



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Erik L. Soliván

SUBJECT: See Below

DATE: December 11, 2025

Approved

Date:

12/19/25

COUNCIL DISTRICT: Citywide

SUBJECT: First Substantial Amendment to the Fiscal Year 2025-2026 Annual Action Plan

RECOMMENDATION

- (a) Conduct a public hearing to receive public comment on the First Substantial Amendment to the Fiscal Year 2025-2026 Annual Action Plan, as required by the United States Department of Housing and Urban Development.
- (b) Adopt a resolution relating to the First Substantial Amendment to the Fiscal Year 2025-2026 Annual Action Plan to incorporate additional projects funded with Community Development Block Grant funds, including the authority to:
 - (1) Approve the proposed changes set forth in the First Substantial Amendment to the Fiscal Year 2025-2026 Annual Action Plan; and
 - (2) Authorize the Housing Director, or his designee, to submit the First Substantial Amendment to the Fiscal Year 2025-2026 Annual Action Plan 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 Community Development Investment projects for Fiscal Year 2025-2026, subject to the appropriation of funds:
 - (1) Transportation Department for the Pedestrian and Traffic Safety Improvement Projects in an amount not to exceed \$500,000, retroactive from January 1, 2026 through June 30, 2026; and
 - (2) School of Arts and Culture at the Mexican Heritage Plaza for the La Placita Facility Improvement Project in an amount not to exceed \$3,000,000, retroactive from January 1, 2026 through June 30, 2026.

SUMMARY AND OUTCOME

This memorandum presents the First Substantial Amendment to the Fiscal Year 2025–2026 Annual Action Plan (AAP), proposing the addition of new Community Development Investment projects funded through the Community Development Block Grant (CDBG) Program. These projects support public infrastructure and community facility improvements that primarily benefit low- and moderate-income (LMI) communities.

This action provides City Council and the public with an opportunity to review and comment on the proposed changes in accordance with the United States Department of Housing and Urban Development's (HUD) Citizen Participation requirements.

City Council approval of the First Substantial Amendment will formally update the FY 2025-2026 AAP and authorize the Housing Director, or his designee, to submit the substantial amendment to HUD. The proposed changes are consistent with the priorities established in the 2025-2030 Consolidated Plan and support additional CDBG-funded investments that improve public safety, expand access to cultural and community resources, and strengthen neighborhood conditions in LMI areas.¹

BACKGROUND

The City receives annual formula funding from HUD through the CDBG Program to support eligible housing and community development activities that primarily benefit LMI households and neighborhoods. As a condition of receiving this funding, HUD requires the City to prepare and submit an AAP identifying the specific activities and funding allocations for each program year.

On June 3, 2025, City Council approved the 2025-2030 Consolidated Plan and the FY 2025-2026 AAP, which established the City's five-year housing and community development priorities and outlined the planned use of federal CDBG, HOME Investment Partnerships, Emergency Solutions Grant, and Housing Opportunities for Persons with AIDS funds for the upcoming fiscal year. The FY 2025-2026 AAP included funding for public services, administration, economic development, and Community Development Investment projects, including both construction and non-construction activities. It also identified approximately \$4.7 million of CDBG funds that would be reserved for additional Community Development Investment construction activities, including eligible public infrastructure or community facility improvement and rehabilitation projects.

¹ City of San José, *2025-2030 Consolidated Plan*, June 2025:

<https://www.sanjoseca.gov/home/showpublisheddocument/124258/638919124124430000>

In early fall 2025, the Housing Department issued a CDBG Request for Proposals for eligible nonprofit-led capital improvement projects and coordinated with various City departments to further identify eligible infrastructure improvement projects.

