



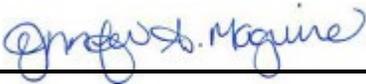
Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Erik L. Soliván
Jim Shannon

SUBJECT: See Below

DATE: December 3, 2024

Approved	Date
	12/9/2024

COUNCIL DISTRICT: Citywide

SUBJECT: Second Substantial Amendment to the Fiscal Year 2021-2022 Annual Action Plan to Report the Updates to the HOME Investment Partnerships American Rescue Plan Program Allocation Awarded by the United States Department of Housing and Urban Development to the City of San José

RECOMMENDATION

- (a) Hold a public hearing to allow for public comment on the Second Substantial Amendment to the Fiscal Year 2021-2022 Annual Action Plan.
- (b) Adopt a resolution relating to the following actions regarding a Second Substantial Amendment to the existing Fiscal Year 2021-2022 Annual Action Plan to report on the HOME Investment Partnerships American Rescue Plan Program Allocation Plan using HOME Investment Partnerships American Rescue Plan Program allocation funding awarded by the United States Department of Housing and Urban Development to the City of San José:
 - (1) Approve the changes relating to the Second Substantial Amendment to the Fiscal Year 2021-2022 Annual Action Plan to apply to the HOME Investment Partnerships American Rescue Plan Program Allocation Plan; and
 - (2) Authorize the Housing Department to submit the Second Substantial Amendment to the United States Department of Housing and Urban Development.
- (c) Adopt a resolution authorizing the Housing Director, or his designee, to negotiate and execute agreements for the following tenant-based rental assistance programs in which these services will begin during Fiscal Year 2024-2025:
 - (1) County of Santa Clara’s Office of Supportive Housing for Rental Assistance for the Tenant-Based Rental Assistance Program in an amount not to exceed \$7,500,000 from February 1, 2025 through June 30, 2030;

Subject: Second Substantial Amendment to the Fiscal Year 2021-2022 Annual Action Plan to Report the Updates to the HOME Investment Partnerships American Rescue Plan Program Allocation Awarded by the United States Department of Housing and Urban Development to the City of San José

Page 2

- (2) County of Santa Clara's Office of Supportive Housing for Supportive Services for the Tenant-Based Rental Assistance Program in an amount not to exceed \$2,424,884 from February 1, 2025 through June 30, 2030; and
 - (3) County of Santa Clara's Office of Supportive Housing for the Administration of the Tenant-Based Rental Assistance Program in an amount not to exceed \$1,000,000 from February 1, 2025 through June 30, 2030.
- (d) Adopt the following Fiscal Year 2024-2025 Appropriation Ordinance amendments in the HOME Investment Partnership Program Fund:
- (1) Decrease the Supportive Services appropriation to the Housing Department by \$3,000,000;
 - (2) Decrease the Housing Project Reserve by \$1,751,450; and
 - (3) Increase the Tenant Based Rental Assistance appropriation to the Housing Department by \$4,751,450.

SUMMARY AND OUTCOME

This is the Second Substantial Amendment to the Fiscal Year (FY) 2021-2022 Annual Action Plan (AAP). The FY 2021-2022 AAP was approved by City Council at the May 11, 2021 City Council Meeting¹. The AAP governs the expenditure of federal entitlement funds and competitive grants that the City receives from the United States Department of Housing and Urban Development (HUD).

In 2021, the City was awarded \$11,676,334 from the HOME Investment Partnerships Program American Rescue Plan (HOME-ARP) fund. The purpose of the Second Substantial Amendment to the FY 2021-2022 AAP outlined in this memorandum is to formally update the City's HOME-ARP Allocation Plan² that was submitted to HUD in a previous reporting period via the First Substantial Amendment to the FY 2021-2022 AAP.

The Administration recommends two key changes to the spending plan of HOME-ARP funds: 1) reallocate \$3,000,000 from Homelessness Prevention to Rental Assistance for Tenant-Based Rental Assistance (TBRA) program participants; and 2) recognize a split of the existing \$1,800,000 allocation for Administration and Planning to be shared with the County of Santa Clara Office of Supportive Housing (\$1,000,000), to implement and

¹Item #: 8.1, Meeting Date: May 11, 2021, Item Title: Final Public Hearing and Approval of the Fiscal Year 2021-2022 Annual Action Plan for the United States Department of Housing and Urban Development | Web Link: <http://sanjose.legistar.com/gateway.aspx?M=F&ID=4385a6c5-ba6c-4b63-bdb1-d56adbff5e4b.pdf>

²The HOME-ARP Allocation Plan outlines how the City will spend HOME-ARP funds.

administer the TBRA program and the Housing Department (\$751,450), for grants management and HOME-ARP fund monitoring and oversight. The \$3,000,000 decrease of HOME-ARP funds from Homelessness Prevention is recommended because Housing Homeless, Assistance and Prevention Round 5 funds have already been set aside for this purpose.

