



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jacky Morales-Ferrand
Jim Shannon

SUBJECT: SEE BELOW

DATE: July 26, 2022

Approved

Date

7/29/2022

**SUBJECT: FINAL PUBLIC HEARING AND APPROVAL OF THE FISCAL YEAR
2022-23 ANNUAL ACTION PLAN**

RECOMMENDATION

- (a) Adopt a resolution to:
- (1) Approve the Fiscal Year 2022-23 Annual Action Plan;
 - (2) Authorize the Director of Housing to submit the Fiscal Year 2022-23 Annual Action Plan to HUD; and
 - (3) Authorize the Director of Housing to negotiate and execute agreements with grantees for the activities identified in the Fiscal Year 2022-23 Annual Action Plan and all related contract amendments, extensions, and changes.
- (b) Adopt the following Fiscal Year 2022-2023 Appropriation Ordinance Amendments in the Community Development Block Grant Fund:
- (1) Decrease the Unrestricted Ending Fund Balance by \$42,754;
 - (2) Decrease the Plaza Hotel Rehabilitation appropriation by \$1,000,000;
 - (3) Decrease the Rental Support Case Management appropriation by \$211,224;
 - (4) Decrease the Contractual Community Services appropriation by \$146,022; and
 - (5) Establish a Haven Rehabilitation appropriation to the Housing Department in the amount of \$1,400,000.

OUTCOME

This final publicly noticed hearing on the Fiscal Year (FY) 2022-23 Annual Action Plan (Action Plan) provides an opportunity for the City Council and the public to provide comments on the final Action Plan before it is submitted to the U.S. Department of Housing and Urban Development (HUD).

Upon the City Council adoption of the final Action Plan, the Housing Department will submit the final federally mandated document to HUD by the revised August 16, 2022, deadline. Meeting this deadline enables the City to remain eligible to receive approximately \$14.4 million in federal housing and community development funds in FY 2022-23.

EXECUTIVE SUMMARY

This is the fifth, and final, hearing on the FY 2022-23 Annual Action Plan and Action Plan funding priorities. This action requests approval of the proposed funding plan in the City's FY 2022-23 Annual Action Plan. It also provides authorization to submit the plan to HUD by the revised August 16, 2022 deadline, and to execute agreements with grantees for the activities identified in the Action Plan. The action also includes an appropriation action to enable disbursements from a previously-approved Action Plan.

This memorandum summarizes the strategies on the use of \$14.4 million in new funding that the City will receive in FY 2022-23. The Action Plan includes updated final formula allocation numbers recently issued by HUD, and fund balance numbers from those contained in the memorandum for the April 26, 2022, City Council meeting. The updated amounts reflect the planned adjustments; increases or decreases would be spread approximately proportionally across the board, as explained in the supplemental memorandum for that City Council meeting. The total amount being programmed is \$29 million.

This report details an itemized description of the proposed activities and funding recommendations for each of the four federal funds the City receives by formula from HUD: Community Development Block (CDBG); HOME Investment Partnership Program (HOME); Housing Opportunities for Persons with AIDS (HOPWA); and Emergency Solutions Grant (ESG) funding.

CDBG funding is focused on three funding categories: 1) Public Services, including homeless services, neighborhood engagement/leadership development, senior services, fair housing, and other legal support services; 2) Community Development Investments (CDI), including enhanced code enforcement, minor home repairs, and community and infrastructure improvements; and 3) Administrative activities. HOME funds help create new affordable housing developments, including some apartments for residents who have experienced homelessness and time-limited rent subsidies to help low-income residents afford market-rate apartments. HOPWA funds are used for rent subsidies and supportive services. ESG funds are

targeted to outreach to residents who are experiencing homelessness in San José and for homelessness prevention programs.

BACKGROUND

As a HUD entitlement jurisdiction, the City receives federal formula grants each year from HUD for housing and community development activities. The funding is allocated to the City based on several factors including population, poverty, and housing statistics.

Every five years, HUD requires entitlement jurisdictions to develop a Five-Year Consolidated Plan (Consolidated Plan). The Consolidated Plan assesses San José's current housing market, analyzes demographic, race, and socio-economic conditions, and identifies populations within the City that have the greatest community and housing needs. It also defines the City's priority needs, strategies, and objectives for reducing the most prevalent barriers to housing and services in our community.

