



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jacky Morales-Ferrand
Jim Shannon

SUBJECT: SEE BELOW

DATE: June 29, 2020

Approved

Date

6/29/2020

SUBJECT: SECOND SUBSTANTIAL AMENDMENT TO THE FY 2019-2020 ANNUAL ACTION PLAN FOR THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

RECOMMENDATION

Hold a public hearing to allow for public comment, and:

- A. Adopt a resolution relating to the following actions regarding amendments to the existing spending plans for Community Development Block Grant (CDBG), and HOME Investment Partnership funds (HOME) awarded by the U.S. Department of Housing and Urban Development (HUD) to the City:
1. Approve the following relating to Substantial Amendments to the FY 2019-2020 Annual Action Plan to:
 - a. Decrease The Health Trust's current HOME allocation of \$2,252,235 by \$419,235 to \$1,833,000 and amend The Health Trust's Rapid Re-housing contract dated December 16, 2019;
 - b. Allocate \$6,517,646 of HOME funding for Tenant Based Rental Assistance (TBRA);
 - c. Award \$2,650,500 of HOME funding to Sacred Heart Community Service for TBRA, and authorize the Director of Housing to negotiate and execute an emergency sole source agreement with Sacred Heart Community Service;
 - d. Award \$2,400,000 of HOME funding to Catholic Charities of Santa Clara County for TBRA, and authorize the Director of Housing to negotiate and execute an emergency sole source agreement with Catholic Charities of Santa Clara County;
 - e. Award \$346,485 of HOME funding to Next Door Solutions to Domestic Violence for TBRA for victims of domestic violence and their families, and authorize the Director of Housing to negotiate and execute an emergency sole source agreement with Next Door Solutions to Domestic Violence;

- f. Award \$1,000,000 of HOME funding to Bill Wilson Center for TBRA for families, and authorize the Director of Housing to negotiate and execute an emergency sole source agreement with the Bill Wilson Center;
 - g. Award \$121,161 of HOME funding, \$88,839 of CDBG funding, and \$15,000 of Housing Trust Fund (HTF) funding to YWCA for rental assistance and motel vouchers for victims of domestic violence and authorize the Director of Housing to negotiate and execute an amendment to the YWCA contract relating to these additional funds dated July 1, 2020;
 - h. Decrease the City's HOME administration allocation of \$242,810 by \$102,695 to \$140,115;
 - i. Add Community Wireless Network Infrastructure as an eligible project under the Acquisition, Rehabilitation and Infrastructure for Affordable Housing Sites and Public Facilities activity;
 - j. Allocate \$100,000 in CDBG funding to the City for the Community Wireless Network Infrastructure project for predevelopment purposes; and,
 - k. Award \$400,000 in CDBG funding to First Five of Santa Clara County to provide family calming kits and authorize the Director of Housing to negotiate and execute a sole source agreement with First Five of Santa Clara County.
2. Authorize the City's Housing Department to submit the Substantial Amendment to the U.S. Department of Housing and Urban Development.
- B. Adopt the following Fiscal Year 2019-2020 Appropriation Ordinance Amendments in the Community Development Block Grant Fund:
1. Decrease the Neighborhood Infrastructure Improvements appropriation to the Housing Department by \$588,839;
 2. Establish a Community Wireless Network Infrastructure appropriation to the Housing Department in the amount of \$100,000;
 3. Establish a Childcare Services appropriation to the Housing Department in the amount of \$400,000; and
 4. Establish a Homeless Services appropriation to the Housing Department in the amount of \$88,839.
- C. Adopt the following Fiscal Year 2019-2020 Appropriation Ordinance Amendments in the HOME Investment Partnership Program Fund:
1. Decrease the Housing Project Reserve appropriation by \$5,000,000; and
 2. Decrease the Ending Fund Balance by \$1,517,646; and
 3. Increase the Tenant Based Rental Assistance appropriation to the Housing Department by \$6,517,646.

D. Adopt the following Fiscal Year 2019-2020 Appropriation Ordinance Amendments in the Housing Trust Fund:

1. Decrease the Ending Fund Balance by \$15,000; and
2. Increase the Housing and Homeless Projects appropriation to the Housing Department by \$15,000.

OUTCOME

Approval of this Substantial Amendment will redirect \$6,517,646 of available and appropriated federal HOME funding for FY 2019-20 to be used for Tenant Based Rental Assistance (TBRA) to respond to local needs created by the Coronavirus Disease 2019 (COVID-19). This action also reallocates \$588,839 in appropriated CDBG funds to provide family calming kits through First Five of Santa Clara County, establishes the Community Wireless Network Infrastructure project as an eligible project in FY 2019-20 and provide funding for its predevelopment, and provides motel vouchers as emergency shelter for victims of domestic violence and their families.

EXECUTIVE SUMMARY

This action amends the City's FY 2019-20 Annual Action Plan, which governs the expenditure of entitlement funds and competitive grants that the City received from the U.S. Department of Housing and Urban Development (HUD). The purpose of the amendment is to spend available funds for COVID-19 response. This is the second amendment to the City's FY 2019-20 Annual Action Plan; the City Council approved the first amendment on April 21, 2020.

The City proposes to use these identified funds to prioritize those in which the Emergency Operations Center has been charged with collaborating (emergency rental assistance) with the County in responding to COVID-19. More specifically, funding will help respond to the community's needs by: (1) providing emergency rental assistance to low-income households and families, and (2) addressing communities' lack of reliable internet access, which access is necessary to facilitate learning and bridge the digital divide in low-income areas.

