



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Nanci Klein
Jacky Morales-Ferrand
Jim Shannon

**SUBJECT: ALLOCATION OF \$3 MILLION
COMMUNITY BENEFIT
PAYMENT FROM GOOGLE**

DATE: August 16, 2021

Approved

Date

8/19/21

RECOMMENDATION

- (a) Approve staff's recommended funding allocation of the \$3,000,000 community benefit payment from Google as follows:
- (1) Outreach to tenants and landlords on the eviction moratorium and rental relief funding in the amount of \$1,250,000;
 - (2) Capacity building for nonprofit organizations in the amount of \$1,000,000;
 - (3) Preservation pilot program in the amount of \$500,000; and
 - (4) Land trust predevelopment work in the amount of \$250,000.
- (b) Adopt the following 2021-2022 Funding Sources Resolution and Appropriation Ordinance Amendments in the General Fund:
- (1) Increase the estimate for Other Revenue in the amount of \$3,000,000; and
 - (2) Establish the Google Community Benefits City-wide appropriation to the Office of Economic Development and Cultural Affairs in the amount of \$3,000,000.

OUTCOME

Approval of staff's recommendations will enable staff to distribute funds for community stabilization purposes.

BACKGROUND

On May 25, 2021, City Council approved Google's Downtown West Mixed-Use Plan, including a Development Agreement. The Development Agreement outlines how Google will deliver up to \$200 million in Community Benefits (investments that go beyond the City's baseline requirements to address the community's top priorities). One component of the Community Benefits is an early payment of \$7.5 million from Google. Of this amount, Google submitted a payment of \$3 million to the City within 30 days of City Council approval, consistent with the

Development Agreement. The remaining \$4.5 million will be paid within 120 days of Final Approval (by January 4, 2022).¹

Staff recommended categories for how the City should plan to spend the \$7.5 million in a [Supplemental Memo dated May 17, 2021](#), which the City Council accepted as part of the project approval. The categories are summarized as follows:

| Category | Amount | Timing of receipt from Google |
|---|--------------------|---|
| Immediate Community Stabilization and Ownership programs | \$3,000,000 | 30 days after Council Approval of the Downtown West project |
| Scholarships for Youth and Adults for Job-Training | \$3,250,000 | 120 days after Final Approval of the Downtown West project |
| Neighborhood Programs to Assist with Resilience and Economic Recovery | \$1,000,000 | |
| Startup of Fund | \$250,000 | |
| <i>TOTAL</i> | <i>\$7,500,000</i> | |

As summarized in the Supplemental Memo, the first \$3 million payment will go to supporting Community Stabilization (anti-displacement), due to the impacts of the COVID-19 emergency on the housing security for many residents. The funds should be prioritized for the following types of programs: tenant education/outreach, eviction protection services, and land trust predevelopment/feasibility. The programs should focus on increasing housing security and support services for disadvantaged communities throughout the City.

Staff’s recommendations were based on feedback gathered through an extensive engagement process beginning in 2018. The most recent round of public outreach and engagement was in spring 2021, following release of the Draft Development Agreement on April 6, 2021 and leading up to the City Council meeting on May 25, 2021.

The City received the \$3 million payment in June 2021. The following section describes staff’s recommendation for the allocation of these funds consistent with City Council’s direction.

¹ According to the Development Agreement, "Final Approval" means the date following City Council approval of the project documents and resolution of any legal challenge to those approvals. Based on the longest statute of limitations to challenge the project approvals (vesting tentative map and development agreement), the date of Final Approval will be September 6, 2021, and 120 days after this date is January 4, 2022.

ANALYSIS

The Housing Department has analyzed current housing needs and the gaps in the system for addressing those needs, consulted with service providers, and considered community input. An important consideration when determining the allocation of the Community Benefit funds is that this source does not come with any regulatory requirements and can be spent on programs that are hard to fund with traditional sources. The funds present an opportunity to invest in both short-term programs to address urgent needs and in the groundwork for long-term solutions identified through the last several years of Diridon- and housing-related work.

Based on this analysis, staff recommends investing the \$3 million in Community Benefit funding in the following ways:

| Program | Amount |
|---|--------------------|
| Outreach to tenants and landlords on the eviction moratorium and rental relief programs | \$1,250,000 |
| Capacity building for nonprofit organizations | \$1,000,000 |
| Preservation Pilot Program | \$500,000 |
| Land Trust Predevelopment Work | \$250,000 |
| Total | \$3,000,000 |

For each of these program areas, staff would utilize a solicitation process consistent with City policies. The selected grantees and/or consultants will be required to enter into standard City agreements. The City Manager will execute the agreements within her contract authority under the Municipal Code and any agreements exceeding the City Manager contract authority will go to the City Council for consideration.

The following sections describe each of the program areas in more detail.