In August 2020, the City Council adopted the City's Consolidated Plan for the FY 2020-25 period. The City participated in a countywide collaboration to analyze data on housing needs and to develop this cycle's Consolidated Plan. Staff then refined and prioritized the identified broad regional objectives to establish four major goals, which meet both regional and local priorities:

- 1. Prevent and Address Homelessness** – Increase housing opportunities and self-sufficiency for homeless populations and assist in the prevention of homelessness for at-risk individuals and families.
- 2. Create and Preserve Affordable Housing** – Create new affordable housing opportunities and preserve existing affordable housing.
- 3. Promote Fair Housing** – Promote fair housing and lowered barriers to housing.
- 4. Strengthen and Stabilize Communities** – Strengthen and stabilize communities' conditions and help to improve residents' opportunities such as the ability to increase their employment prospects and grow their assets.

The first three priorities are the same as for the previous Consolidated Plan cycle for FY 2015-20 as they continue to be of paramount importance for the City. While the fourth priority still allows for investment in community infrastructure as it did last cycle, it also allows for investments focused on improving residents' economic opportunities and resilience. It is a people-focused plan. As the COVID-19 pandemic has exacerbated inequities in our society, it has become apparent that the City must do all it can to strengthen opportunities for low-income residents in San José. The FY 2020-25 Consolidated Plan enables the City to pay for a range of services to help those who are unhoused, paying too much for housing, in need of legal assistance to keep their housing, and in need of support to improve their employment prospects.

In each of the five years in the Consolidated Plan, HUD requires entitlement jurisdictions to submit an Action Plan which identifies a one-year strategy for meeting the goals contained in the Consolidated Plan. While FY 2020-21 would have been the first annual plan under the new Consolidated Plan, priorities quickly shifted in early 2020 to address the growing impacts of the COVID-19 pandemic. In addition to the City's annual formula allocations of federal funds, the City received \$48,160,981 in one-time CDBG and ESG CARES Act funding that the Housing Department is still contracting and monitoring. Additionally, the City received over \$30 million in Rental Assistance funds directly from the U.S. Department of Treasury to address the effects and financial impact of the COVID-19 pandemic on City residents. Finally, the Housing Department has \$22 million in American Rescue Plan funds for various homeless and eviction prevention programs for which the Department is still contracting.

As City staff continues to implement new and complex programs and services responding to and recovering from the COVID-19 pandemic, the capacity to conduct robust community outreach, release new requests for proposals, and solicit feedback on potential new funding priorities is limited. Therefore, the new Action Plan continues priorities and activities consistent with the FY 2019-20 Action Plan, the last Action Plan to receive full community input and approval prior to the pandemic. The FY 2022-23 funding priorities are based on stakeholder outreach conducted prior to the pandemic in conjunction with the FY 2019-20 Action Plan. While most contract renewals with grantees will be similar to those in previous years, some scopes of service may be altered to reflect current COVID-19 pandemic response and recovery priorities, and some performance measures may be changed to better demonstrate outcomes.

On April 26, 2022, the City Council held a public hearing and approved the proposed draft Action Plan, including the contingency plan on how staff would adjust amounts to be awarded pursuant to final HUD allocations. On May 13, 2022, the City received notice of its final formula allocation amounts for FY 2022-23. The revised Action Plan includes these final formula allocation amounts as well as updated fund balance numbers.

ANALYSIS

The City will receive approximately \$14.4 million in CDBG, HOME, HOPWA, and ESG entitlement grants. While the total is only approximately \$9,517 less than the total of last year's allocations, not all entitlement grants received a funding cut; HOME and HOPWA allocations increased, while CDBG and ESG allocations decreased. The focus of this memorandum is the new annual federal allocations. However, the FY 2022-23 Action Plan also programs carryover funding from previous years and program income from loan repayments. Table 1 below summarizes the changes in each source from April estimates and the total federal funding to be programmed for FY 2022-23.

Table 1: FY 2022-23 Federal Funding Levels

Program	Previous Estimated Allocation	Actual FY 2022-23 Allocation	Change from Estimate	% Change	Fund Balance & Program Income	Total to Program
CDBG	\$8,890,526	\$8,454,606	(\$435,920)	-4.90%	\$4,059,707	\$12,514,313
HOME	\$3,221,675	\$3,564,527	\$342,852	10.64%	\$10,555,787	\$14,120,314
HOPWA	\$1,553,405	\$1,652,667	\$99,262	6.39%	\$3,391	\$1,656,058
ESG	\$763,052	\$747,341	(\$15,711)	-2.06%	\$18,000	\$765,341
Total	\$14,428,658	\$14,419,141	(\$9,517)	-0.07%	\$14,636,885	\$29,056,026

The supplemental memorandum for the April 26, 2022, City Council meeting identified which uses would increase or decrease once final HUD allocations were awarded. Accordingly, the revised funding levels identified below reflect the changes in each program allocations. Some also have been adjusted for grantees’ capacity to spend funds promptly.