In accordance with section 24 of the Code of Federal Regulations, part 91, HUD requires jurisdictions to amend their AAP when there is a substantial change in the use of CDBG funds, including the addition of new projects.² Under the City's Community Participation Plan (formally referred to as the "City Participation Plan"), such substantial amendments require a public review and comment period as well as a public hearing prior to City Council consideration and submission to HUD.³

ANALYSIS

The Housing Department conducted a review of the proposed capital improvement projects to assess eligibility, feasibility, and readiness for implementation. Key evaluation considerations included alignment with CDBG eligibility requirements and national objectives, consistency with the goals and strategies outlined in the City's 2025-2030 Consolidated Plan and AAP, the clarity and completeness of each project's scope of work, and the capacity of the implementing department or organization to carry out the work within the required expenditure schedule. Staff also evaluated each project's ability to meet HUD and City timeliness requirements, including the expectation that at least 85% of allocated funds be expended by April 30 of the same fiscal year.

Based on this evaluation, staff determined that the selected capital improvement projects represent an eligible and compliant use of available CDBG funds. These projects address documented infrastructure and facility needs in LMI areas and meet the necessary criteria for inclusion as new Community Development Investment activities in the FY 2025-2026 AAP.

Table 1 below summarizes the proposed additional Community Development Investment projects.

² United States Department of Housing and Urban Development, Section 24 of the Code of Federal Regulations, Part 91 – Citizen Participation (24 CFR § 91.105) and Substantial Amendments (24 CFR § 91.505), web link: <https://www.ecfr.gov/current/title-24/subtitle-A/part-91>

³ City of San José, *Community Participation Plan*, amended June 2025: <https://www.sanjoseca.gov/home/showpublisheddocument/123517/638889540655970000>

Table 1: Community Development Investment Projects Included in the FY 2025-2026 AAP Amendment

Project Name	Agency Partner	Description	Funding Source / Allocation	Proposed Outcome
Pedestrian and Traffic Safety Improvement Projects	City of San José, Transportation Department	Installation of curb extensions, pedestrian refuge islands, Americans with Disabilities Act-compliant curb ramps, speed humps, high-visibility crosswalks, and upgraded signage and pavement markings.	CDBG / \$500,000	Improves pedestrian and bicyclist safety, reduces the risk of severe injury and fatal collisions, increases accessibility, and supports safer multimodal transportation in six LMI areas.
La Placita Facility Improvement Project	School of Arts and Culture at the Mexican Heritage Plaza	Tenant improvements, including interior buildout of a black box theatre and a community café within the La Placita facility.	CDBG / \$3,000,000	Develops an arts and community facility that expands cultural programming, increases food access, and supports job creation and small business activity for LMI residents.
TOTAL			\$3,500,000	

Pedestrian and Traffic Safety Improvement Projects

The City's Transportation Department will implement targeted traffic safety enhancements at six locations within LMI areas throughout the City. **Table 2** below outlines the six locations and Council Districts. Improvements would include the installation of curb extensions, pedestrian refuge islands, Americans with Disabilities Act-compliant curb ramps, speed humps, high-visibility crosswalks, and upgraded signage and pavement markings. These infrastructure enhancements are designed to calm traffic congestion, enhance pedestrian visibility and crossing conditions, improve accessibility, and promote safer multimodal travel. These projects would enhance mobility and public safety while reducing the risk of serious injury and fatal collisions in neighborhoods with historically limited access to safe transportation infrastructure.

The proposed locations were selected because they are located within HUD-qualified LMI census tracts, have experienced elevated pedestrian and traffic safety risks, and serve areas of significant community use. These sites were also located in close proximity to schools, parks, transit routes, and neighborhood retail areas. The locations were identified through the City's Vision Zero planning and community engagement process as high-priority areas with the greatest need for safety improvements.