To quickly deliver these services, staff intends to use a combination of contractual arrangements. These include new sole source contracts with Sacred Heart Community Service, Catholic Charities of Santa Clara County, Next Door Solutions to Domestic Violence, Bill Wilson Center, and First Five of Santa Clara County, as well as an amendment to an existing contract with the YWCA. These sole source contracts are warranted due to the COVID-19 emergency and the critical needs of the community, and are permitted by federal government regulations.

BACKGROUND

On June 11, 2019, the City Council approved the Fiscal Year (FY) 2019-20 Annual Action Plan for expenditure of the entitlement funds and competitive grants that the City received from HUD. Staff submitted the City Council-approved Plan to HUD in June 2019, and HUD approved it in July 2019.

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 such as San José that receive HUD's federal funds by formula allocation are required to have an adopted Citizen Participation Plan. San José's Citizen Participation Plan 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 Citizen Participation Plan, a substantial amendment constitutes a change to a previously adopted Five-Year Plan or Annual Plan that:

- Increases or decreases by the greater of \$100,000 or a 25% change in the amount allocated to a category of funding, 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.

When a proposed change in program funding reaches one of these thresholds, the City must comply with the public process required in the Citizen Participation Plan for Substantial Amendments, which includes a 30-day public comment period and two public hearings. However, due to the need to deploy funds quickly to respond to the COVID-19 crisis, HUD has issued guidance that waives the Citizen Participation Plan requirements for entitlement recipients, provided that (1) no fewer than five days are provided for public comment and that (2) reasonable notice and the opportunity to comment is provided.

Accordingly, the City has advertised the availability of the proposed amendments and the opportunity to comment on these amendments on its website five days prior to the hearing, has sent a notice by email to its general distribution list and to its Housing and Community Development Commissioners, and has posted the opportunity to comment on its social media accounts. An email address was provided on the notice where comments can be submitted. In addition, comments will be accepted prior to the hearing via a link on the City Council's agenda webpage as well as by e-mail to the City Clerk (city.clerk@sanjoseca.gov) by 12:00 noon on the day of the hearing. During the hearing, comments can be submitted via eComment on the City's

agenda webpage as well as by emailing councilmeeting@sanjoseca.gov and identifying the agenda item number in the subject line.

COVID-19 Response

On March 16, 2020, the Health Officer of the County of Santa Clara ordered a shelter-in-place for all residents due to COVID-19. The effects of COVID-19 and the shelter-in-place have led to residents and businesses facing numerous challenges and emergencies.

On April 21, 2020, the City Council approved the first substantial amendment to the FY 2019-20 Annual Action Plan, which utilized existing CDBG funds and additional allocations made in the CDBG, ESG, and HOPWA programs by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to be spent in FY 2019-20 to respond to local needs created by COVID-19. These funds are being used for City food services for homeless, senior, and disabled residents; homeless services; emergency hotel/motel vouchers for families; supporting San José microenterprises that employ low-income workers; emergency and minor repair services for low-income homeowners; emergency shelter set-up and operations; and supporting persons living with HIV/AIDS.

As the shelter-in-place order continues with planned phases to reopen instituted by the State of California and County of Santa Clara, residents are still feeling the effects of job loss and many are currently unable to pay rent.

Additionally, students have been affected as schools have turned to distance learning to complete the school year. Due to COVID-19, school campuses have switched from physical attendance to distance learning. Even when schools can reopen for physical attendance, distance learning will be a necessary component of instruction in order to prevent disruptions due to temporary closures or other measures necessary to promote the safety and well-being of all students. Distance learning implementation necessarily will evolve, and to sustain quality online learning, consistent and universal access to the internet is essential.

The City of San José created a broadband strategy in 2016 that identified the importance of digital connectivity in the 21st century. Without reliable access to the internet, individuals, families and students are disconnected from a vital utility and unable to effectively participate in the digital economy. The City's broadband strategy seeks to extend technology's reach and to empower each San José resident, especially those who are historically under-represented or under-served. Before the COVID-19 crisis began, an estimated 95,000 people in San José lacked reliable broadband Internet connectivity. The Digital Inclusion Partnership, which combines private sector investment with a nonprofit focused Digital Inclusion Fund, is designed to bridge that digital divide. Through the Education and Digital Literacy Strategy and Schools/City Collaborative, the City has engaged with school districts to identify and implement programs that enhance digital literacy skill development, as well as access to equipment and curricula. The City continues to look for ways to assist residents as partnerships, resources, and new direction from HUD becomes available.

ANALYSIS

The Need to Amend the Annual Action Plan

The City’s current Annual Action Plan is being amended to fund urgent needs of the community related to the COVID-19 crisis. To enable jurisdictions to respond quickly to the COVID-19 crisis, on April 10, 2020, HUD issued a memorandum providing regulatory waivers of certain HOME requirements. The goal of the waiver is to provide guidance and the necessary statutory suspensions and regulatory waivers to enable HOME participating jurisdictions affected by the Coronavirus Disease 2019 (COVID-19) pandemic to use HOME funds to address immediate housing needs and to help prevent spread of the virus.

One of HUD’s regulatory waivers allows the flexibility to exceed HOME’s 10% cap on the amount of the grant funds allowed to be spent on administration to 25%. Most importantly, the TBRA waivers allow jurisdictions to facilitate urgent housing assistance to the communities and families experiencing financial hardship. Staff proposes funding the following uses in Table 1:

Table 1 – Fiscal Year 2019-20 HOME TBRA and Administration Allocation

HOME-Funded Agency	HOME TBRA (19-20)	HOME Administration (19-20)	Contract Total (19-20)
Sacred Heart	\$2,511,000	\$139,500	\$2,650,500
Catholic Charities	\$2,260,500	\$139,500	\$2,400,000
Bill Wilson Center	\$904,231	\$95,769	\$1,000,000
The Health Trust	\$1,650,700	\$182,300	\$1,833,000
YWCA	\$121,161	\$0	\$121,161
Next Door	\$314,987	\$31,498	\$346,485
Law Foundation	\$0	\$81,104	N/A
City of San José	\$0	\$140,115	N/A
Total:	\$7,762,579	\$809,786	\$8,351,146

*Law Foundation of Silicon Valley’s allocation for Fair Housing services will remain unchanged.

