



# Memorandum

**TO:** HOUSING AND COMMUNITY  
DEVELOPMENT COMMISSION

**FROM:** Ragan Henninger

**SUBJECT:** SEE BELOW

**DATE:** January 25, 2024

Approved

Date

**SUBJECT: FISCAL YEAR 2024-25 ANNUAL ACTION PLAN FUNDING  
PRIORITIES**

## **RECOMMENDATION**

Hold a public hearing on funding priorities for the Fiscal Year 2024-25 Annual Action Plan for the use of federal funds from the U.S. Department of Housing and Urban Development (HUD) and provide Housing Department (Housing Department) staff with input on the proposed funding priorities for the City's next Annual Action Plan.

## **SUMMARY AND OUTCOME**

The goal of this publicly noticed hearing is to give the public and the Commissioners an opportunity to provide comments and possible recommendations on funding priorities for the City's Annual Action Plan for FY 2024-25.

## **BACKGROUND**

As an entitlement jurisdiction, the City receives federal formula grants each year from HUD for a variety of housing and community development activities. The amount that the City receives each year is based on several factors including population, poverty levels, and housing statistics.

### **Five-Year Consolidated Plan**

Every five years, HUD requires jurisdictions that receive federal funding by formula to develop a Five-Year Consolidated Plan. The Five-Year Consolidated Plan identifies priority needs, goals, actions, and funding strategies for its four federal housing and community programs: 1) Community Development Block Grant (CDBG); 2) HOME Investment Partnerships Program (HOME); 3) Emergency Solutions Grant (ESG); and 4) Housing Opportunities for Persons with AIDS (HOPWA).

On August 11, 2020, the City Council approved the City's *2020-2025 Consolidated Plan*,<sup>1</sup> which identified four categories as areas of greatest need within the community and identified broad project goals to address these needs. The four priority categories of need are:

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' condition and help to improve residents' ability to increase employment prospects and grow assets.

All activities funded with the federal funding programs must support one or more of these four priorities identified in the *2020-2025 Consolidated Plan*.

### Annual Action Plan

In accordance with the federal funding requirements, the City prepares an Annual Action Plan to document how it plans to utilize its federal resources each year. An Annual Action Plan outlines one-year strategies that will keep the City on track to meet its Five-Year Consolidated Plan goals. Included in Annual Action Plans are funding recommendations for specific actions and activities for each of the four federal funding sources. Annual Action Plans also describe how the City will support the goals and meet the needs identified in the Five-Year Consolidated Plan. Prior to an Annual Action Plan's final approval by the City Council, the Housing Department must provide for a 30-day public review of a draft Annual Action Plan. In accordance with the City's Citizen Participation Plan, the Housing Department must provide three public hearings on draft Annual Action Plans to create an opportunity for public comment.

### Federal Funding Sources and their Uses

San José receives four major sources of federal funding annually from HUD, as listed in Table 1. Each of these sources is distinct and supports specific housing and community development needs. The primary use for each fund and the amount that is projected to be allocated for fiscal year (FY) 2024-25 are also listed in Table 1. Note that FY 2023-2024

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<sup>1</sup> 2020-2025 Consolidated Plan -  
<https://www.sanjoseca.gov/home/showpublisheddocument/67099/637417146276030000>

funding levels are used in Table 1 as a general estimate of next year’s allocations, net of any estimated program income from loan repayments:

Table 1: Estimated FY 2024-25 San José Federal Funding Levels

<b>Funding Source</b>	<b>Primary Use</b>	<b>Estimated Allocations for FY 2024-2025</b>
CDBG	Housing and Community Development Programs, Services, and Capital Improvements	\$8,350,201
HOME	Housing	\$3,380,549
ESG	Homeless Services and Shelter Operations	\$743,071
HOPWA	Housing Support for Persons with AIDS	\$1,797,713
<b>TOTAL</b>		<b>\$14,271,534</b>

Regulatory requirements for the use of HOME, ESG, and HOPWA are specific: HOME funds must be used to create affordable housing opportunities; ESG funds must be used to support efforts addressing homelessness; and HOPWA funds must be used for housing and services for individuals with AIDS or HIV. CDBG is the most flexible federal funding source and may be used to fund a wide range of housing and community development needs. For this reason, funding priority decisions typically focus on the use of CDBG.