FY 2022-23 Action Plan

The FY 2022-23 Action Plan contains a description of all activities recommended for funding. Each of the activities detailed in the draft FY 2022-23 Action Plan are aligned with the four goals of the Consolidated Plan and contribute to the City’s five-year objectives. The draft FY 2022-23 Action Plan aligns the City’s available resources with the planned activities that will enable the City to meet its annual goals. Completing the required annual plan enables the City to stay on target to meet its five-year plan goals. The expenditure plans for CDBG, HOME, HOPWA, and ESG are provided below.

CDBG Program

CDBG is a flexible funding source that supports the development of viable urban communities by providing decent housing, encouraging a suitable living environment, and expanding economic opportunities, principally for lower-income households.

As the largest and most flexible of the four federal grants, CDBG funds are divided into three categories of eligible uses. These include Public Services, CDI, and Administrative activities. Public services are limited to 15% of the annual allocation plus the previous year’s program income, and Administrative activities are limited to 20%. The CDI category includes two types of activities: construction projects and non-construction projects. Construction projects consist of capital projects that directly fund physical improvements such as facility or infrastructure improvements. Non-construction projects include programs and other services, such as job training, provided to low- and moderate-income households.

Table 2 below outlines the City’s planned CDBG expenditures for the coming year by category and activity. Overall, CDBG was cut by 4.9% from last year’s allocation, but fund balance and

program income were added, making \$12.5 million total available to program. Additional detail on these activities is provided in subsequent tables in this memorandum.

Table 2: Proposed CDBG Activities by Category for FY 2022-23

Category	CDBG Activities by Category	Recommended Funding
Public Services	Senior Services	\$302,875
Public Services	Neighborhood Engagement and Leadership Training	\$190,200
Public Services	Services for Homeless and Unhoused Populations	\$380,385
Public Services	Citywide Legal Services for Low-income Tenants and Landlords	\$454,730
CDI	Place-based Street and Infrastructure Enhancements	\$4,719,139
CDI	Soft Story Retrofit Program	\$481,012
CDI	Targeted Code Enforcement	\$1,265,048
CDI	Acquisition, Rehabilitation, and Infrastructure Improvements	\$1,300,003
CDI	Minor Home Repair	\$1,650,000
Administrative	Fair Housing	\$190,200
Administrative	Grants Management	\$1,580,721
Total Programmed Activities		\$12,514,313
FY 2022-23 CDBG Allocation		\$8,454,606
Estimated Program Income		\$400,000
Prior Years' Approx. Uncommitted / Unspent Fund Balance		\$3,659,707
Total Available to Program		\$12,514,313

CDBG – Public Services

CDBG funds can support a variety of services for low-income individuals. Program regulations require that funding for Public Services be capped at 15 percent of the annual allocation combined with the prior year's program income. Program income is primarily comprised of repayments of loans made from federal funds. Services are generally funded on a three- to five-year funding cycle to provide predictability in service delivery and to support organizational capacity of service providers.

Table 3 below lists existing services and service providers currently under contract. Staff recommends extending those same services through FY 2022-23. Individual grantee funding levels will be approximately comparable to their FY 2021-22 levels. However, the figures below have been adjusted for CDBG's reduction and program income and fund balances to spend. The Housing Department will open up a competitive request for proposals to solicit new programs and proposals for FY 2023-24 Action Plan funding.

Table 3: Existing Service Providers in CDBG Contract Funding Cycle

Service Type	Agency	Program	FY 2022-23 (recommended)
Senior Services	The Health Trust	Meals on Wheels – Senior Services	\$182,100
Senior Services	Portuguese Organization for Social Services Opportunities (POSSO)	Senior Access and Health Support	\$120,775
Legal Services	San José Housing Rights Consortium	Legal Services for Low-Income Tenants & Landlords	\$454,730
Neighborhood Engagement	SOMOS Mayfair	Home Grown Talent Project	\$118,875
Neighborhood Engagement	CommUniverCity	Community Leadership Development	\$71,325
Homeless Services	HomeFirst	Citywide Outreach & Shelter	\$380,385
Total			\$1,328,190