The following summarizes the awards of TBRA contracts, which staff requests be made retroactive to April 10, 2020, as allowed by HUD waivers. The cost of internet access to help vulnerable adults and children will also be an allowed reimbursable cost wherever funding rules will allow:

- Award \$2,650,000 in HOME funds to Sacred Heart Community Service to expand urgently needed rental assistance to residents and families, \$139,500 of which will be for rental assistance administration. Sacred Heart will receive additional FY 2020-21 HOME funds in the amounts of \$1,339,000 for TBRA and \$260,500 for administration, which will be allocated through the FY 2020-21 Annual Action Plan process. The total of the contract will be for \$4,250,000.

- Award \$2,400,000 in HOME funds to Catholic Charities of Santa Clara County to expand urgently needed rental assistance to residents and families, \$139,500 of which will be for rental assistance administration. Catholic Charities will receive additional FY 2020-21 HOME funds in the amounts of \$1,339,500 for TBRA and \$260,500 for administration. The total of the contract will be for \$4,000,000.
- Award \$121,161 in HOME funds, \$88,839 of CDBG funds, and \$15,000 of Housing Trust Fund (HTF) funds to YWCA for rental assistance and emergency motel vouchers for victims of domestic violence and their families.
- Award \$346,485 in HOME funds to Next Door Solutions to Domestic Violence for rental assistance and emergency motel vouchers for victims of domestic violence and their families, \$31,498 of which will be for rental assistance administration.
- Award \$1,000,000 in HOME funds to Bill Wilson Center for rental assistance to families, \$95,769 of which will be for rental assistance administration.
- Decrease The Health Trust's current HOME allocation by \$419,235 to \$1,833,000 and amend The Health Trust's current contract to reallocate unspent funds on emergency rental assistance administration. \$182,300 of which will be for rental assistance administration.
- Decrease the City's HOME administration allocation of \$242,810 by \$102,695 to \$140,115.

As we know, the COVID crisis has hit all families with school-aged children hard, as children have had to participate in distance learning from home under less-than-ideal circumstances. These stressful conditions will continue, as next school year will also certainly involve some portion of distance learning. Some of the City's low-income families are particularly challenged at this time, due to their lower rates of internet access and the continuing need to shelter and keep their children engaged in school. To help these families and their students' future prospects, staff proposes an additional new commitment from FY 2019-20 CDBG CDI funds to fund the Community Wireless Network Infrastructure project. In addition, to help children and families cope with the stresses involved during this time and to promote mental health, staff proposes to commit CDBG funds to fund family calming kits:

- Allocate \$100,000 in CDBG funds to Community Wireless Network Infrastructure project for predevelopment purposes.
- Award \$400,000 in CDBG funds to First Five of Santa Clara County to provide family calming kits and establish Childcare Services as an eligible activity.

The current year's HOME funds came from four sources:

- The 2019-20 Annual Action Plan awarded \$2,252,235 of HOME funds to The Health Trust to assist Rapid Re-housing clients with tenant based rental assistance. However, recent staffing changes within the agency did not give it enough time to expend \$419,235 of the funds within FY 2019-20. As a result, by reallocating the funds, the City will be able to redirect more funding to meet the COVID-19 pandemic. Staff recommends that the funds be used to partially fund emergency rental assistance.
- The 2019-20 Annual Action Plan allocated \$228,668 of HOME administration funds to the Housing Department for grant administration purposes. There is currently 1 dedicated full time employee budgeted to the source, which would not expend all the City's administration funding. As a result, by reallocating the funds, the City will be able to redirect more funding to meet the COVID-19 pandemic. Staff recommends that the funds be used to partially fund emergency rental assistance administration.
- The expansion of the HOME administration to 25% of the FY 2019-20 entitlement award allowed for additional funding for emergency rental assistance administration.
- The FY 2019-20 Annual Action Plan had allocated more than \$6.5 million for HOME development projects that had not yet moved forward. Approximately \$6,517,646 of these funds are being redirected to be used for COVID-related emergency rental assistance services identified in this memorandum.

Process of Determining Reallocation and Awarding of Funds

To determine the shifting of HOME funds to use for emergency rental assistance, staff examined the following: 1) other eligible uses within the same HOME category; 2) the merits of alternative activities; 3) whether an existing contract exists to expend funds quickly; 4) whether an awardee had capacity to spend additional funds quickly; and 5) whether the City and its partners could identify emergency solutions to help cope with COVID-19 conditions. Additionally, on April 7th, the City Council directed the Housing Department to identify sources to support families. Accordingly, staff sought different ways in which funds could be used for families with minor children who are unable to pay rent because of a loss of income.

Existing Contracts

From community feedback, staff has also identified that survivors of domestic violence and their families are especially financially vulnerable at this time and in need of assistance. Survivors are usually single parent households and therefore have only one income, so loss of any income is perilous. In addition, COVID-related stress and unemployment has reportedly led to an increase in domestic violence events. Departing survivors often have few or no assets, as they may need to leave with little advance planning. YWCA is currently operating a rental assistance program for victims of domestic violence. YWCA has seen an increased need for rental assistance,

emergency motel vouchers, and supportive services during the COVID-19 emergency. YWCA's contract can be amended to include CDBG, HOME, and HTF funding to provide additional services.