The **Attachment** – Summary of the Second Substantial Amendment to the Fiscal Year 2021-2022 Annual Action Plan – summarizes the recommended changes to the First Substantial Amendment to the FY 2021-2022 AAP and, if approved, will be submitted to HUD for formal approval.

BACKGROUND

American Rescue Plan Federal Funding and Administration

The American Rescue Plan (ARP) provides federal funding to assist individuals or households who are experiencing homelessness or are at risk of homelessness, and other vulnerable populations, by providing housing, rental assistance, supportive services, and non-congregate shelter, to reduce homelessness and increase housing stability across the country. ARP funds are administered through HUD's HOME Program (hence the name of the fund, HOME-ARP). On September 20, 2021, HUD awarded the City \$11,676,334 in HOME-ARP funding.

HOME-ARP Allocation Plan

On March 28, 2023, City Council approved the HOME-ARP Allocation Plan via the First Substantial Amendment to the FY 2021-2022 AAP. Included in the HOME-ARP Allocation Plan was funding to support homelessness prevention services, as well as the TBRA Program (which included rental assistance and supportive services).

The HOME-ARP was created under the United States ARP Act of 2021 to provide housing, services, and shelter. HOME-ARP funds must be used to primarily benefit individuals or families from the following qualifying populations.

- Homeless, as defined in section 103(a) of the McKinney-Vento Homeless Assistance Act;
- At-risk of homelessness, as defined in section 401(1) of the McKinney-Vento Homeless Assistance Act;
- Fleeing, or attempting to flee, domestic violence, dating violence, sexual assault, stalking, or human trafficking, as defined by the Secretary of Housing and Urban Development; and

Subject: Second Substantial Amendment to the Fiscal Year 2021-2022 Annual Action Plan to Report the Updates to the HOME Investment Partnerships American Rescue Plan Program Allocation Awarded by the United States Department of Housing and Urban Development to the City of San José

- In other populations where providing supportive services or assistance under section 212(a) of the United States ARP Act that would prevent the family's homelessness or would serve those with the greatest risk of housing instability; and veterans and families that include a veteran family member that meet one of the preceding criteria.

HOME-ARP funds can be used for the following four eligible activities.

- Production or Preservation of Affordable Housing;
- Supportive Services, Homeless Prevention Services, and Housing Counseling; and
- Purchase and Development of Non-Congregate Shelter.

All entitlement jurisdictions, such as San José, that receive HUD's federal funds by formula allocation are required to have an adopted Citizen's Participation Plan. San José's Citizen's Participation Plan describes the efforts the City will take to encourage its residents to participate in developing federal spending plans. It also requires public participation when a substantial amendment to programs funded in an Action Plan is proposed. According to the City's Citizen's Participation Plan, a Substantial Amendment constitutes a change to a previously adopted Annual Plan if it meets one of the following:

- 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.

ANALYSIS

County of Santa Clara Partnership: TBRA Program

Effective in early 2025, the Housing Department, through a partnership with the County of Santa Clara Office of Supportive Housing, will offer rental assistance and supportive services to San José residents in need.

Subject: Second Substantial Amendment to the Fiscal Year 2021-2022 Annual Action Plan to Report the Updates to the HOME Investment Partnerships American Rescue Plan Program Allocation Awarded by the United States Department of Housing and Urban Development to the City of San José

Rental assistance and supportive services (which are branched under the overall TBRA Program) will stably house San José residents while offering them a range of supportive services that address housing barriers. A central focus of the TBRA Program's intended outcomes includes households achieving the income needed to pay for their rent expenses (without supplemental assistance) through employment opportunities, asset-building support, and strengthened financial literacy skills. These outcomes further advance the Housing Department's prevention strategies to reduce homelessness, housing instability, and displacement in the City. The TBRA Program's goal is to assist approximately 700 unduplicated households.