CDBG – CDI

CDI funds can be used to fund public infrastructure and other needs that serve low-income individuals. There is no limit on the amount of funding that may be dedicated to the CDI category. The proposed funding priorities in this category include the following CDI activities:

Priority Projects – Housing Department staff coordinates with other City departments to identify infrastructure and other capital projects eligible for CDBG that benefit the City’s lower-income communities. Since 2012, CDBG resources have leveraged investments in the Santee/McKinley, Mayfair, and Five Wounds/Brookwood Terrace neighborhoods to create clean and engaged neighborhoods. In FY 2018-19, the Housing Department broadened its neighborhood focus to link federal funds with City investments or programs to address underserved needs in a low-resourced neighborhood. Examples of this include providing infrastructure investments adjacent to the planned housing developments for formerly homeless residents at Evans Lane in FY 2021-22. The Department will continue to invest in neighborhoods where City programs are aligned and can be leveraged. Potential projects could include, but are not limited to, improvements to a City-owned swim center, community center, park, and/or nonprofit facilities; the purchase of fire station equipment serving eligible low-income areas; or new infrastructure investments such as street trees in low-income areas experiencing heat effects.

The Housing Department will continue to coordinate with the City Manager’s Budget Office and other City departments to identify projects that meet all eligibility criteria and federal spending deadlines. Staff is currently analyzing projects proposed by the Department of Parks, Recreation and Neighborhood Services (PRNS) for enhancements at Fair Swim Center and the Library for

community WiFi in the Eastside Union High School District. Once eligibility is finalized for these two projects, staff will seek the City Council’s approval separately. Finally, the Mayor’s June Budget Message for Fiscal Year 2022-2023, as approved by the City Council, identifies three potential projects that may be eligible for CDBG funding, including installing signs and solar powered lighting in the Guadalupe Washington neighborhood, tree planting in lower income neighborhoods, and improvements at Emma Prusch Farm Park. While these projects appear to be eligible, it is important to note that staff still needs to complete a more detailed analysis to ensure CDBG funds can be used to support these activities. Eligibility will be finalized in fall 2022 and funding will be granted to projects that can draw down funding in the current fiscal year. CDBG has spending requirements, and failure to spend allocations can result in unspent funding being recaptured. Staff anticipates that the City-identified projects will use all of the funding in this category.

An activity has been added to the CDI budget for the Soft Story Retrofit Program in the amount of \$481,012. CDBG funds will pay the first portion of a 25% required match for the City’s grant from the California Office of Emergency Services. The purpose of the grant is to develop a City program and ordinance to improve seismic safety on ‘soft story’ buildings.¹ This work was previously identified as City Council priority #6. Staff applied for the grant in 2018 and finally received the grant last year, so the matching funds are now needed to be programmed for FY 2022-23. The funds will support staff work in FY 2022-23. Additional funds in future years will partially fund more staff work and a pilot building rehabilitation rebate program.

Table 4: NEW CDI Place-based Projects and Seismic Retrofit Program

Project	Description	FY 2022-23 (recommended)
Fair Swim Center Rehabilitation Community Wi-Fi Signage and Lighting-Guadalupe Washington Emma Prusch Park Upgrades	Acquisition, Rehabilitation and Infrastructure for Affordable Housing Sites and Public Facilities	\$4,719,139
Soft Story Retrofit Program	Soft Story Retrofit Program Matching Funds	\$481,012
Total		\$5,200,151

¹ See staff memo to the City Council Community and Economic Development Committee, File no. CC 19-079, April 22, 2019, <https://sanjose.legistar.com/LegislationDetail.aspx?ID=3899144&GUID=0869AFE2-B32A-4563-96A4-705A80FDD536&Options=&Search=>

Nonprofit Facility Rehabilitation – Community-based organizations provide vital services for the residents of San José. They offer services that are often not feasible for public or private organizations to administer. Many community-based organizations struggle to raise the revenue needed to provide basic essential services for the City’s most at-risk residents. This ongoing lack of resources leaves many agencies with the inability to maintain or improve the facilities where their staff are located and where direct services to clients are provided. CDI funding for nonprofit facilities has been identified as a critical need by many of the nonprofit agencies in San José and has been listed as a priority by the Silicon Valley Council of Nonprofits. Accordingly, the FY 2022-23 Action Plan identifies funds that will be allocated for nonprofit facilities in Table 5. This amount has not been reduced, despite cuts to CDBG funding.