**ANALYSIS**

The City’s Housing Department invited qualified organizations to submit proposals to oversee various programs funded by CDBG, ESG, and HOPWA Program funds, for FY 2023-24, and FY 2024-2025 in January 2023. This NOFA contracted with multiple organizations to manage different programs. applications were for the following programs:

- Neighborhood Engagement (CDBG)
- Fair Housing- Legal Services (CDBG)
- Senior Nutrition (CDBG)
- Minor Home Repair (CDBG)
- Homeless Outreach (ESG and CDBG)
- Rental Assistance and Support Services (HOPWA)

This is the second year of the processed NOFA.

***CDBG Priorities***

CDBG Public Services

CDBG funds can be used for a variety of services for low-income individuals. Program regulations limit funding for public services to 15% of the annual CDBG allocation combined with the prior year’s program income from loan repayments. The amounts allocated reflect not only the City’s priorities, but also the actual costs to deliver eligible programs and the staff capacity of the grantee organizations.

Table 2: Proposed CDBG-funded Public Services

Public Services	Description	FY 2024-25 Funding
Neighborhood Engagement	Leadership development and engagement training	\$200,000
Legal Services	Citywide legal services for low-income tenants	\$200,000
Legal Services	Neutral tenant/landlord counseling and dispute resolution services	\$200,000
Senior Nutrition	Meals and support programs	\$302,530
Homeless Outreach	Citywide outreach and shelter	\$350,000
<b>TOTAL</b>	<b>15% of CDBG allocation</b>	<b>\$1,252,530</b>

CDBG Community Development Investment (CDI) Activities

CDBG Community Development Investment (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:

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.

Table 3: Proposed CDBG-funded Community Development Investment (CDI) Activities

CDBG Activities	Description	FY 2024-25 Funding
Fair Swim Center/Tot Lot (PRNS and PW)	Rehabilitate building and tot lot	\$396,065
Accessible Pedestrian Signal (DOT)	Accessibility device installed at a traffic signal that provides audible and vibrotactile cues	\$559,374
African American Community Services - Windows (PW)	Window replacement	\$120,000

Fire Stations LED Replacement (PW)	LED replacement fixtures	\$350,000
<b>TOTAL</b>		<b>\$1,425,439</b>

**Fair Swim Center/Tot Lot (PRNS and PW)**

The Fair Swim Center project consists of building improvements at the Fair Swim Center and renovation of the adjacent tot lot playground. The project will improve day to day operations of the Fair Swim center and provide enriching activities for the East San José residents. The Tot lot project scope will include demolition of outdated play equipment, installation of new play equipment geared for early childhood development, new resilient surfacing for improved accessibility, and minor enhancements to perimeter fencing and landscape areas. The Fair Swim Center building improvements would include interior restroom enhancements', restoration and extending life of building exterior and painting, exterior signage for improved wayfinding and increased attendance and use of the Swim Center, and site aquatics equipment procurement. Implementing these site improvements will promote and provide recreational activities that will create a lasting impact for residents for a safe, welcoming, dynamic, and enjoyable location to serve the community. This project was part of the CDBG – CBO Acquisition, Rehabilitation, and Public Facilities Projects under the FY 2022-23 Annual Action Plan and \$300,000 was appropriated in the FY 2022-23 Mid-Year Budget Report. Environmental review was completed, and the project started renovating the tot lot. \$516,000 was allocated in FY 2023-24 Annual Action Plan. Additional \$396,065 is needed in FY 2024-25 to continue with the tot lot improvements and to begin work on the building improvements.

Housing completed an internal Notice of Funding Availability (NOFA) for possible CDI projects for FY 2024/25 in December 2023. The City Manager’s Office, Public Works Department, Department of Transportation, and Parks Recreation and Neighborhood Services Department were informed of the availability of CDBG funding. The following submitted projects are eligible to receive CDBG funding:

**Accessible Pedestrian Signal (APS) Community Improvement Project (DOT):**

The City’s Department of Transportation (DOT) desires to install Accessible Pedestrian Signals (APS) at signalized intersections in order to improve accessibility and safety, particularly for our most vulnerable users. An APS is an accessibility device installed at a traffic signal that provides audible and vibrotactile cues to let pedestrians (especially visually-impaired pedestrians) know when the traffic signal is in its “WALK” or “DON’T WALK” intervals. These devices provide clear feedback in multiple formats when it is safe to enter a crosswalk at an intersection.

