



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: May 1, 2019

Approved

Date

5/3/19

SUBJECT: PUBLIC HEARING FOR THE DRAFT 2019-2020 ANNUAL ACTION PLAN

RECOMMENDATION

- (a) Conduct a Public Hearing on the draft FY 2019-2020 Annual Action Plan, as required by the U.S. Department of Housing and Urban Development; and,
- (b) Provide Housing Department staff with input on the draft FY 2019-2020 Annual Action Plan and funding priorities.

OUTCOME

The purpose of this item is for the Mayor and City Council to: 1) open the 30-day comment period required by the Department of Housing and Urban Development (HUD) to 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 FY 2019-2020 Annual Action Plan (Plan) to be considered for adoption at the June 11, 2019 City Council meeting. HUD requires the City's approval of an Annual Action Plan as a condition of receiving approximately \$14 million in federal funding. Upon City Council adoption of the Plan in June, the Housing Department will submit the final document to HUD by the June 30, 2019 deadline.

EXECUTIVE SUMMARY

This action requests input on the proposed 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 million the City is projected to receive in FY 2019-20. 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: \$1.65 million in Community Development Block Grant (CDBG) funds on programs that provide emergency housing repair services to low-income people; \$8 million in CDBG funds on programs to construct and rehabilitate community-serving infrastructure and buildings; \$1.4 million in CDBG to fund agencies providing services to the homeless, seniors, and other populations; \$10 million in HOME Investment Partnerships Program (HOME) funds to help create new affordable housing developments including some apartments for formerly homeless residents; \$2.25 million in HOME funds for rent subsidies to help formerly homeless residents to afford market-rate apartments for a period of time; \$1.1 million in Housing for Persons with AIDS (HOPWA) funds for rent subsidies and supportive services; and \$755,000 in Emergency Solutions Grants (ESG) funds for outreach to homeless residents in San Jose, and for 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 the fifth and final year of the Five-year Plan, FY 2019-2020. While most contract renewals with grantees will be similar to those in previous years, some scopes of service may be altered to reflect current priorities, and some performance measures may be changed to better demonstrate outcomes.

For the next five-year Consolidated Plan period for 2020-2025, the City's priorities will be completely reexamined through collection and analysis of all new needs data in the Assessment of Fair Housing process in 2019-20. The forthcoming new Plan will allow the City to refocus its funds around the most current, urgent priorities; therefore, the contracts to be awarded may be different than in the current cycle.

FY 2019-2020 Plan Process

In early December 2018, the Housing Department initiated the planning and development process for the FY 2019-2020 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 on February 14, 2019. After receiving input from the Housing and Community Development Commission, City staff finalized the funding priorities and incorporated them into the draft Plan.

The draft Plan will be released on May 2, 2019, for public comment. The document is attached to this memorandum and also can be found at <http://www.sanjoseca.gov/DocumentCenter/View/69031> or upon request to the Housing Department. 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 11, 2019.

The draft FY 2019-2020 Plan was released later than usual this year due to delays by the federal government in adopting its 2019 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. This extended the use of FY 2018 discretionary spending levels from December 7, 2018, to February 13, 2019. The House and Senate finally approved the 2019 federal budget on February 14, 2019.

Given these delays, staff received guidance by HUD on how to accommodate this year's federal budget specifics in preparing the Annual Action Plan. It must be approved by the City Council and submitted to HUD within 60 days of receiving notice of the City's final funding allocation amounts for 2019. As of April 22, 2019, San José had not yet received its 2019 allocation notification; however, the annual deadline to submit the Annual Plan to HUD remains the same. Therefore, the funding levels in the Plan at this time are based on projected program allocations, consistent with HUD's guidance.

Based on overall housing and community development funding identified in the 2019 federal budget, staff anticipates that funding levels in the CDBG and HOPWA programs will be comparable to the 2018 funding levels. Staff anticipates that the HOME funding level will decrease approximately 11% compared to 2018 and ESG will increase slightly by 5%. If the Department receives the City's official federal allocation levels prior to the June 11, 2019, City Council meeting, staff will submit a supplemental memorandum and will update the Plan to

reflect the final allocations. If the City receives its allocation notification after the City Council approves the Plan and staff submits it to HUD, the Plan will be formally amended and staff will inform the City Council. Should the allocations be significantly lower than anticipated, triggering material changes to the Plan, staff would create a Substantial Amendment to the Plan for public comment and the City Council’s approval. A Substantial Amendment to the Plan is triggered when:

- Increases or decreases by the greater of \$100,000 or a 25% change in the amount allocated to a category of funding (please see definition of “Categories of Funding” below), or
- Makes a significant change to an activity’s proposed beneficiaries or persons served, or
- Funds a new activity not previously described in the Action Plan.