Second Substantial Amendment

This is the Second Substantial Amendment to the FY 2021-2022 AAP, which, if approved, will enable the City to spend federal funding in the HOME-ARP allocation awarded to the City.

This Second Substantial Amendment to the FY 2021-2022 AAP is required because staff is recommending a change in the amount allocated to a category of funding that exceeds 25% in order to adjust funding sources to align with programmatic needs and changes.

Funding Source Adjustment

Considering that staff is no longer recommending the use of HOME-ARP funds to fund the Homelessness Prevention System program, as this funding is available elsewhere,³ and balancing the need to increase the number of households served in the TBRA Program (as previously requested by City Council), staff recommends the HOME-ARP funds originally allocated (in the First Substantial Amendment to the FY 2021-2022 AAP) towards homelessness prevention be reallocated as additional funding for the TBRA Program. This would serve over 140 households per year for up to a two-year period per household over a five-year term of the agreement. The program is projected to serve over 700 families at the following per household rates.

Household	Per Month	Per Year	Average Monthly Rent	% Covered by Rental Subsidy
Single (1BR)	\$1,750	\$21,000	\$2,509	70%
Family (2BR)	\$2,550	\$30,600	\$3,109	82%

³The Homelessness Prevention System program will maintain full funding as originally planned; however, instead of using HOME-ARP funds, funds from the Housing Homeless, Assistance and Prevention Round 5 have been set aside to fund this program.

December 3, 2024

Subject: Second Substantial Amendment to the Fiscal Year 2021-2022 Annual Action Plan to Report the Updates to the HOME Investment Partnerships American Rescue Plan Program Allocation Awarded by the United States Department of Housing and Urban Development to the City of San José

Page 7

To correctly align the 2024-2025 Modified Budget with the amended FY 2021-2022 AAP, actions are recommended as part of this memorandum to reallocate \$3,000,000 from the Supportive Services appropriation and \$1,751,450 from the Housing Project Reserve to the TBRA appropriation in the HOME Investment Partnership Program Fund.

BUDGET REFERENCE

The table below identifies the funds and appropriations to fund the service contracts recommended in this memorandum.

Fund #	Appn #	Appropriation Name	Total Appropriation	Rec. Budget Action	Amount for Contract	2024-2025 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
445	230J	Supportive Services	\$5,424,884	(\$3,000,000)	\$2,424,884	975	6/18/2024, Ord. No. 31102
445	3744	Tenant Based Rental Assistance	\$4,500,000	\$4,751,450	\$9,251,450*	975	6/18/2024, Ord. No. 31102
445	8437	Housing Project Reserves	\$5,000,000	(\$1,751,450)	\$0	975	10/22/2024, Ord. No. 31130

*Of this amount, \$7,500,000 will fund the TBRA Program and \$1,751,450 will fund related administrative activities for the TBRA Program.

COORDINATION

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

PUBLIC OUTREACH

In accordance with HUD’s HOME ARP public notice requirement, the Second Substantial Amendment to the FY 2021-2022 AAP is publicly available for a 15-day review and comment period before the scheduled December 17, 2024 City Council meeting.

HONORABLE MAYOR AND CITY COUNCIL

December 3, 2024

Subject: Second Substantial Amendment to the Fiscal Year 2021-2022 Annual Action Plan to Report the Updates to the HOME Investment Partnerships American Rescue Plan Program Allocation Awarded by the United States Department of Housing and Urban Development to the City of San José

Page 8

The City published the Second Substantial Amendment to the FY 2021-2022 AAP on December 2, 2024 for public review and comment on the Housing Department webpage⁴. The City is accepting public comments until December 17, 2024.

Additionally, public notices regarding the public meeting and public review and comment period were also provided in five languages (English, Spanish, Vietnamese, Chinese, and Tagalog) in accordance with the City's Language Access Plan.⁵ Moreover, a public notice regarding the public review and comment period was published in five languages on November 22, 2024, in the following newspapers: *Mercury News*, *El Observador*, *Vietnam Daily News*, *The World Journal* (Chinese), and the *Philippine News*.

Furthermore, this memorandum will be posted on the City's Council Agenda website for the December 17, 2024 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

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, and File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

⁴ <https://www.sanjoseca.gov/your-government/departments-offices/housing/resource-library/hud-reports/consolidated-annual-action-plans/2015-20-consolidated-annual-action-plans>

⁵City of San José's Language Access Plan, <https://www.sanjoseca.gov/home/showpublisheddocument/108329/638410935169870000>.