Table 5: CDI Nonprofit Facility Rehabilitation

Agency	Program	FY 2022-23 (recommended)
TBD	Acquisition and Rehabilitation of Nonprofit Facilities	\$1,300,003
Total		\$1,300,003

The Housing Department has received a funding request from Sacred Heart Community Services for the rehabilitation and renovation of its main service center. Pursuant to direction in the Mayor’s March Budget Message approved by the City Council, staff prepared Manager’s Budget Addendum #11² analyzing the use of CDBG funds to meet Sacred Heart’s request. However, the analysis was limited since additional information is needed on the project scope. Presuming the Sacred Heart request is eligible for CDBG funds, that request will come to the City Council for approval. Staff will complete its eligibility review in fall 2022. If there are remaining CDI funds, the Department will release a formal solicitation to nonprofits for letters of interest in the funds and would return to the City Council in fall 2022 with results and recommendations. To date, the Department has received an additional two inquiries from nonprofits on the availability of CDBG funding.

CDI Funded Non-Construction – Non-construction CDI projects include programs and other indirect services benefitting low- and moderate-income individuals and households. Enhanced code enforcement and job creation are two of the only “service” activities that can be funded with CDI funds. For enhanced code enforcement to be eligible, it must be proactive and linked with a special program, such as Project Hope I and II. The Department of Planning, Building and Code Enforcement (PBCE) will use CDBG resources for enhanced code enforcement in four specific neighborhoods that include Santee, Five Wounds/Brookwood Terrace, Cadillac/Winchester - Project Hope, and Roundtable - Project Hope II. When existing PBCE staff vacancies are filled, Code Enforcement inspectors will also work in the Poco Way neighborhood, another Project Hope neighborhood. Table 6 provides a list of the programs to be funded under the CDI category. It should be noted that the Enhanced Code Enforcement in Targeted Neighborhoods line item has been updated to match the FY 2022-23 City budget figure.

² Manager’s Budget Addendum #11, Community Development Block Grant Eligibility for Community Facilities, <https://www.sanjoseca.gov/home/showpublisheddocument/86033/637885797784970000>

Table 6: Proposed CDI Non-construction Projects

Agency	Program	FY 2022-23 (recommended)
PBCE	Enhanced Code Enforcement in Targeted Neighborhoods	\$1,265,048
Rebuilding Together Silicon Valley	Minor Repair and Limited Rehab for Low-Income Homeowners Program	\$1,100,000
Habitat for Humanity	Minor Repair and Limited Rehab for Low-Income Homeowners Program	\$550,000
Total		\$2,915,048

Administrative – Recognizing the significant requirements associated with managing CDBG funds, HUD allows funding of administrative planning and oversight using up to 20% of the sum of the annual allocation plus the current year’s program income. In addition to grant planning and oversight, fair housing is the sole service that can be paid from the Administrative category as well as the Public Services category. In FY 2022-23, some Administrative funds will go towards fair housing programs listed below and will pay other City departments’ staff’s work on CDBG-related activities. This includes the City Attorney’s Office work to perform legal reviews of all federal contracts, and PBCE’s work to provide required environmental review support for all federally funded projects. The Housing Department line item also includes staff work on the Assessment of Fair Housing and Housing Element.

Table 7: Proposed FY 2022-23 CDBG Administrative Activities

Agency	Program	FY 2022-23 (recommended)
Housing Department	CDBG Administration	\$1,537,926
City Attorney’s Office	Legal Staffing	\$19,020
PBCE	Environmental Reviews	\$23,775
Law Foundation of Silicon Valley - Four Agency Consortium	Fair Housing	\$190,200
Total		\$1,770,921

HOME Program

The HOME program may provide financial assistance to help increase the supply of affordable rental and homeownership housing for low-income households through the acquisition, rehabilitation, or construction of affordable housing and through the provision of tenant-based rental assistance.

The amount of HOME available funding increased over previous estimates by more than 10%. In addition, HOME program income was greater than expected due to an existing HOME-funded development, Leigh Avenue Seniors, being scheduled to pay a significant amount of interest due

to the City on its existing loan. Table 8 indicates that HOME funds will be used mostly for new affordable apartments, but also for fair housing services and program administration, in FY 2022-23.