ANALYSIS

For FY 2019-2020, the City has projected that it will receive a total of almost \$14.0 million 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 \$30.7 million. Table 1 below summarizes the FY 2019-2020 federal funding levels:

Table 1: FY 2019-2020 Federal Funding Levels

Fund	Annual Allocation	Prior-year Carryover*	Estimated 2019-2020 Program Income	Total Estimated Resources
CDBG	\$8,927,311	\$6,842,058	\$400,000	\$16,169,369
HOME	\$3,160,147	\$7,726,421	\$1,750,000	\$12,636,568
HOPWA	\$1,131,945	\$0	\$0	\$1,131,945
ESG	\$755,329	\$0	\$0	\$755,329
Total	\$13,974,732	\$14,568,479	\$2,150,000	\$30,693,211

**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 2019-2020 Plan

The FY 2019-2020 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 Program (CDBG)

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 (Admin). The Community Development Improvements 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 2019-2020

Category	CDBG Activities	Funding
PS	Senior Services	\$200,000
PS	Neighborhood Engagement and Leadership Training	\$200,000
PS	Services for Homeless and Unhoused Populations	\$399,097
PS	Citywide Legal Services for Low-income Tenants and Landlords	\$500,000
PS/Admin	Fair Housing	\$333,038
CDI	Place-based Street and Infrastructure Enhancements	\$9,375,974
CDI	Targeted Code Enforcement	\$1,102,037
CDI	Minor Home Repair	\$1,650,000
CDI	Job Training for Homeless Individuals	\$500,000
CDI	Nonprofit Facility Rehab	\$276,799
Admin	Grants Management	\$1,632,424
	Total	\$16,169,369

CDBG – Public Services

CDBG funds can pay for a variety of 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 under contract. Staff is recommending to extend the following services through FY 2019-2020 at the indicated funding levels.

Table 3: Existing Service Providers in CDBG Contract 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
Legal Services	San Jose Housing Rights Consortium	Legal Services for Low-Income Tenants & Landlords	\$500,000
Neighborhood Engagement	SOMOS Mayfair	Home Grown Talent Project	\$150,000
Neighborhood Engagement	CommUniverCity	Community Leadership Development	\$50,000
Homeless Services	HomeFirst	Citywide Outreach & Shelter	\$399,097
Fair Housing	Law Foundation of Silicon Valley - Four Agency Consortium includes Project Sentinel, Asian Law Alliance, Senior Adults Legal Assistance and Law Foundation as lead agency	Fair Housing Services	\$100,000
Total			\$1,399,097

CDBG - Community Development Investment Funds

Community Development Investment 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 2019-2020 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 broadened 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. The Housing Department is continuing to invest in these areas in FY 2019-2020. The Plan allocates funds in FY 2019-2020 for the following proposed City projects:

Table 5: CDI Place-based Projects

Project	Description	Funding
The Haven	Additional funding for the rehabilitation of City-owned residences, which will offer interim housing targeting LGBTQ youth. \$700,000 of CDBG funds were initially allocated to this project in FY 2018-2019.	\$1,000,000
Acquisition, Rehabilitation and Infrastructure for Affordable Housing Sites and Public Facilities	Funding available for prospective projects that include the acquisition, rehabilitation, and infrastructure for affordable housing sites and public facilities.	\$6,965,974
Total		\$7,965,974

Additionally, the Housing Department is continuing work on projects that have been funded in past grant years.

Table 6: Previously Awarded CDI Place-based Projects in Construction

Project	Description	Funding
King/St.James & King/San Antonio Improvements	The projects include installing up-to-date pedestrian flashing beacons, upgrading traffic signal, extending sidewalks to provide increased pedestrian refuge area, and relocating utilities, which will greatly improve the safety of pedestrians that use the crosswalks.	\$1,280,000
Enhanced Pedestrian Crosswalks	Construct enhanced crosswalks, which include pedestrian activated Rectangular Rapid Flashing Beacons with ADA ramps, concrete medians, signs and markings to increase health and security in multiple neighborhoods.	\$760,000
Green Alley Way Improvements	Improvements to two alley ways will capture and infiltrate stormwater by removing pollutants and slowing urban runoff flows into stormwater management features that will provide long-term water quality benefits and improve roadway and pedestrian safety	\$1,635,000
Total		\$3,675,000

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 7.