Table 2 – Traffic Safety Enhancement Project Location List

#	Location	Council District
1	Branham Lane East / War Admiral Avenue	2
2	Branham Lane East / Battle Dance Drive	2
3	Brahms Avenue / Rigoletto Drive	8
4	Adrian Way / Amador Drive	5
5	Seven Trees Boulevard / San Mateo Drive	7
6	Azucar Avenue (Between Roeder Road / Bendorf Drive)	2

La Placita Facility Improvement Project

The School of Arts and Culture at the Mexican Heritage Plaza will implement targeted facility improvements at the La Placita site in East San José's Mayfair neighborhood. CDBG funds would support the interior buildout of a black box theatre and a community café. These enhancements would also expand access to arts and cultural programming, support local artists and small businesses, and improve access to healthy food for LMI area residents. The theatre would host free and low-cost youth and community programming through the School of Arts and Culture's Arts Education Program and Community Engagement Program. The café, which would be operated by a local, woman-owned business, would provide affordable meals and host a food pantry in partnership with a local nonprofit, Veggielution. This project would strengthen cultural and economic infrastructure and support ongoing neighborhood stabilization efforts.

EVALUATION AND FOLLOW-UP

Following City Council approval, the Housing Department will submit the First Substantial Amendment and any associated public comments to HUD. The HUD-approved amended AAP will then be posted on the Housing Department's website and made available to the public upon request, consistent with the City's Community Participation Plan.

Housing Department staff will also coordinate with the City's Transportation Department and the School of Arts and Culture at the Mexican Heritage Plaza to finalize project scopes, confirm compliance with all applicable federal requirements, and execute the funding agreements. These agreements would include detailed scopes of work, project

budgets, performance measures, and implementation timelines consistent with CDBG eligibility and HUD requirements.

Furthermore, before executing any construction-related contracts, staff will ensure completion of all applicable environmental reviews in accordance with the National Environmental Policy Act and the California Environmental Quality Act, as well as compliance with other federal cross-cutting and labor standards requirements.

The Housing Department will monitor progress on the projects added through this First Substantial Amendment through ongoing coordination, reporting, and compliance review. Expenditures and programmatic outcomes will be tracked to ensure alignment with the goals of the FY 2025-2026 AAP and HUD timeliness requirements. Information on project implementation and progress will be included in the City's Consolidated Annual Performance and Evaluation Report, which is submitted to HUD at the close of each program year and presented to City Council annually in September.

COST SUMMARY/IMPLICATIONS

Approval of the First Substantial Amendment to the FY 2025-2026 AAP will program existing CDBG funds that were previously reserved for Community Development Investment activities to support two projects: the Pedestrian and Traffic Safety Improvement Projects and the La Placita Facility Improvement Project. A total of \$3,500,000 in CDBG funding is proposed for the current fiscal year, including \$500,000 for the City's Transportation Department and \$3,000,000 for the School of Arts and Culture at the Mexican Heritage Plaza. These actions result in no net change to the overall CDBG allocation amount approved for FY 2025-2026. Budget actions to reallocate funding in accordance with this memorandum will be included in the 2025-2026 Mid-Year Budget Review scheduled for City Council review and approval on February 10, 2026.

The long-term maintenance of completed improvements will be the responsibility of the implementing entities and/or project partners in accordance with standard City and subrecipient agreements. The La Placita Facility Improvement Project is part of a larger, multi-year redevelopment effort and leverages non-City investments, including philanthropic, state, and private funding sources. CDBG funds administered by the City will support a defined portion of the tenant improvements within the facility. Although no matching fund requirement is triggered for the City, the CDBG investment will leverage external funding already committed by project partners.

COORDINATION

This memorandum was coordinated with the City Attorney's Office and the City Manager's Budget Office.

PUBLIC OUTREACH

This memorandum will be published on the City's Council Agenda website for the January 13, 2026 City Council meeting.

Under the City's Community Participation Plan, two publicly noticed hearings are required to provide the public with an opportunity to comment on the proposed amendment. The first public hearing was held as a community meeting on December 19, 2025, conducted both in person at City Hall and virtually via Zoom. The January 13, 2026, City Council meeting will serve as the second and final public hearing, at which time the City Council is expected to consider and approve the First Substantial Amendment to the FY 2025-2026 AAP. Following approval, the Housing Department will submit the amended AAP to HUD.