New Contracts

The rationale for awarding sole source contracts without a competitive process is because emergency rental assistance is needed urgently due to the COVID-19 crisis for the vulnerable populations being targeted. Due to the COVID-19 emergency and the critical needs of the community, there exists a public exigency or emergency warranting sole-sourcing this vital service. 24 CFR Section 85.36(d)(4) allows for non-competitive proposals, including sole source award, for the use of HOME funds if there is a public exigency or emergency. Therefore, the funding source does not require a competitive process. In addition, the federal government issued waivers of other rules so that jurisdictions could use funds as quickly as possible. For these reasons, a sole source contract is appropriate for the following agencies.

Next Door Solutions to Domestic Violence does not have a current contract with the City, but was identified as one of the few agencies that provides rental assistance to victims of domestic violence. The Department's goal is to maximize the number of outlets that can distribute emergency rental assistance to vulnerable populations, and Next Door Solutions to Domestic Violence assists in that goal.

Sacred Heart Community Service is one of the lead agencies for Santa Clara County's Emergency Assistance Network (EAN) and is implementing a large scale homeless prevention/rental assistance program. Their experience and large-scale operation make it an ideal agency to provide a large portion of the City's emergency rental assistance funding. Additionally, Sacred Heart assists a large number of families and will also assist YWCA in distributing an additional \$250,000 for victims of domestic violence and their families.

Catholic Charities of Santa Clara County also operates a large-scale emergency rental assistance program and can utilize \$2.4 million in HOME funds to assist low-income families. By partnering with Catholic Charities, the Department is able to realize its goal of utilizing its HOME funding for emergency rental assistance, maximizing the number of outlets that can distribute emergency rental assistance, all while assisting a large number of families in the City.

Bill Wilson Center is currently operating a portion of the City's Rapid Re-housing program that supports homeless families being provided with rental assistance, however Bill Wilson Center does not have a contract to provide the actual rental assistance. The Department explored amending Bill Wilson Center's current contract, but recommends creating a new contract that will combine the Homeless Emergency Aid Program (HEAP) for Youth Transition in Place program with the HOME funding to administer additional emergency rental assistance to families with minor children.

All new contracts responding to the impacts of COVID-19 and providing emergency rental assistance will be retroactive to April 10, 2020.

Finally, First Five of Santa Clara County was identified as a resource to assist low-income families during the pandemic in a discussion on the previous substantial amendment to the FY 2019-20 Annual Action Plan. To ensure that funding could be awarded, staff included the recommendation in this substantial amendment so that it would follow HUD's required noticing guidelines for public participation.

Community Wireless Network Infrastructure Project

Finally, the City's Office of Innovation approached the Housing Department concerning the use of CDBG funds for the Community Wireless Network (WiFi) Infrastructure Project in the East Side Union High School District (ESUHSD) within the Independence High School and Oak Grove High School areas. Similar projects have already been completed or are in process within the James Lick, Overfelt, and Yerba Buena High School areas. Both the Independence and Oak Grove High School areas are fitted with the City's fiber optic infrastructure, which allows for the WiFi infrastructure to be constructed. Additionally, the project areas identified for both high school areas meet the CDBG low-/moderate-income area benefit that requires the project area to serve more than 51% of low-/moderate-income census tracts.

The Housing Department identified \$100,000 of FY 2019-20 CDBG funds it could redirect to assist with predevelopment costs. The Department is also identifying \$2,100,000 in the FY 2020-21 Annual Action Plan to complete the construction of the infrastructure. The total project cost will be approximately \$2,200,000 and will be incorporated into a Memorandum of Performance between the Housing Department and Department of Transportation, which will also include project scope, timeline, performance benchmarks, and a detailed budget.

This project will provide greater internet access to facilitate advancing students' academic achievement through internet-based learning technologies and instruction. Enabling Wi-Fi access will give students the ability to learn and better prepare themselves for future careers and personal development. Wi-Fi access for the Independence and Oak Grove communities will also promote equity by closing the digital divide and improving educational outcomes.

Substantial Amendments are Required

The proposed changes to the City's FY 2019-20 Annual Action Plan qualifies as Substantial Amendments because it meets criteria one and three identified below:

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

The changes to the FY 2019-20 Action Plan are provided in **Attachment A** and are summarized below.

Proposed Changes

The following changes are included in the Substantial Amendment draft in Attachment A:

Community Wireless Network Infrastructure (CDBG)

The addition of the Community Wireless Network Infrastructure project as an eligible CDI activity/project in the FY 2019-20 Annual Action Plan.

The allocation of \$100,000 in CDBG CDI funding is expected to support pre-development costs performed by the Departments of Planning, Transportation, and the Office of Innovation.

Emergency Motel Vouchers (CDBG)

Emergency motel vouchers funded by CDBG will be provided to victims of domestic violence and their families that have been affected by COVID-19.

The award of \$88,839 in CDBG funding to YWCA will provide emergency motel vouchers services to vulnerable victims of domestic violence in need or emergency shelter.

Childcare Services (CDBG)

Add Childcare Services as an eligible CDBG public services activity.

Family calming kits funded by CDBG will be provided to low-income families that have been affected by COVID-19.

The award of \$400,000 to First Five of Santa Clara County will provide calming kits to an additional 5,292 families.

HOME TBRA for Emergency Rental Assistance

Emergency rental assistance funded by HOME will be provided to low-income households and families affected by COVID-19.

The award of \$2,650,500 in HOME funding to Sacred Heart Community Service will provide emergency rental assistance services to an additional 246 households.

The award of \$2,400,000 in HOME funding to Catholic Charities of Santa Clara County will provide emergency rental assistance services to an additional 230 households.