Table 7: CDI Nonprofit Facility Rehabilitation

Agency	Program	Funding
Bill Wilson Agency	Continued rehabilitation of Bill Wilson Enclave Youth Shelter	\$276,799
Total		\$276,799

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 and Project Hope I and II. Code Enforcement will be utilizing CDBG resources in four specific neighborhoods that include Santee, Five Wounds/Brookwood Terrace, Cadillac/Project Hope, and the newly added Round Table/Project Hope II. Table 8 provides a list of the programs to be funded under the CDI category:

Table 8: CDI Non-construction Projects

Agency	Program	Funding
City Code Enforcement	Enhanced Code Enforcement in targeted neighborhoods	\$1,102,037
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	\$550,000
San José Streets Team	Job training for homeless and at risk individuals	\$500,000
Total		\$3,252,037

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 2019-2020, some Administrative funds will pay other City departments’ staff’s work on CDBG-related activities and \$233,038 will go towards Fair Housing. This includes the City Attorney’s Office work to perform legal reviews of all federal contracts, and the Department of Planning, Building and Code Enforcement’s work to provide NEPA support for all federally-funded projects. The total allocation for Administrative costs in FY 2019-2020 is \$1,865,462.

Table 9: CDBG Administrative

Agency	Program	Funding
Housing Department	CDBG Administration	\$1,582,359
City Attorney's Office	Legal Staffing	\$17,974
Planning Department	Environmental Reviews	\$32,097
Law Foundation of Silicon Valley - Four Agency Consortium	Fair Housing	\$233,038
Total		\$1,865,462

HOME Investment Partnerships Program (HOME)

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 2019-2020 as listed in Table 10. 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. In FY 2018-2019, staff released a Notice of Funding Availability and is in the process of committing funding.

Table 10: Proposed 2019-2020 HOME Activities

Project	Allocated Amount	
New Affordable Housing Development (including project delivery)	\$10,068,318	
Tenant-Based Rental Assistance	\$2,252,235	
Program Administration	\$249,053	
Fair Housing Services	\$66,962	
Total HOME		\$12,636,568

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

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 2019-2020, 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 2019-2020. This will be the fourth and final year of funding for these programs.

Table 11: Proposed FY 2019-2020 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 Program (ESG)

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. In FY 2018-2019, staff administered a Request for Proposals for outreach and homeless prevention services that was awarded to People Assisting the Homeless and Bill Wilson Center, respectively. Staff is recommending to continue funding People Assisting the Homeless and Bill Wilson Center to administer ESG activities at the following levels through FY 2019-2020.

Table 12: Proposed FY 2019-2020 ESG Activities

Service Type	Agency	Program	Funding
Homeless Services	People Assisting the Homeless	San Jose Outreach and Engagement	\$421,679
Homeless Services	Bill Wilson Center	Homeless Prevention Program for Youth and Families	\$127,000
Homeless Services	County of Santa Clara	Homeless Management Information System	\$150,000
Administration	City	ESG Administration	\$56,650
		TOTAL ESG:	\$755,329

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 City Council for final approval on June 11, 2019. The approved Plan must be submitted to HUD by June 30, 2019. 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 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 2018-2019 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 three public hearings on the 2019-2020 Plan. Staff used the meeting with the Housing & Community Development Commission on February 14, 2019, 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 four public hearings are provided below.

1. February 14, 2019 - Housing & Community Development Commission
2. May 9, 2019 – Housing & Community Development Commission
3. May 14, 2019 – City Council
4. June 11, 2019 – 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 2019-2020 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 May 9, 2019, Housing Department staff will present the draft Plan to the Housing & Community Development Commission. The purpose of the meeting is to obtain the Commission's input and to hold a public hearing. Staff will summarize all public comments, including those of Commissioners, for the public hearing at City Council on June 11, 2019, and will submit public comments to HUD with the final City Council-approved Plan on or before June 30, 2019.

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 million in entitlement funds for the CDBG, HOME, HOPWA, and ESG programs for FY 2019-2020.

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 2019-2020 budget process. Subject to City Council approval, some multi-year Community Development Infrastructure expenditures will be included in the City's FY 2019-2020 budget process.

HONORABLE MAYOR AND COUNCIL

May 1, 2019

Subject: Public Hearing on the Draft Annual Action Plan FY 2019-2020

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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 Ragan Henninger, Deputy Director, at (408) 535-3854.