Table 8: Proposed FY 2022-23 HOME Activities

Project	FY 2022-23 (recommended)
New Affordable Housing Development (including project delivery)	\$13,763,861
Program Administration	\$135,169
Fair Housing Services (Law Foundation Silicon Valley)	\$221,284
Total HOME	\$14,120,314

New Affordable Housing Development – HOME rules require that new affordable housing developments must have all other financing obtained and be able to start construction within one year of committing the funds. For this reason, for certain projects, the Housing Department must hold a significant portion of funds until a project is almost ready to start construction. In December 2021, staff released a \$150 million Notice of Funding Availability (NOFA) and will request that the City Council commit available funding to one or more projects selected that are eligible both under the City’s NOFA and HOME criteria.³

HOPWA Program

The HOPWA program provides local jurisdictions and nonprofits with resources and incentives to support long-term strategies for meeting the housing needs of low-income individuals living with HIV/AIDS and their families.

The Health Trust was selected through a previous federally-funded services request for proposals to provide rental assistance and supportive housing services. Staff recommends continuing funding to The Health Trust to administer HOPWA activities at the following levels through FY 2022-23. Additionally, as the nearest metropolitan statistical area, the City administers the HOPWA grant funding for San Benito County. The Housing Department coordinates with San Benito County staff to administer approximately \$73,000 in rental assistance in that County.

Table 9: Proposed FY 2022-23 HOPWA Activities

Proposed Activity	Allocated Amount
Rental Assistance and Supportive Services – Health Trust and San Benito County	\$1,606,478
City Administration	\$49,580
Total HOPWA	\$ 1,656,058

³ As HOME funds are required to be committed right before construction closes on a development, the Director’s Delegation of Authority is typically used to effectuate the final HOME commitment instead of the much earlier City Council memorandum.

ESG Program

The ESG program provides matching grants to help pay for shelter operating expenses and for other essential services to serve individuals and families experiencing homelessness.

In FY 2018-19, staff issued a request for proposals for outreach and homeless prevention services. Contracts were awarded to People Assisting the Homeless (PATH) and Bill Wilson Center. Staff recommends continued funding to PATH and Bill Wilson Center to administer ESG activities at the following levels through FY 2022-23. Activities and grantees proposed for FY 2022-23 are detailed in Table 10 below.

Table 10: Proposed FY 2022-23 ESG Activities

Proposed Activity	Agency	Description	FY 2022-23 (recommended)
Street Outreach	PATH	Street-based outreach, engagement, and case management for the unhoused population	\$430,254
Homeless Prevention Program for Youth and Families	Bill Wilson Center	Rental assistance and support for households at risk of becoming homeless, including victims of intimate partner violence	\$127,445
County Homeless Management Information System	County of Santa Clara	Operation of the Homeless Management Information System (secure web-based database) in compliance with HUD	\$150,332
City Administration	City	City grant administration, compliance monitoring, environmental review, legal service support, and planning	\$57,310
		Total	\$765,341

Meeting the Needs of Families

The proposed FY 2022-23 Action Plan provides more than \$4.8 million in funding for nine programs serving families (see Table 11 below). This amount has increased by almost \$47,000 over staff’s April estimate. The Housing Department holds regular meetings with the Santa Clara County Office of Education (SCCOE) staff to identify service gaps and needs. The Housing staff also has regular conversations with domestic violence service providers to identify their needs. The domestic violence service providers reported that levels of violence escalated during the COVID-19 pandemic and there has been a need for additional motel vouchers to safely shelter victims. As a result of the conversations with SCCOE and domestic violence service providers, the Housing Department has funded community wireless network and emergency motel vouchers for families.

For the coming year, the draft Action Plan proposes the family-serving programs shown in Table 11 below.

Table 11: Proposed FY 2022-23 Annual Action Plan Family-serving Programs

Grantee	Purpose	Funding Source	FY 2022-23 (recommended)
SOMOS Mayfair	Home Grown Talent program, neighborhood engagement	CDBG	\$118,875
CommUniversity	Neighborhood engagement	CDBG	\$71,325
San José Housing Rights Consortium	Legal services for low-income tenants	CDBG	\$454,730
Law Foundation Silicon Valley	Fair housing services	CDBG and HOME	\$411,484
PBCE	Enhanced code enforcement in Project Hope neighborhoods	CDBG	\$1,265,048
Rebuilding Together & Habitat for Humanity	Single family home repairs	CDBG	\$1,650,000
Bill Wilson Center	Family homeless prevention	ESG	\$127,445
HomeFirst	Homeless outreach and engagement (citywide)	CDBG	\$380,385
PATH	Homeless outreach and engagement (downtown)	ESG	\$430,254
		Total	\$4,909,546

