



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: January 30, 2019

Approved

D. D. Syl

Date

1/31/19

SUBJECT: SUBSTANTIAL AMENDMENT TO THE FY 2017-2018 ANNUAL ACTION PLAN

RECOMMENDATION

1. Hold a Public Hearing on the proposed Substantial Amendments to the Fiscal Year 2017-2018 Annual Action Plan to fund a new activity not previously described in that Action Plan in order to expend \$124,764 in remaining grant funding on homelessness prevention programs.
2. Adopt a resolution approving the proposed Substantial Amendment for submission to U.S. Department of Housing and Urban Development.

OUTCOME

Approval of this Substantial Amendment will ensure that all available federal Emergency Solutions Grant funds for homeless services can be spent in Fiscal Year 2018-19. The funds will be used for homelessness prevention services..

BACKGROUND

On June 20, 2017, the City Council approved the Fiscal Year (FY) 2017-2018 Annual Action Plan for expenditure of the entitlement funds and competitive grants that the City receives from the U.S. Department of Housing and Community Development (HUD). Staff submitted the City Council-approved Plan to HUD in June 2017, and HUD approved it in July 2017.

The City's Annual Action Plan details its funding strategy for the Community Development Block Grant (CDBG), Emergency Solutions Grant (ESG), HOME Investment Partnership (HOME), and Housing Opportunities for People with AIDS (HOPWA) programs each year. Annual Action Plans implement a jurisdiction's Five-Year Consolidated Plan and are developed through significant public input, analysis, and planning. The Action Plan provides spending caps for the different programs or services funded by federal funds.

All entitlement jurisdictions that receive federal funds are required by HUD to have an adopted Citizen Participation Plan (CPP). San José's CPP describes the efforts that the City will take to encourage its residents to participate in developing federal spending plans. It also provides requirements for the public process to be used when a "Substantial Amendment" to programs funded in the Annual Action Plan is proposed. Per the City's CPP, the following changes constitute a Substantial Amendment:

1. Increases or decreases by the greater of \$100,000 or a 25% change in the amount allocated to a category of funding;
2. A significant change to an activity's proposed beneficiaries or persons served; or,
3. Funding of a new activity not previously described in the Action Plan.

When a proposed change in program funding reaches one of these thresholds, the City must comply with the public process required in the CPP for Substantial Amendments. This includes public notice and public hearing by HCDC and the City Council.

ANALYSIS

Causes of the Need to Amend

Managing expenditures of the City's annual federally-funded budget often requires adjustments to accommodate expenditures that were slower than anticipated. Specifically, the proposed change is primarily a result of the need to fund the proposed ESG activity, as follows.

ESG funds can pay for programs to serve homeless individuals and households. Eligible uses include rapid rehousing subsidies, outreach services, emergency shelter provision, and homelessness prevention programs.

The 2017-2018 Annual Action Plan awarded \$440,000 of ESG funds to Bill Wilson Center for Rapid Rehousing Services. However, recent changes to processes for the Santa Clara County's Continuum of Care Rapid Rehousing program did not give Bill Wilson Center enough time to expend \$124,764 of the funds within FY 2017-18. As a result, the funds need to be reallocated or they will be recaptured by HUD. Staff is recommending that the funds be used to provide funding for homeless prevention services.

Process of Determining Reallocation of Funds

To determine the reallocation of ESG funding to homelessness prevention, staff examined the following: 1) other eligible uses; 2) the merits of alternative activities; 3) whether an existing contract exists to get funds out quickly; and 4) whether an awardee had capacity to spend additional funds quickly.

First, neither street outreach nor emergency shelter services could be awarded additional funds because HUD limits how much can be spent on these activities. However, homelessness prevention activities are ESG-eligible and there is capacity for an additional award under HUD's rules.

Second, homelessness prevention strategies are increasingly helping many San José residents to avoid becoming homeless. The City included this activity in its current FY 2018-19 Annual Action Plan.

Third, Bill Wilson Center has an existing award of \$122,997 in ESG homelessness prevention funds under the FY 2018-19 Annual Action Plan. This existing contract provides a vehicle by which new funds can be added and deployed quickly.

Fourth, staff identified supplementing the existing FY 2018-2019 Action Plan award of homeless prevention funding to Bill Wilson Center as the recommended use. The homelessness prevention services will be focused on both family and youth. Bill Wilson Center reports that there is demand for the services and it will be able to spend down the remaining FY 2017-2018 ESG funds by June 30, 2019.