The allocation of \$1,000,000 in HOME funding to Bill Wilson Center will provide emergency rental assistance services to an additional 40 families.

The award of \$121,161 in HOME funding to YWCA will provide emergency rental assistance to an additional 12 households.

The award of \$346,485 in HOME funding to Next Door Solutions to Domestic Violence will provide emergency rental assistance to an additional 25 households.

CONCLUSION

Changes to the FY 2019-20 Annual Action Plan include reallocating \$6,517,646 HOME funding in response to COVID-19 emergencies. To ensure that the City can meet the needs of its residents, staff is recommending to award contracts of \$2,650,500 to Sacred Heart Community Service, \$2,400,000 to Catholic Charities of Santa Clara County, and \$1,000,000 to Bill Wilson Center to expand emergency rental assistance to low-income families, as well as \$121,161 to YWCA and \$346,485 to Next Door Solutions to Domestic Violence to provide emergency rental assistance to victims of domestic violence and their families, subject to appropriation.

Finally, the reallocation of \$588,839 in FY 2019-20 CDBG CDI funding will allocate \$100,000 to support predevelopment services for the Community Wireless Network Infrastructure Project, \$400,000 for family calming kits through First Five of Santa Clara County, and \$88,839 for motel vouchers as emergency shelter for victims of domestic violence through Next Door Solutions to Domestic Violence.

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 2020, 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 2019-2020 Annual Action Plan.

CLIMATE SMART SAN JOSE

The recommendation in this memo has no effect on Climate Smart San José energy, water, or mobility goals.

PUBLIC OUTREACH

This memorandum has been posted on the City's website for approval by the City Council on June 30, 2020. The Substantial Amendment is also posted on the Housing Department's website at www.sjhousing.org. The Housing Department also sent an e-blast to inform the public of this item five days prior to its hearing, which was directed to approximately 880 email recipients. Additionally, the notice contained translations in four additional languages of how recipients could get additional information. Longer and more formal public outreach typically required by HUD per the City's Citizen Participation Plan are waived currently per HUD waivers.

COORDINATION

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

COMMISSION RECOMMENDATION/INPUT

HUD's recent waiver of regulatory processes in light of the COVID-19 emergency, and the City's cancellation of Commission meetings, has prevented the City from holding a public hearing on this item at the Housing and Community Development Commission. However, per HUD's guidance, the Housing Department used reasonable notice and the opportunity to comment on the Substantial Amendments by advertising the availability of the proposed amendments on its website five days prior to the hearing, sending a notice by email to its general distribution list and to its Housing and Community Development Commissioners, and posting the opportunity to comment on its social media accounts. An email address is provided on the notice where comments can be submitted. In addition, comments will be accepted prior to the hearing via a link on the City Council's agenda webpage as well as by e-mail to the City Clerk (city.clerk@sanjoseca.gov) by 12:00 p.m. the day of the hearing. The community will also have the opportunity to comment virtually at the public hearing held by the City Council on June 30, 2020.

FISCAL/POLICY ALIGNMENT

The new activity identified in this Substantial Amendment to the FY 2019-20 Annual Action Plan is consistent with the priorities established in the City Council-approved FY 2015-20 HUD Consolidated Plan.

COST SUMMARY/IMPLICATIONS

The recommended actions in this memorandum impact a number of City funds. Actions include reallocating \$588,839 of CDI funds in the Community Development Block Grant Program Fund (441) from Neighborhood Infrastructure Improvements to the Community Wireless Network Infrastructure project (\$100,000), Childcare Services (\$400,000), and Homeless Services (\$88,839).

Within the HOME Investment Partnership Program Fund (445), a total of \$6.5 million is recommended for reallocation to provide emergency rental assistance to low-income households and families affected by COVID-19. TBRA funds will be administered by Sacred Heart Community Service (\$2,650,000), Catholic Charities of Santa Clara County (\$2,400,000), the Bill Wilson Center (\$1,000,000), Next Door Solutions to Domestic Violence (\$346,485), and the YWCA (\$121,161). The increase for rental assistance is offset by a \$5.0 million reduction the Housing Project Reserve, a \$1.5 million reduction to the Unrestricted Ending Fund Balance, and a reduction to the current TBRA agreement with The Health Trust by \$419,235.

Finally, \$15,000 within the Housing Trust Fund (440) is reallocated from the Unrestricted Ending Fund Balance to YWCA for rental assistance and motel vouchers for victims of domestic violence.

BUDGET REFERENCE

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

Fund #	Appn #	Appn. Name	Total Appn	Rec. Budget Action	2019-2020 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
440	8999	Unrestricted Ending Fund Balance	\$965,487	(\$15,000)	X-49	02/11/2020, 30361
440	2453	Housing and Homeless Projects	\$1,596,180	\$15,000	X-49	10/29/2019, 30332
441	7482	Neighborhood Infrastructure Improvements	\$969,074	(\$588,839)	X-16	04/21/2020, 30400
441	New	Community Wireless Infrastructure	\$0	\$100,000	N/A	N/A
441	New	Homeless Services	\$0	\$88,839	N/A	N/A
441	New	Childcare Services	\$0	\$400,000	N/A	N/A
445	8437	Housing Project Reserve	\$6,000,000	(\$5,000,000)	X-48	06/18/2019, 30286
445	8999	Unrestricted Ending Fund Balance	\$2,101,595	(\$1,517,646)	X-48	06/23/2020, 30436
445	3744	Tenant Based Rental Assistance	\$2,252,235	\$6,517,646	X-48	06/18/2019, 30286

HONORABLE MAYOR AND CITY COUNCIL

June 29, 2020

Subject: Second Substantial Amendments to the FY 2019-20 Annual Action Plan

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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

A handwritten signature in black ink that reads "Jim Shannon". The signature is written in a cursive style with a large initial "J".