Budget Appropriation Action Needed for The Haven

Included in this memorandum is a budget appropriation action that is needed to fund the rehabilitation of The Haven. The Haven is a City-owned property containing a five-unit building, that is currently being operated by the County of Santa Clara as a transitional housing program, and a three-unit triplex, that is rented out to low-income families. The FY 2019-2020 HUD Annual Action Plan allocated \$1.4 million to provide rehabilitation funding for the Haven. While the funds remained allocated in the HUD system, the funds initially appropriated in the City budget for the work were later zeroed out because the rehabilitation was delayed. The rehabilitation is now anticipated to start in FY 2022-23. Therefore, this memorandum contains an appropriation action for \$1.4 million to enable the CDBG funds committed in FY 2019-20 to be used in FY 2022-23.

FY 2022-23 Action Plan Implementation

Once the FY 2022-23 Action Plan is approved by the City Council, staff will work with service providers to develop or extend agreements that include finalized scopes of service, contract budgets, performance measures, goals, and outcomes. Upon approval of the FY 2022-23 Action

Plan by HUD, staff will work with agencies identified in this plan to finalize service agreements in preparation for execution in August 2022.

Additionally, capital projects identified in the FY 2022-23 Action Plan will require further development and review. Upon approval of the FY 2022-23 Action Plan by the City Council, staff – a collaborative effort led by the Housing Department in close coordination with the City Manager’s Budget Office – will work with City departments to develop the final project scopes and will take all necessary steps to ensure compliance with funding and project requirements. Staff will coordinate environmental reviews in compliance with the California Environmental Quality Act (CEQA) and the National Environmental Policy Act clearances before final commitment of funds via contract.

CONCLUSION

This publicly-noticed public hearing provides an opportunity to the City Council and the public to provide comment on the proposed funding priorities and the draft FY 2022-23 Action Plan.

The feedback provided by the City Council on the funding priorities for the draft FY 2022-23 Action Plan will inform the development of the City’s FY 2022-23 Action Plan. Final approval of the FY 2022-23 Action Plan will enable staff to submit the federally-mandated document to HUD by the August 16, 2022, deadline. Meeting this deadline will enable the City to remain eligible to receive approximately \$14.4 million in federal housing and community development funds in FY 2022-23. It will also allow the Housing Department to negotiate and execute agreements and amendments to implement the Action Plan.

EVALUATION AND FOLLOW-UP

Capital project commitments identified in the FY 2022-23 Action Plan require further development. Staff is currently analyzing projects the City Council directed to fund as included in the Mayor’s June Budget Message, including PRNS and the Library Department, for CDBG eligibility. Once eligibility is finalized, staff will seek the City Council’s approval separately to confirm final project scopes and appropriation actions, as appropriate.

Staff will continue to work with Sacred Heart on its service center rehabilitation request and any project would come to City Council for approval. For any remaining nonprofit CDI funds, the Department will release a formal solicitation to nonprofit organizations for letters of interest for the funds and would return to the City Council in the fall with results and recommendations.

The approved FY 2022-23 Action Plan will be submitted to HUD before the August 16, 2022, deadline. Once approved by HUD, the final Action Plan will be available on the Housing Department's website (www.sanjoseca.gov/housingconplan), or by U.S. mail at the public's request.

At the end of each Action Plan period, the City is required to submit its Consolidated Annual Plan Evaluation Report (CAPER) which summarizes the City's progress in meeting its goals as indicated in the prior year Annual Action Plan. The Housing Department will present the FY 2022-23 CAPER in fall 2023.

The Housing Department will open up a competitive request for proposals to solicit new programs and proposals for FY 2023-24 Annual Action Plan funding.

CLIMATE SMART SAN JOSÉ

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

PUBLIC OUTREACH

Federal regulations require that jurisdictions hold at least two public hearings to receive public comment for the FY 2022-23 Action Plan and funding priorities. The City's adopted Citizen Participation Plan requires three public hearings including one prior to the release of the draft FY 2022-23 Action Plan. This year, the City will hold a total of five public hearings on the FY 2022-23 Action Plan. The first two public hearings were held before the Housing and Community Development Commission (Commission) on March 10, 2022 and the City Council on March 22, 2022, where the Housing Department presented the draft funding strategies and priorities to solicit feedback. The third hearing, on April 14, 2022, was also at the Commission and included the draft FY 2022-23 Action Plan for comment. The fourth public hearing, on April 26, 2022, was the City Council's consideration of the draft FY 2022-23 Action Plan. The August 9, 2022 action is the fifth and final public hearing, at which time the City Council must adopt the final FY 2022-23 Action Plan. The Housing Department then will submit the FY 2022-23 Action Plan to HUD in time to meet its deadline.