For these reasons, homelessness prevention is the recommended use for these ESG funds. This use is designed to help families and individuals stay in their homes and find solutions for long-term stability. The funding will be used to provide rental or relocation assistance, as well as intensive case management and stabilization services to families and individuals (including victims of domestic violence) who are at risk of homelessness.

However, as homelessness prevention was not listed as an ESG spending activity in the FY 2017-2018 Action Plan, a new activity must be created in the Action Plan to use the funds.

Substantial Amendment is Required

The proposed change to the City's FY 2017-2018 Annual Action Plan qualifies as a Substantial Amendment because it meets Criterion 3: Funding of a new activity not previously described in the Action Plan. Therefore, this Substantial Amendment proposal is being brought to the Housing and Community Development Commission and to the City Council as the CPP requires.

The changes to the FY 2017-2018 Action Plan are provided in **Attachment A** and are summarized below.

Proposed Changes

The following change is included in the Substantial Amendment draft on page 1 in Attachment A:

Funding of New ESG Activity

Add homelessness prevention as a new activity to be funded. This change allows flexibility to expend all FY 2017-2018 ESG funding.

Impact of Federal Shutdown

If the federal government experiences another shutdown, the Substantial Amendment may not be processed promptly because HUD offices are closed. However, as the 2017-18 ESG funds are already appropriated and the on-line HUD disbursement system continues to operate, it appears that the funds are able to be spent currently. If the City's contracting process will allow the contract amendment to proceed, services can proceed without interruption. Housing Department staff will coordinate with HUD staff to ensure the Substantial Amendment is approved and to understand any changes to expenditure deadlines for the ESG funds.

EVALUATION AND FOLLOW-UP

After the City Council public hearing, staff will submit the Substantial Amendment and the record of public comments to HUD for approval. In Fall 2019, staff will return to the City Council with the Consolidated Annual Performance Evaluation Report (CAPER) that reports on performance of federally-funded programs and projects included in the 2017-2018 and 2018-2019 Annual Action Plan.

PUBLIC OUTREACH

The proposed Substantial Amendment was the subject of a public hearing at the January 17, 2019 meeting of the City's Housing and Community Development Commission (HCDC). The Housing Department sent a public hearing notice for posting on January 2, 2019, announcing both the HCDC public hearing on January 17, 2019 and the City Council public hearing on February 12, 2019, to organizations and individuals concerned about housing and community development issues. As required by the City's Citizen Participation Plan, the public hearing notice was also translated into Spanish, Vietnamese, Chinese and Tagalog and published in late March in the *El Observador*, *Vietnam Daily News*, *The World Journal* and *Philippine News* newspapers, respectively, as well as in the *San José Mercury News*.

In response to the Department's e-blast on January 7, 2019, staff received clarifying questions from one member of the public. These included whether homelessness prevention was funded only by ESG or also by State funding, and why homelessness prevention uses were the choice for using the unused ESG allocation.

COORDINATION

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

COMMISSION RECOMMENDATION/INPUT

The Housing and Community Development Commission (HCDC) held a public hearing on this item on January 17, 2019. Commissioners asked clarifying questions, including why homelessness prevention uses were the choice for using the unused ESG allocation, and approved the action unanimously. There was no public comment received at the public hearing.

FISCAL/POLICY ALIGNMENT

The new activity identified in this Substantial Amendment to the FY 2017-2018 Annual Action Plan is consistent with the priorities established in the City Council-approved 2015-2020 Consolidated Plan.

COST SUMMARY/IMPLICATIONS

This action will allow the City to use \$124,764 in FY 2017-2018 ESG funding on a qualified ESG activity. The funds are already appropriated, and this action shifts their use from one type of homelessness service to another.

CEQA

Not a Project, File No. PP17-004, Government Funding Mechanism or Fiscal Activity with no commitment to a specific project which may result in a potentially significant physical impact on the environment.

/s/

JACKY MORALES-FERRAND
Director of Housing

For questions, please contact Kristen Clements, Division Manager at (408) 535-8236.

Attachment A: Substantial Amendment to the FY 2017-2018 Annual Action Plan

ATTACHMENT A

City of San José Substantial Amendment to the 2017-2018 Annual Action Plan

Following is the summary and the draft language that amends the 2017-2018 Annual Action Plan to add the eligible activity for Emergency Solutions Grant funds.