JIM SHANNON

Budget Director

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

Attachment A: Substantial Amendment to the FY 2019-20 Annual Action Plan

ATTACHMENT A

City of San José Second Substantial Amendment to the FY 2019-20 Annual Action Plan

The following is a summary and draft language that amends the FY 2019-20 Annual Action Plan.

Background

The City of San José’s federal Consolidated 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) for the period between 2015 and 2020. The Annual Action Plan details each year within the 5-year Consolidated Plan and outlines the implementation of annual funding, which is 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.

However, due to COVID-19, the United States Department of Housing and Urban Development (HUD) has issued guidance that exempts entitlement recipients from CPP requirements, but instead provide a 5-day public comment period and one public hearing to implement funding for COVID-19 emergency services.

Proposed Substantial Amendments

The City is proposing the following amendment to the 2019-2020 Annual Action Plan in order to reallocate current program funds from projects/activities that did not expend the projected funds within the fiscal year, as well as supplemental funding established by the CARES Act.

1. Add Community Wireless Network Infrastructure project as an eligible activity/project under the Community Development Block Grant (CDBG) Community Development Investment (CDI) Place Based Street and Infrastructure Enhancements category;
2. Allocate \$100,000 in CDBG CDI funding for pre-development costs performed by the City Departments of Planning, Transportation, and the Office of Innovation;
3. Allocate \$88,389 of CDBG Public Services category funding to the YWCA for emergency hotel/motel vouchers for victims of domestic violence and their families;
4. Add Childcare Services as an eligible CDBG public services activity;

5. Award \$400,000 to First Five of Santa Clara County to provide shelter-in-place calming kits to low-income families;
6. Award \$2,650,500 in HOME funding to Sacred Heart Community Service will provide emergency rental assistance services to low-income households and families;
7. Award \$2,400,000 in HOME funding to Catholic Charities of Santa Clara County will provide emergency rental assistance services to low-income households and families;
8. Award \$1,000,000 in HOME funding to Bill Wilson Center to provide emergency rental assistance services low-income households and families;
9. Award \$121,161 in HOME funding to YWCA will provide emergency rental assistance to victims of domestic violence and their families;
10. Award \$346,485 in HOME funding to Next Door Solutions to Domestic Violence to provide emergency rental assistance to victims of domestic violence and their families.

Analysis

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

- **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.**

Changes to the 2019-20 Annual Action Plan are primarily a result of:

1. The reallocation of \$6,517,646 of FY 19-20 HOME Funds.
2. The reallocation of \$588,839 of FY 19-20 CDBG Funds.

Public Process

The City of San José is providing notice of a five-day public comment period as part of the HUD public participation exemption process. Additionally, one public hearing will be held to provide opportunities for public comment:

- June 30, 2020 - City Council consideration of Substantial Amendments adoption, 1:30pm, Virtual Meeting, which can be found here: <https://www.sanjoseca.gov/news-stories/watch-a-meeting>
- (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 48 of the approved 2019-2020 Annual Action Plan, amend the estimated CDBG, ESG, and HOPWA Activities in section AP-38 Project Summary, as follows (**additions** or **deletions**):

AP-38 Projects Summary
Project Summary Information
Table 1 – Project Summary

	Project Name	Target Area	Needs Addressed	Funding	GOI
1	Senior Services	N/A	<ul style="list-style-type: none"> Strengthening Neighborhoods 	CDBG: \$200,000	200 persons assisted
2	Neighborhood Engagement	N/A	<ul style="list-style-type: none"> Strengthening Neighborhoods 	CDBG: \$200,000	250 persons assisted
3	Legal Services for LI Tenants	N/A	<ul style="list-style-type: none"> Strengthening Neighborhoods 	CDBG: \$375,000	300 persons assisted
4	Job Training for Unhoused Individuals	N/A	<ul style="list-style-type: none"> Strengthening Neighborhoods Homelessness 	CDBG: \$500,000	10 Jobs created
5	Place Based Street and Infrastructure Enhancements	N/A	<ul style="list-style-type: none"> Strengthening Neighborhoods 	CDBG: \$2,410,000	1,000 persons assisted
6	Targeted Code Enforcement	N/A	<ul style="list-style-type: none"> Strengthening Neighborhoods 	CDBG: \$702,037	775 housing units
7	Minor Home Repair Program	N/A	<ul style="list-style-type: none"> Strengthening Neighborhoods 	CDBG: \$2,050,000	325 housing units
8	HOPWA – The Health Trust	N/A	<ul style="list-style-type: none"> Affordable Housing 	HOPWA: \$1,190,410	105 persons assisted
9	HOPWA – San Benito County	N/A	<ul style="list-style-type: none"> Affordable Housing 	HOPWA: \$50,000	5 persons assisted
10	Rental Housing Development	N/A	<ul style="list-style-type: none"> Affordable Housing 	HOME: \$10,139,416 CHDO: \$485,872	50 housing units
11	HOME TBRA	N/A	<ul style="list-style-type: none"> Homelessness 	HOME: \$2,252,235 \$7,762,579	400 653 persons assisted
12	Services for Homeless and Unhoused Populations (CDBG)	N/A	<ul style="list-style-type: none"> Homelessness 	CDBG: \$388,490	160 persons assisted 800 outreach contacts
13	Homeless Services (ESG18 City of San José)	N/A	<ul style="list-style-type: none"> Homelessness 	ESG: \$757,502	150 persons assisted 700 outreach contacts

