creating opportunities for homeless individuals to gain skills to help them succeed while also developing relationships with local businesses for job placement. SJST provided 3,884 hours of employment development services to 68 participants. SJST entered into written agreements with local businesses to place 21 individuals into jobs. 100% of individuals who graduated from the program retained employment for at least three months.

Targeted Code Enforcement: The City funded targeted Code Enforcement in Santee, Five Wounds/Brookwood Terrace, and Cadillac neighborhoods in FY 2017-2018. Within these areas, Code Enforcement performed enhanced multifamily services beyond those typically provided. The code enforcement efforts included 1,052 inspections and re-inspections, which resulted 1,438 violations corrected. One key outcome includes: 84% of substandard housing violations identified by inspectors were corrected within 120 calendar days from the date inspectors notified the property owners of the violations.

Minor Repair Program: The City's Minor Repair Program (MRP) assisted 243 low-income San José residents with 1,824 items of urgent, safety, and accessibility/mobility repairs, and 463 items of major (e.g., roof replacements) rehabilitation activities to ensure safe and decent living environment. Some of the key outcomes of this program include: 95% of all households (230 households) have improved safety conditions in their home, while 97% of households (190 households) served through Rebuilding Together have improved accessibility and mobility modifications in their home as a result of the improvement.

A summary of the obtained outcomes for addressing the goal of Strengthening Neighborhoods via CDI Non-Construction projects is provided in Table D-2.

Table D-2: Strengthening Neighborhoods – CDI Non-Construction Projects			
Project	Agency	Neighborhoods / Population Served	Outcome
Encampment and Place-Based Clean-up	San Jose Streets Team	Santee Five Wounds/ Brookwood Terrace Mayfair MGPTF Hotspots	Provided 3,884 hours of employment development services to 68 program participants 100% of participants (5 individuals) who graduated from the program retained employment for at least three months.
Code Enforcement	City – PBCE	Santee Five Wounds/ Brookwood Terrace Cadillac	84% of substandard housing violations identified by inspectors were corrected within 120 calendar days from the date inspectors notified the property owners of the violations.
Minor Repair Program	Rebuilding Together	350 low-income households citywide	95% of all households (230 households) have improved safety conditions in their home. 97% of households (190 households) served through Rebuilding Together have improved accessibility and mobility modifications in their home as a result of the improvement.

Community Development Investment (CDI) – Capital Improvement Projects

Capital improvement projects are selected as a means to improve the infrastructure of selected, low-income neighborhoods. Due to the complexity of planning, procurement, and construction,

Capital Projects often span multiple fiscal years. In FY 2017-2018, the City committed funding to a number of projects including street and infrastructure enhancements, nonprofit facility improvements, and public facility improvements. The focus of this report is the projects that were completed this past fiscal year, which include:

- Boccardo ADA Improvement and Kitchen Rehabilitation – This project rehabilitated the Boccardo Reception Center’s Kitchen, which included upgrading refrigeration system, replaced kitchen shelving, dishwasher, steam table flooring, IV Convection Ovens of Boccardo Reception Center’s Kitchen, and the building’s ADA accessibility improvements. The project completed in March 2018.
- Recovery Café Renovation – This project rehabilitated a church space, which included the construction of a social hall and improvements of classrooms and café kitchen improvements to serve homeless individuals and the public. The project was completed in April 2018.
- LED Streetlights conversion in Santee/MayFair/ FiveWounds areas - This project included conversion of 214 LED Streetlights in Santee and Mayfair neighborhoods. The project was completed in August 2017.

A summary of all the funded capital improvement projects is included as **Attachment C**.

PROMOTING FAIR HOUSING CHOICES

The Fair Housing Act which is enforced by HUD prohibits discrimination when renting, buying, or securing financing for any housing. Federal protection covers discrimination because of race, color, national origin, religion, sex, disability, and the presence of children. Fair Housing covers most housing whether publicly or privately funded. As an entitlement City, San José must ensure that all programs are administered in a manner that affirmatively furthers the Fair Housing Act.

San José has funded the services of a nonprofit fair housing consortium comprised of four different nonprofit agencies to help fulfill the City’s Fair Housing requirements. The consortium includes the Law Foundation of Silicon Valley (lead agency), Project Sentinel, Senior Adult Legal Assistance (SALA), and Asian Law Alliance (ALA) (together, Consortium). The Consortium offers a comprehensive and coordinated Fair Housing Program that includes discrimination complaint intake and investigation, enforcement and litigation services, and general fair housing education. Between the five consortium members, the consortium provided 59 fair housing investigations, 83 client briefings, 112 legal representations, and 55 fair housing presentations. Key outcomes for this project include:

- 96% of presentation participants (315 individuals) became more familiar with the laws governing fair housing following the presentation.
- Provision of legal services resulted in 94% of complainants (105 individuals) with improved access or availability of housing.

SECTION 108

The City allocated approximately \$1,872,860 in FY 2017-2018 to repay the federal government for loans made under the Section 108 loan guarantee program made to the City's former Redevelopment Agency for various private development projects. Section 108 requires that CDBG funds serve as the loans' repayment collateral if required payments are not made from another source. The City expects that the Section 108 loans will be paid off in full in FY 2018-2019. Therefore, FY 2017-2018 should be the final year that Section 108 loan repayments will take up approximately 25% of the City's annual CDBG CDI allocation.

ADMINISTRATION

Finally, for each federal funding source, the City funds administrative activities within federally-regulated limits. Staff activities funded with administrative funds include planning, grant management, monitoring, reporting, legal services, and environmental review.

EVALUATION AND FOLLOW-UP

Upon City Council approval, staff will submit the CAPER to HUD by the September 28, 2018 due date. The draft and final CAPER documents will be posted on the Housing Department's website at: www.sanjoseca.gov/CAPER.

PUBLIC OUTREACH

HUD requires that jurisdictions hold one public hearing and a 15-day public review period to receive public comments on the draft CAPER. The report's public review and comment period runs from September 7, 2018, through September 25, 2018.

The City will also hold two public hearings on the draft CAPER: one at the September 13, 2018 Housing and Community Development Commission meeting, and another at the September 13, 2018, Neighborhood and Education Services Committee. This memorandum will be posted to the City Council agenda website for the September 25, 2018, meeting.

A public notice regarding the aforementioned public review and comment period was published in five languages on September 7, 2018. The newspapers that carried the notices were the *San José Mercury News*, *El Observador*, *Vietnam Daily News*, *The World Journal* (Chinese), and the *Philippine News*.

COORDINATION

The preparation of this memorandum was coordinated with the City Attorney's Office and the City Manager's Budget Office.

August 27, 2018

Subject: FY 2017-2018 Consolidated Annual Performance Evaluation Report (CAPER)

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COMMISSION RECOMMENDATION/INPUT

Housing Department staff will present the draft CAPER to the Housing and Community Development Commission (HCDC) on September 13, 2018. A Supplemental Memorandum documenting any comments received at the September HCDC meeting will be provided to the City Council prior to the September 25, 2018, City Council meeting.

CEQA

Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action.

/s/

JACKY MORALES-FERRAND

Director of Housing

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

Attachment A: Draft FY 2017-2018 CAPER

Attachment B: Outcomes for Services and Activities Serving Individuals and Families

Attachment C: Strengthening Neighborhoods – Capital Improvement Projects