Background

The City of San José's federal Annual Action Plan details the funding strategy for the Community Development Block Grant (CDBG), Emergency Solutions Grant (ESG), HOME Investment Partnership, and Housing Opportunities for People with AIDS (HOPWA) programs each year. These Annual Action Plans implement a jurisdiction's Five-Year Consolidated Plan and are developed through significant public input, analyses, and planning.

The City's Citizen Participation Plan (CPP) describes the efforts that the City will take to encourage its residents to participate in developing these plans. It also provides requirements for public process when a "substantial amendment" to the Annual Action Plan is proposed. The following changes constitute a substantial amendment and require public notice as described in the CPP:

- Increases or decreases by the greater of \$100,000 or a 25% change in the amount allocated to a category of funding
- A significant change to an activity's proposed beneficiaries or persons served
- Funding of a new activity not previously described in the Action Plan.

Proposed Substantial Amendment

The City is proposing the following amendment to the 2017-2018 Annual Action Plan in order to reprogram funds from projects/activities that did not expend the projected funds within the fiscal year.

1. Add homeless prevention as a new activity to be funded. This change allows flexibility to expend all FY 2017-2018 ESG funding.

Analysis

This proposal qualifies as a substantial amendment because it meets one of the three criteria:

- Funding of a new ESG activity not previously described in the Action Plan

Changes to the 2017-2018 Annual Action Plan are primarily a result of:

1. The reprogramming of \$124,764 of ESG funds that were not expended.

Homeless Services

The \$124,764 will be added to FY18-19 funding to provide services to 44 families at-risk of homelessness through Bill Wilson Center's homeless prevention program.

Public Process

The City of San José provided a public notice in five newspapers as part of the CPP requirements. Additionally, two public hearings will be held to provide opportunities for public comment:

- January 17, 2019 - Housing & Community Development Commission Meeting, 5:45pm, Wing Rooms 118-120
- February 12, 2019 - City Council consideration of Substantial Amendment adoption, 1:30pm, Council Chambers (Please review Council Meeting [agenda](#) when available to confirm item number)

Comments may also be provided to Kristen Clements by email (Kristen.Clements@sanjoseca.gov) or phone (408-535-8236), or in writing addressed to:

City of San José Housing Department
200 E. Santa Clara Street, 12th Floor
San José, CA 95113

1. On page 61 of the approved 2017-2018 Annual Action Plan, amend the estimated ESG Activities in section AP-38 Project Summary, as follows (**additions** or **deletions**):

13	Project Name	ESG17 City of San José
	Target Area	N/A
	Goals Supported	Homelessness
	Needs Addressed	Homelessness
	Funding	ESG: \$755,329
	Description	<p>The City will utilize ESG funds to support a Homeless Outreach and Engagement program as well as a Supportive Services, Rapid Re-housing Program for homeless individuals and families, and Homeless Prevention program for individuals and families at risk of homelessness.</p> <p>The Homeless Outreach and Engagement Program will focus on utilizing an integrated approach to provide a comprehensive response to addressing chronic homelessness in the City. The City will contract with HomeFirst to provide the Outreach and Engagement services. This program is combined with the CDBG Homeless Outreach, Engagement, and Shelter program.</p> <p>The Supportive Services and Rapid Re-housing Program for Unsheltered Populations will utilize an integrated approach to provide shelter, interim housing, case management services, deposit/rental assistance, and other eligible services as needed. The City will contract with Bill Wilson Center, the lead agency in a consortium of homeless and domestic violence service providers to provide these services.</p> <p>The Homeless Prevention Program for individuals and families at-risk of homelessness will provide financial assistance and diversion strategies to prevent those from falling into homelessness.</p> <p>ESG funds will be used to support the administration of the ESG program by the City's Housing Department.</p> <p><u>ESG Allocations by Component</u> Outreach = \$260,000 Shelter = \$76,550 Rapid Rehousing = \$363,450 \$238,286 Homeless Prevention: \$124,764 Administration = \$55,729</p>

Target Date	06/30/2018
Estimate the number and type of families that will benefit from the proposed activities	100 unduplicated homeless individuals will be provided shelter services 700 outreach contacts will be made with homeless individuals 50 homeless individuals/families will receive rapid re-housing services (deposit/rental assistance) 20 homeless individuals/families will receive homeless prevention services (rental assistance)
Location Description	Citywide
Planned Activities	<ul style="list-style-type: none"> • Emergency Shelter • Homeless Outreach • Rapid Re-housing • Homeless Prevention • Administration

----- END OF ANNUAL ACTION PLAN AMENDMENT -----