14	Fair Housing	N/A	• Fair Housing	CDBG: \$318,896 HOME: \$81,104	220 persons assisted
15	Acquisition, rehabilitation, and infrastructure for affordable housing sites and public facilities	N/A	• N/A	CDBG: \$505,000 \$105,000	N/A
16	CDBG Administration and Monitoring	N/A	• N/A	CDBG: \$1,632,424	N/A
17	HOME Administration and Monitoring	N/A	• N/A	HOME: \$242,810	N/A
18	HOPWA Administration and Monitoring	N/A	• N/A	HOPWA: \$38,363	N/A
19	City Food Services – COVID-19	N/A	• Strengthening Neighborhoods	CDBG: \$1,200,000	TBD
20	Job Creation and Retention Small Business Loans – COVID-19	N/A	• Strengthening Neighborhoods	CDBG: \$2,500,000	TBD
21	Emergency Hotel/Motel Vouchers – COVID-19	N/A	• Homelessness	CDBG: \$2,000,000 \$2,088,839	TBD
22	Emergency Homeless Shelter Operations – COVID-19	N/A	• Homelessness	CDBG: \$515,000	TBD
23	CDBG-CV (2019)	N/A	• Homelessness	CDBG: \$4,210,732	TBD
24	ESG-CV (2019)	N/A	• Homelessness	ESG: \$2,683,479	TBD
25	HOPWA-CV (2019)	N/A	• Affordable Housing	HOPWA: \$188,657	TBD
26	CDBG-CV Administration and Monitoring	N/A	• N/A	CDBG: \$1,052,682	N/A
27	HOPWA-CV Administration and Monitoring	N/A	• N/A	HOPWA: \$20,961	N/A
28	Childcare Services – Shelter-in-place Calming Kits	N/A	• Strengthening Neighborhoods	CDBG: \$400,00	5,292

3	Project Name	Legal Services for LI Tenants and Landlords
	Target Area	N/A
	Goals Supported	Strengthening Neighborhoods
	Needs Addressed	Strengthening Neighborhoods
	Funding	CDBG: \$375,000
	Description	The goal of the Legal Services for LI Tenants 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. These services will include additional outreach and education to low income tenants Citywide.
	Target Date	06/30/2020
	Estimate the number and type of families that will benefit from the proposed activities	300 low-income tenants and landlords
	Location Description	Citywide
	Planned Activities	Law Foundation of Silicon Valley - Consortium

6	Project Name	Targeted Code Enforcement
	Target Area	N/A
	Goals Supported	Strengthening Neighborhoods
	Needs Addressed	Strengthening Neighborhoods
	Funding	CDBG: \$702,037
	Description	Code Enforcement activities will be conducted in low-income, residential neighborhoods that meet the City's definition of "Deteriorated/Deteriorating Areas". Code Enforcement's focus will be primarily on the inspections of multi-family units.
	Target Date	06/30/2020
	Estimate the number and type of families that will benefit from the proposed activities	775 households in place-based neighborhoods
	Location Description	Santee, Mayfair, Five Wounds/Brookwood Terrace, and additional hotspots identified through the Mayor's Gang Prevention Task Force
	Planned Activities	Place-based Code Enforcement

7	Project Name	Minor Home Repair Program
	Target Area	N/A
	Goals Supported	Strengthening Neighborhoods
	Needs Addressed	Strengthening Neighborhoods
	Funding	CDBG: \$2,050,000
	Description	<p>This program will repair housing units to address immediate health and safety needs for extremely low-income homeowners in San José. The focus of repairs will address emergency and critical repair needs, as well as accessibility and mobility needs within the home.</p> <p>The program also includes funding for limited rehabilitation to address more substantial safety issues in the home to ensure safe, affordable, decent living environment for the occupants.</p>
	Target Date	06/30/2020
	Estimate the number and type of families that will benefit from the proposed activities	250 extremely low-income homeowners
	Location Description	Citywide
	Planned Activities	Rebuilding Together Habitat for Humanity

15	Project Name	Acquisition, Rehabilitation, and Infrastructure for Affordable Housing Sites and Public Facilities
	Target Area	N/A
	Goals Supported	Affordable Housing and Strengthen Neighborhoods
	Needs Addressed	Affordable Housing and Strengthen Neighborhoods
	Funding	CDBG: \$505,000 \$105,000
	Description	<p>CDBG funds will be used to support the acquisition, rehabilitation, and infrastructure for affordable housing sites and public facilities. \$100,000 will go to support predevelopment activities for the Community Wireless Network Infrastructure project.</p>
	Target Date	06/30/2020
	Estimate the number and type of families that will benefit from the proposed activities	N/A
	Location Description	N/A
	Planned Activities	TBD

19	Project Name	City Food Services – COVID-19
	Target Area	N/A
	Goals Supported	Strengthening Neighborhoods
	Needs Addressed	Strengthening Neighborhoods
	Funding	CDBG: \$1,200,000
	Description	This project will fund Loaves and Fishes consortium to prepare and deliver food/meals throughout the City to its most vulnerable populations: homeless, disabled, seniors, and low-income individuals and families.
	Target Date	06/30/2020
	Estimate the number and type of families that will benefit from the proposed activities	TBD
	Location Description	City-wide (service locations vary)
Planned Activities	Loaves and Fishes Consortium (includes The Health Trust Meals on Wheels and Martha’s Kitchen)	

20	Project Name	Job Creation and Retention Small Business Loans – COVID-19
	Target Area	N/A
	Goals Supported	Strengthening Neighborhoods and/or Respond to Homelessness and Its Impacts on the Community
	Needs Addressed	Strengthening Neighborhoods and/or Respond to Homelessness and Its Impacts on the Community
	Funding	CDBG: \$2,500,000
	Description	The program will support small businesses in the form of working capital loans to create or retain jobs during the COVID-19 crisis. The Opportunity Fund will be the subrecipient of CDBG funds and will operate the loan program.
	Target Date	06/30/2020
	Estimate the number and type of families that will benefit from the proposed activities	25 jobs created or retained
	Location Description	Citywide
	Planned Activities	Opportunity Fund – Small Business Loans for Job Creation and Retention