Outreach to Tenants and Landlords:

With the state eviction moratorium ending on September 30, 2021, there are thousands of individuals and families who have been impacted by COVID-19 and are in a vulnerable housing position and in need of immediate financial assistance. To respond to this urgent need, the City has received \$57 million in federal Emergency Rental Assistance (ERA) Funds for rental assistance. The City, in partnership with the County of Santa Clara, Destination: Home, Sacred Heart and over 45 local partners, has created a coordinated County-wide response focused on serving extremely low-income households. The goal is to commit all of the ERA 1 funds by the end of September.

The purpose of this program area is to support the coordinated efforts by providing grants to community organizations who will conduct outreach and assist with the application submittal process so that more residents are in position to receive assistance as soon as possible. The

submission of incomplete applications and lack of documentation is causing a delay in the approval process. Tenants will be helped in filling out the application and gathering the necessary paperwork to submit a complete application. Support will be provided during canvassing, events, or in pop-up locations. Landlords will be assisted in understanding and implementing the evolving requirements around the moratoriums and relief programs.

Investing \$1.25 million in tenant and landlord outreach will benefit many residents that are vulnerable to eviction and displacement.

Capacity Building Grants:

San José has many community-based organizations that provide critical services to residents and build a strong sense of community; they are highly connected with residents, in touch with neighborhood-specific needs, and often serve as liaisons with the City. Unlike many other large cities across the country, however, San José does not have a network of organizations that are directly involved with neighborhood-based investments in affordable housing and other community services such as education, job training, and commercial development.² In the absence of these community development organizations, regional-based developers are the primary drivers.

We also know that San José has underserved neighborhoods that need more investment to improve the quality of life for its residents. Each neighborhood has specific needs to that end. In the absence of community involvement, neighborhood investments can miss opportunities to address these needs or can even result in adverse impacts. There is a need for community-based organizations (CBOs) that can be actively engaged in the process and help guide investments in ways that address specific neighborhood needs – complementing the other private and public investments in a holistic manner.

Several CBOs in San José have become very involved in development, planning, and public projects and have helped improve their communities. These CBOs, however, are spread thin and do not operate in all communities in need. Learning from their experience, key predecessors for their impactful involvement in community development are to develop a business plan and invest in capacity building.

This gap in San José’s community development ecosystem has become apparent through the pandemic and our equity work. We need a robust network of high-capacity CBOs to maximize the benefits of investment for disadvantaged communities, support healthy, inclusive neighborhoods, and achieve the long-term goals for community stabilization throughout San José. This is part of an overall movement for our work to be more needs-driven, neighborhood-specific, and equitable (i.e., focused on improvements for the most vulnerable while improving outcomes for all).

² “What is a Community Development Corporation?” National Alliance of Community Economic Development Associations. https://www.naceda.org/index.php?option=com_dailyplanetblog&view=entry&category=bright-ideas&id=25%3Awhat-is-a-community-development-corporation-&Itemid=171

The purpose of this \$1 million grant program would be to build capacity among three to four existing CBOs to be more active players in community development, building upon their service provision functions, knowledge of neighborhood needs, and strong relationships with communities. The grants could be used for:

- Development of a business plan
- Training on affordable housing development, preservation (acquisition and rehabilitation), financing; fair housing; renter protections; real estate and land use law; community development and planning
- Becoming a Community Development Corporation
- Training on cultural competency, resident outreach, community engagement, and/or leadership
- Training on City processes, relationship building with the City and other partners
- Outreach, education, and engagement with residents to identify neighborhood-based needs, connect people with resources (such as legal services or rental assistance), and/or participate in City processes (e.g., economic recovery, implementation of housing strategies, planning for public investments)
- Other capacity building investments

Any direct work with residents and the City should have the dual objective of directly benefiting residents and building capacity to conduct community development in collaboration with the City and other partners. Target groups would be CBOs that are established in San José, providing one or more services to residents, and are interested in scaling up their involvement in community development to support the long-term goals for community stabilization in all of San José's neighborhoods. The funds will require the CBO to identify/commit to the area(s) of work with status reports to ensure intended outcomes are achieved.

Dedicating \$1 million to this capacity building work will lead to benefits that far exceed that investment. Benefits in the form of focused investments that address specific needs, improve neighborhoods, and benefit our vulnerable residents.

Preservation Pilot Program:

The City Council approved the Diridon Affordable Housing Implementation Plan (AHIP) on May 25, 2021, following approval of the Downtown West project. The AHIP includes a range of strategies for affordable housing production and preservation and renter protection. The production strategies focus on the area covered by the Diridon Station Area Plan (DSAP), in support of the increased development capacity near the station. The preservation and protection strategies focus on the Neighborhood Stabilization Area, defined as the half-mile buffer around the DSAP.

A key preservation strategy identified in the AHIP is to establish a Preservation Pilot Program. The City does not have a history of funding the acquisition, rehabilitation, and conversion of privately-owned multifamily housing into deed-restricted affordable housing. The Community

Benefit funds present an opportunity to develop a pilot program that the City can learn from and scale up. The purpose of the pilot program will be to acquire properties with existing multifamily and duplex units in the Neighborhood Stabilization Area, preserve these units, and formalize their affordability for the long term. Considering that this selection process may ultimately depend on which property owners are motivated to sell, a screening process is needed to prioritize properties that could be good candidates for preservation.