San José has almost 1,000 traffic signals throughout the city. Approximately 32% of our signals are currently equipped with APS. In order to equitably provide all pedestrians the ability to safely cross the streets, DOT would like to continue to install APS at priority locations. CDBG funding would allow for significant progress to be made in installing APS in the City’s Low-Income Neighborhood Areas, many of which are also located in existing or emerging Project

**Hope Areas.** Project Hope is an innovative neighborhood engagement and empowerment program that aims to improve the quality of life in the City of San José by promoting creation of neighborhood associations in underserved areas stressed by crime, blight and violence. This project aims to provide inclusivity, benefit, and safety to all users of our transportation network, particularly those that need it the most. Total cost of the project is \$927,652. DOT is requesting \$559,374 in FY 2024-25 and \$275,513 in FY 2025-26. The department will contribute \$92,765.

The proposed project will install APS at 108 locations throughout San José. All project locations are in CDBG Low-Mod Census Tracts. Many project locations are in existing and emerging Project Hope Areas. The list of project locations is in Attachment A.

### **African American Community Services Agency-Window Replacement (PW)**

The African American Community Services Agency facility located at 304 N 6th Street and provides educational, cultural, social, and recreational programs, services, and activities to the community. This facility serves as a site for training, resource distribution, and community gatherings. The upgrades to the existing windows, which are believed to be the original windows, would prevent water intrusion from the rains during storm events, ensure the efficiency of the heating and cooling systems as well as contribute to the beautification of the building and its neighborhood. The total cost of the project is \$300,000. Public Works has appropriated \$180,000 towards this project. \$120,000 in CDBG funds is needed to complete the window replacements.

### **San José Fire Station Exterior LED Installation (PW)**

The exterior lighting at the listed fire stations is antiquated, provides poor visibility, and most of the lighting is low pressure sodium which has been phased out due to environmental reasons. The purpose of this project is to replace the exterior lighting at these fire stations so staff and public can have good visibility when accessing the locations. \$350,000 is requested to complete the LED replacement in FY 2024-25.

Fire stations requesting updated lighting:

- Fire Station #3 98 Martha St, San José, CA 95112
- Fire Station #5 1380 N 10th St, San José, CA 95112
- Fire Station #7 800 Emory St, San José, CA 95126
- Fire Station #16 2001 S King Rd, San José, CA 95122
- Fire Station #18 4430 Monterey Rd, San José, CA 95111
- Fire Station #20 1120 Coleman Ave, San José, CA 95110
- Fire Station #26 528 Tully Rd, San José, CA 95111
- Fire Station #30 454 Auzerais Ave, San José, CA 95126
- Fire Station #34 1634 Las Plumas Ave, San José, CA 95133
- Fire Station #35 135 Poughkeepsie Rd, San José, CA 95123

The Housing Department evaluates CDI capital projects based on funding availability, project readiness, public feedback, and uses’ alignment with stated Five-Year Consolidated Plan objectives and CDBG eligibility rules. Readiness includes the ability to spend all allocated funds promptly, preferably within the fiscal year, including obtaining project environmental clearances for the use of federal funds prior to funding commitment.

CDBG – CDI Non-Construction

Non-construction CDI projects include programs and other indirect services benefitting low- and moderate-income individuals and households.

Table 4: Proposed CDI Non-construction Projects

<b>CDBG Activities</b>	<b>Description</b>	<b>FY 2024-25 Funding</b>
Enhanced Code Enforcement (PBCE)	Enhanced Code Enforcement in Targeted Neighborhood	\$1,100,000
Minor Home Repair	Owner-occupied single-family home and mobile home repairs	\$1,650,000
<b>TOTAL</b>		<b>\$2,750,000</b>

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. The City’s Planning, Building and Code Enforcement (PBCE) Department 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.