Staff published official notices required by HUD, in the *Mercury News*, of the public meetings. These notices were translated into Spanish, Vietnamese, Chinese, and Tagalog and also were published in the *El Observador*, *Vietnam Daily News*, *World Journal*, and the *Asian Journal* newspapers. City staff also sent e-mail announcements of the public hearings on the draft FY 2022-23 Action Plan to over 2,600 organizations and individuals concerned about affordable housing and community development issues. The e-blasts were also posted on the Housing Department's website at www.sjhousing.org, and were turned into news briefs that were automatically sent to media outlets.

All public comments provided to the City both verbally and in writing will be included in the appendices of the FY 2022-23 Action Plan together with staff's responses when the FY 2022-23 Action Plan is submitted to HUD.

COORDINATION

This item has been coordinated with the City Attorney's Office.

COMMISSION RECOMMENDATION/INPUT

The Commission considered the draft Action Plan at its virtual meeting on April 14, 2022 at 5:45 p.m. A supplemental memorandum summarizing the Commission's feedback was included with the action on the April 26, 2022, City Council meeting agenda.

FISCAL/POLICY ALIGNMENT

This action is consistent with the City's *Consolidated Plan 2020-25*, adopted by the City Council on August 11, 2020, and with the City's Adopted *Housing Element 2014-2023*, in that the action provides services to very low-income households and homeless residents. It also furthers the advancement of the *Community Plan to End Homelessness* approved by the City Council in August 2020. The timely submittal of the FY 2022-23 Action Plan to HUD will enable the City to receive and distribute more than \$14 million in entitlement funds for the CDBG, HOME, HOPWA, and ESG programs for FY 2022-23.

COST SUMMARY/IMPLICATIONS

This report summarizes the expenditure plan for the City's federal formula funds received from HUD, which includes a new FY 2022-2023 funding of \$14.42 million along with \$14.67 from previous years' funding for a combined total of \$29.1 million. This revised combined total of \$29.1 million is based on updated estimated of expenditure savings in FY 2021-2022 that is different than what was assumed in the development of the 2022-2023 Adopted Budget. As a result, after formally closing out FY 2021-2022, the FY 2021-2022 Annual Report, scheduled for City Council review and approval in October 2022, will include appropriation actions to reconcile various Housing Department funds to recognize the additional savings from FY 2021-2022 and recommend budget adjustments to fully appropriate the funding recommendations in this memorandum.

The recommended actions in this memorandum create a new Haven Rehabilitation appropriation in the CDBG Fund in the amount of \$1.4 million, which will enable the Housing Department to initiate the Haven Rehabilitation project at a City-owned property containing a five-unit building and a three-unit triplex that is providing transitional housing. The funding for Haven Rehabilitation is offset by savings within the CDBG Fund as shown in the table below. This savings includes the reallocation of funding originally programmed for the rehabilitation of the Plaza Hotel a hotel acquired from the former Redevelopment Agency to provide interim housing for unhoused people. While the City will ensure that minor repair and

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maintenance efforts are addressed, a major rehabilitation project is no longer contemplated in the near future, and these funds are available to be reallocated for rehabilitation of The Haven.

BUDGET REFERENCE

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

Fund #	Appn #	Appn Name	Current Total Appn	Rec. Budget Action	2022-2023 Proposed Operating Budget Page*	Last Budget Action (Date, Ord. No.)
441	215B	Plaza Hotel Rehabilitation	\$1,000,000	(\$1,000,000)	855	06/21/22, 30790
441	215H	Rental Support Case Management	\$211,224	(\$211,224)	855	06/21/22, 30790
441	0055	Contractual Community Services	\$2,175,191	(\$146,022)	855	06/21/22, 30790
441	8999	Unrestricted Ending Fund Balance	\$270,646	(\$42,754)	855	06/21/22, 30790
441	New	Haven Rehabilitation	\$0	\$1,400,000	N/A	N/A

* The 2022-2023 Proposed Operating Budget was adopted by the City Council on June 21, 2022.

CEQA

Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action. Specific development projects that are funded as a result of the Annual Action Plan are subject to project-specific CEQA clearance.

/s/

JACKY MORALES FERRAND
Director of Housing



JIM SHANNON
Budget Director

For questions, please contact Ragan Henninger, Deputy Director, at ragan.henninger@sanjoseca.gov.