With \$500,000 in Community Benefit funding, the City will hire a consultant to develop the pilot program, including metrics for selecting properties to acquire and other mechanisms. The work may advance the other preservation strategies in the AHIP related to the effective and timely implementation of the pilot program. This work will lay the groundwork for preserving existing homes in proximity to the Downtown West project site, where the pressure on housing prices is greatest.

Land Trust Predevelopment Work:

Throughout the community engagement process for Downtown West and for the City's housing plans, community members have expressed interest in ownership models that build wealth and increase housing security for people that cannot access individual home ownership due to high costs. Strategy #6 in the Diridon AHIP includes support for land trust formation, among other policies supportive of preservation.

The purpose of this program area is to fund an organization to study the Community Land Trust and other community ownership models. The study would define potential models, analyze the feasibility of each, determine potential impacts, assess social equity implications, and identify any next steps for the formation of recommended models. The recommended expenditure of \$250,000 would lay the foundation for implementing one or more community ownership models, supporting long-term community stabilization goals

Other Program Type Considered but Not Recommended at This Time:

Additional options for funding opportunities were considered while preparing this proposed plan. One consideration was to fund Legal Services for the community for tenants facing eviction. Alternative funding sources were identified to meet this need. Over \$2 million in funds from both the Community Development Block Grant program and the City's American Recovery Act funds will be provided to local nonprofits to meet this need.

CONCLUSION

City Council approval of staff's recommendations would enable staff to distribute \$3 million in Community Benefit funds paid by Google for community stabilization purposes over the next several months.

EVALUATION AND FOLLOW-UP

The next Community Benefit payment from Google to the City will be \$4.5 million, due 120 days after Final Approval. If there are no legal challenges, the due date for this payment will be January 4, 2022. Staff will return to City Council for allocation of these funds (anticipating late 2021 or early 2022). The other buckets of Community Benefit funding will come in as Downtown West office buildings are completed.

Staff will provide an annual report to the Planning Commission on Development Agreement compliance, which will be available for public and City Council review.

CLIMATE SMART SAN JOSE

The recommendation in this memo aligns with one or more Climate Smart San José energy, water, or mobility goals. When people are displaced from their homes, they often have to travel farther distances to access jobs, resources, and their social networks. Investing in community stabilization programs means that fewer people will have to leave their homes in pursuit of stable housing. Therefore, the staff recommendation could help reduce Vehicle Miles Traveled (VMT).

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the August 31, 2021 Council Meeting.

The City has received a significant amount of community feedback on how to allocate Community Benefit funds, going back to the 2018 engagement process that resulted in a [list of Desired Outcomes](#) and informed the [MOU with Google](#). In 2020, the City conducted an online survey asking about community benefit preferences. As noted above, staff solicited comments on the Draft Development Agreement earlier this spring, and asked about priorities related to job readiness, community stabilization, and other needs. At the City Council meeting on May 25th when the Downtown West project was approved, the public testimony affirmed the spending priorities.

To develop the specific recommendations in this memo, staff consulted with service providers to determine capacity to utilize the funds for the intended purposes in the short-term.

Staff will conduct additional public outreach as part of the proposal processes described in this memo.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office and the Planning, Building and Code Enforcement Department.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

COST SUMMARY/IMPLICATIONS

The recommendations in this memorandum will recognize and appropriate \$3 million in the General Fund from Google to provide funding for Community Benefit payments consistent with prior City Council direction. The funding will be used for outreach to tenants and landlords on the eviction moratorium and rental relief programs (\$1,250,000), capacity building grants for non-profit organizations (\$1,000,000), a Diridon Station Area Preservation Pilot Program (\$500,000), and land trust predevelopment study (\$250,000).

BUDGET REFERENCE

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

| Fund # | Appn # | Appn Name | Total Appn | Rec. Budget Action | 2021-2022 Proposed Operating Budget Page* | Last Budget Action (Date, Ord. No.) |
|--------|--------|---------------------------|---------------|--------------------|---|-------------------------------------|
| 001 | R130 | Other Revenue | \$294,242,806 | \$3,000,000 | VI-35 | 06/22/2021 Reso. 80114 |
| 001 | NEW | Google Community Benefits | N/A | \$3,000,000 | N/A | N/A |

*The 2021-2022 Adopted Operating Budget was approved by the City Council on June 15, 2021 and adopted by City Council on June 22, 2021.

HONORABLE MAYOR AND CITY COUNCIL

August 16, 2021

Subject: Allocation of \$3 Million Community Benefit Payment from Google

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CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

/s/

NANCI KLEIN

Director of Economic Development
and Cultural Affairs

/s/

JACKY MORALES-FERRAND

Director of Housing



JIM SHANNON

Budget Director

I hereby certify that there will be available for appropriation in the General Fund in the Fiscal Year 2021-2022 moneys in excess of those heretofore appropriated there from, said excess being at least \$3,000,000.



JIM SHANNON

Budget Director

For questions, please contact Lori Severino, Diridon Program Manager, at (408) 535-3537.