HONORABLE MAYOR AND CITY COUNCIL

December 3, 2024

Subject: Second Substantial Amendment to the Fiscal Year 2021-2022 Annual Action Plan to Report the Updates to the HOME Investment Partnerships American Rescue Plan Program Allocation Awarded by the United States Department of Housing and Urban Development to the City of San José

Page 9

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

Erik L. Solivàn
Housing Director



Jim Shannon
Budget Director

The principal author of this memorandum is Stephanie Gutowski, Housing Policy and Planning Administrator, Housing Department. For questions, please contact Stephanie Gutowski at stephanie.gutowski@sanojoseca.gov.

Attachment – Summary of the Second Substantial Amendment to the Fiscal Year 2021-2022 Annual Action Plan

Attachment

Summary of the Second Substantial Amendment to the Fiscal Year 2021-2022 Annual Action Plan

The following is a summary and recommended updated language that amends the Fiscal Year (FY) 2021-2022 Annual Action Plan (AAP). This summary is submitted to the United States Department of Housing and Urban Development for its approval of the City of San José's recommended changes via a Second Substantial Amendment to the FY 2021-2022 AAP.

Background

This is a proposed Second Substantial Amendment to the City's FY 2021-2022 AAP. The purpose of the Second Substantial Amendment is to update the HOME Investment Partnerships Program American Rescue Plan (HOME-ARP) Allocation Plan.

The City's AAP details its funding strategy for the Community Development Block Grant, Emergency Solutions Grant, HOME Investment Partnership, and Housing Opportunities for People with AIDS programs each year in the AAP. The AAP implements an entitlement jurisdiction's Five-Year Consolidated Plan and is developed through public engagement and input, analysis, and planning. The AAP provides spending caps for the different programs or services that operate with federal funding sources.

Substantial Amendment is Needed

All entitlement jurisdictions, such as San José, that receive HUD 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 includes guidance regarding the public engagement process to be used when a substantial amendment to programs or services funded in the AAP is proposed.

In accordance with the City's Citizen Participation Plan, a Substantial Amendment constitutes a change to a previously adopted Five-Year Consolidated Plan or AAP that:

- Increases or decreases by more than \$100,000 or a 25% change in the amount allocated to a funding category; or
- Makes a significant change to an activity's proposed beneficiaries or persons served; or
- Funds a new activity not previously described in the AAP.

The proposed changes to the City's FY 2021-2022 AAP qualify as a Substantial Amendment because they meet the United States Department of Housing and Urban Development's criteria of making a significant change to a program's budget.

Attachment
Summary of the Second Substantial Amendment to the Fiscal Year
2021-2022 Annual Action Plan

Proposed Amendment

The proposed Second Substantial Amendment to the City's FY 2021-2022 AAP updates the allocation of HOME-ARP funds as described in the **Table** below.

Table – FY 2024-2025 HOME-ARP Funding Levels

Eligible Activity	Amount Originally Approved	Amount Recommended	Description
Homelessness Prevention	\$3,000,000	\$0*	No overall change in the funding amount for prevention. Funding source was changed from HOME-ARP to Housing Homeless and Prevention Round 5 funds. HOME-ARP funding decreased by \$3,000,000.
Rental Assistance for Tenant-Based Rental Assistance Program Participants	\$4,500,000	\$7,500,000	The funding amount increased by \$3,000,000.
Supportive Services for Tenant-Based Rental Assistance Program Participants	\$2,424,884	\$2,424,884	No change.
Administration and Planning of the HOME-ARP Allocation Plan	\$1,751,450	\$1,000,000	Split administration appropriation with the County of Santa Clara Office of Supportive Housing. A sum of \$1,000,000 is provided to the County of Santa Clara Office of Supportive Housing to implement and administer HOME-ARP.
Administration and Planning of the HOME-ARP Allocation Plan	N/A	\$751,450	Split administration appropriation with the County of Santa Clara Office of Supportive Housing. A sum of \$751,450 remains with the Housing Department for grants management and HOME-ARP fund monitoring and oversight.
TOTAL	\$11,676,334	\$11,676,334	N/A

*The Homelessness Prevention System program will maintain full funding as originally planned; \$3,000,000 of Housing Homeless and Prevention Round 5 has been set aside to fund this program instead of using HOME-ARP funds.