21	Project Name	Emergency Hotel/Motel Vouchers – COVID-19 (CDBG)
	Target Area	N/A
	Goals Supported	Homelessness
	Needs Addressed	Homelessness
	Funding	CDBG: \$2,000,000
	Description	The City is utilizing CDBG to fund LifeMoves to provide emergency hotel/motel vouchers to homeless individuals and families to prevent the spread of COVID-19.
	Target Date	06/30/2020
	Estimate the number and type of families that will benefit from the proposed activities	150 unduplicated homeless individuals will be provided outreach and supportive services
	Location Description	Citywide
	Planned Activities	LifeMoves – Emergency hotel/motel vouchers

22	Project Name	Emergency Homeless Shelter Operations – COVID-19 (CDBG)
	Target Area	N/A
	Goals Supported	Homelessness
	Needs Addressed	Homelessness
	Funding	CDBG: \$515,000
	Description	The City will utilize CDBG funds to support Emergency Homeless Shelter Operation and creation to prevent the spread of COVID-19.
	Target Date	06/30/2020
	Estimate the number and type of families that will benefit from the proposed activities	TBD
	Location Description	Citywide
	Planned Activities	Emergency Homeless Shelter Operations and Creation

23	Project Name	CDBG-CV (2019)
	Target Area	N/A
	Goals Supported	Homelessness
	Needs Addressed	Homelessness
	Funding	CDBG: \$4,210,732
	Description	The City will utilize ESG funds to support Emergency Homeless Shelter Operation and creation to prevent the spread of COVID-19.
	Target Date	06/30/2020
	Estimate the number	TBD

	and type of families that will benefit from the proposed activities	
	Location Description	Citywide
	Planned Activities	Emergency Homeless Shelter Operations and Creation

24	Project Name	ESG-CV (2019)
	Target Area	N/A
	Goals Supported	Homelessness
	Needs Addressed	Homelessness
	Funding	ESG: \$2,683,479
	Description	<p>The City will utilize ESG funds to support Emergency Shelter Operation and creation to prevent the spread of COVID-19.</p> <p>The Homeless Prevention program will utilize an integrated approach to provide case management services, deposit/rental assistance, and other eligible services as needed to keep individuals and families from experiencing homelessness due to the COVID-19 emergency.</p> <p>ESG funds will be used to support the administration of the ESG program by the City's Housing Department. Funds may also be used for shelter and rapid rehousing activities.</p> <p><u>ESG Allocations by Component</u> Homeless Prevention and Shelter: \$2,415,132 Administration: \$268,347 (10%)</p>
	Target Date	06/30/2020
	Estimate the number and type of families that will benefit from the proposed activities	TBD
	Location Description	Citywide
	Planned Activities	Homeless Prevention Emergency Shelter Operations and Creation Administration Funds may also be used for rapid rehousing activities.

25	Project Name	HOPWA –CV – The Health trust
	Target Area	N/A
	Goals Supported	Affordable Housing
	Needs Addressed	Affordable Housing
	Funding	HOPWA: \$188,657
	Description	The program will provide additional support to clients affected by COVID-19 and can include rent subsidies, permanent housing

		placement assistance, and supportive services to help low-income residents living with HIV/AIDS secure and maintain housing. Housing placement assistance includes working with an placement specialist and receiving security deposit assistance. Supportive services include medical and housing case management and self-sufficiency services.
	Target Date	06/30/2020
	Estimate the number and type of families that will benefit from the proposed activities	90 low-income individuals living with HIV/AIDS
	Location Description	Santa Clara County
	Planned Activities	<ul style="list-style-type: none"> • Supportive Services • TBRA • Permanent Supportive Housing • Administration

26	Project Name	CDBG-CV Administration and Monitoring
	Target Area	N/A
	Goals Supported	N/A
	Needs Addressed	N/A
	Funding	CDBG: \$1,052,682
	Description	A portion of the CDBG-CV grant allocation will be used for reasonable planning and administrative costs associated with the administration of the CDBG funds and other related federal requirements. Administration funds will support oversight activities of the housing department, legal services from the City Attorney's Office, and environmental reviews.
	Target Date	06/30/2020
	Estimate the number and type of families that will benefit from the proposed activities	N/A
	Location Description	200 E. Santa Clara Street San José, CA 95113
Planned Activities	CDBG Planning and Administration	

27	Project Name	HOPWA-CV Administration and Monitoring
	Target Area	N/A
	Goals Supported	N/A
	Needs Addressed	N/A
	Funding	HOPWA: \$20,961
	Description	The City will allocate \$20,961 (approximately 10 percent of the entitlement grant) to administrative costs associated with managing with the HOPWA-CV grant.
	Target Date	06/30/2020

	Estimate the number and type of families that will benefit from the proposed activities	N/A
	Location Description	200 E. Santa Clara Street San José, CA 95113
	Planned Activities	HOPWA Administration

28	Project Name	Shelter-in-Place Calming Kits- COVID-19
	Target Area	Citywide
	Goals Supported	Strengthening Neighborhoods
	Needs Addressed	Childcare Services
	Funding	CDBG: \$400,000
	Description	The City will allocate \$400,000 to First Five of Santa Clara County will provide calming kits to an additional 5,292 families.
	Target Date	06/30/2020
	Estimate the number and type of families that will benefit from the proposed activities	N/A
	Location Description	Citywide
	Planned Activities	CDBG Public Services – Childcare Services

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