Staff published official notices of the public hearing and the associated 15-day public review period in accordance with the City's Community Participation Plan. The draft First Substantial Amendment was made available for public review on the Housing Department's website from December 8, 2025, through December 18, 2025. Official notices were published in English, Spanish, Vietnamese, Chinese, and Tagalog in local newspapers, and electronic notifications were distributed to individuals and organizations with an interest in housing and community development matters.

All public comments received, both verbal and written, along with the City's responses, will be included in the amended AAP package submitted to HUD following City Council approval.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

CEQA

Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action.

Transportation Department Pedestrian Safety Improvement Project: Categorically Exempt, File No. ER24-313, CEQA Guidelines Section 15301, Existing Structures.

School of Arts and Culture: Categorically Exempt, File Nos. CP22-015 and ER22-115, CEQA Guidelines Section 15303, New Construction or Conversion of Small Structures.

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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. Soliván
Housing Director

For questions, please contact Cupid Alexander, Deputy Director, Housing Department, at cupid.alexander@sanjoseca.gov.

ATTACHMENT– Summary: First Substantial Amendment to the FY 2025-2026 AAP

ATTACHMENT

Summary: First Substantial Amendment to the FY 2025-2026 AAP

The following is a summary and draft language that proposes amendments to the Fiscal Year 2025-2026 AAP.

Background

This is a proposed First Substantial Amendment to the City's Fiscal Year 2025-2026 AAP. The purpose of the amendment is to program previously reserved CDBG funds for specific Community Development Investment infrastructure projects that would be implemented during the FY 2025-2026 program year.

The City's AAP outlines its funding strategy for the CDBG, HOME Investment Partnerships, Emergency Solutions Grant, and Housing Opportunities for Persons with AIDS programs. The AAP implements the priorities of the City's 2025-2030 Consolidated Plan and is developed through public input, data analysis, and community planning.

In the adopted FY 2025-2026 AAP, a portion of CDBG funds was reserved for future Community Development Investment construction activities, including public infrastructure and community facility improvements. The proposed First Substantial Amendment herein identifies the specific projects to be funded with those reserved CDBG funds.

Substantial Amendment is Needed

All entitlement jurisdictions that receive HUD formula funding are required to maintain an adopted Community Participation Plan. The City's Community Participation Plan establishes the process for amending the Consolidated Plan and AAP and defines the circumstances under which a substantial amendment is required.

Under the City's Community Participation Plan, a substantial amendment includes any change that:

- Increases or decreases the amount allocated to a funding category by \$250,000, or by an amount exceeding 25% of the total allocation for that category, whichever is greater; or
- Significantly alters the intended beneficiaries or persons to be served by a program or activity; or
- Adds a new activity that was not previously identified in the adopted AAP.

The proposed changes to the FY 2025-2026 AAP meet the definition of a substantial amendment because it adds specific new Community Development Investment projects that were not previously identified in the previously approved plan. Therefore, this First Substantial Amendment requires a formal public review and approval process before submission to HUD.

Proposed Amendment

Beginning in the Community Development Investment activities section of the adopted FY 2025-2026 AAP, including Annual Plan-38 and related project tables, the CDBG allocations for Community Development Investment projects would be amended as follows:

Annual Plan-38 Project Summary

Project Name	Funding Source	Goal Supported	Need Addressed	Proposed Outcome	Allocation
Pedestrian and Traffic Safety Improvement Projects	CDBG	Strengthen Communities	Improvements of public facilities to improve public safety.	Improves pedestrian and bicyclist safety, reduces the risk of severe injury and fatal collisions, increases accessibility, and supports safer multimodal transportation in six LMI areas.	\$500,000
La Placita Facility Improvement Project	CDBG	Strengthen Communities	Improvements to community facilities.	Develops an arts and community facility that expands cultural programming, increases food access, and supports job creation and small business activity for LMI residents.	\$3,000,000
TOTAL					\$3,500,000