City provides emergency and minor repairs to homeowners who meet eligibility requirements under the CDBG requirements.

CDBG-Microenterprise Program – BOOST Program

The CDBG definition of a microenterprise is a business that has five or fewer employees, one or more of whom owns the enterprise. All part-time and full-time employees on the business payroll at the time of assistance must be counted. Eligible microenterprise assistance activities refer to technical assistance and/or general support services to Low and Moderate Income (LMI) business that directly lead to the establishment of either new businesses or the expansion of existing businesses (e.g., new employees, higher sales volume or revenue, etc.)

Table 5: Proposed Microenterprise Program

<b>CDBG Activities</b>	<b>Description</b>	<b>FY 2024-25 Funding</b>
Microenterprise Program	Child Care Centers	\$1,000,000
<b>TOTAL</b>		<b>\$1,000,000</b>

The goal of the BOOST Program is to provide comprehensive business and technical support to participating microenterprise childcare providers, contributing to the establishment and maintenance of a robust and sustainable local childcare ecosystem. This enhances the overall sustainability of LMI providers through operational stabilization and revenue maximization, which, in turn, improves the quality of life of the families they serve

HOME Priorities

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. 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.

Table 6: Proposed HOME Projects

<b>HOME Activities</b>	<b>Description</b>	<b>FY 2024-25 Funding</b>
New Affordable Housing Development	Affordable Housing Development	\$2,335,409
New Affordable Housing Development	CHDO Set Aside (15% HOME Set Aside)	\$507,082
Law Foundation of Silicon Valley-Consortium	Fair Housing	\$200,000
<b>TOTAL</b>		<b>\$3,042,491</b>

On October 10, 2023, the City Housing Department released a \$50 million new construction Notice of Funding Availability (NOFA) to assist with construction of affordable multifamily rental housing for extremely-low-, very-low-, and low-income individuals and families. Proposals were reviewed, scored, and ranked in order of funding priority by an evaluation panel.



An information memorandum will be taken to City Council on February 27, 2024, and recommendations for funding commitments for the projects will be taken to City Council after the projects are entitled and ready to move forward. The developments to be recommended for funding commitments will include set-asides for supportive housing units that are restricted as Permanent Supportive Housing for chronically homeless individuals and families; Rapid Re-Housing for people at risk of homelessness; Transitional-Aged Youth housing for young adults; and No Place Like Home units for adults with serious mental illness who are experiencing homelessness. The developments will bring 115 apartments of new supportive housing and more than 338 apartments of new affordable housing to San José.

HOME funds are required to be committed right before construction closes on a development. At least 15 percent of HOME funds must be set aside for specific activities to be undertaken by a special type of nonprofit called a Community Housing Development Organization (CHDO). A CHDO is a private nonprofit, community-based organization that has staff with the capacity to develop affordable housing for the community it serves. In order to qualify for designation as a CHDO, the organization must meet certain requirements pertaining to their legal status, organizational structure, and capacity and experience.

ESG Priorities

The Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act of 2009 amended to the McKinney-Vento Homeless Assistance Act, revised the Emergency Shelter Grants Program, and renamed it to the Emergency Solutions Grants (ESG) program. The ESG Interim Rule took effect on January 4, 2012. The change in the program name reflects the change in focus from addressing the needs of homeless people in emergency or transitional shelters to assisting people to quickly regain stability in permanent housing after experiencing a housing crisis and/or homelessness. \$445,843 in ESG funds will be used in FY 2024-25 to assist in Citywide outreach. The City will be inviting qualified organizations to submit proposals to oversee the homeless outreach services in the Spring 2024.

Table 7: Proposed ESG Projects

<b>ESG Activities</b>	<b>Description</b>	<b>FY 2024-25 Funding</b>
Homeless Outreach	Citywide outreach and shelter (60% of ESG Allocation)	\$445,843
County Homeless Management Information System	Operation of the Homeless Management Information System (secure web-based database) in compliance with HUD	\$200,000
<b>TOTAL</b>		<b>\$645,843</b>

HOPWA Priorities

Housing Opportunities for Persons with AIDS (HOPWA) is the only Federal program dedicated to addressing the housing needs of low-income people living with HIV/AIDS and their families.

Table 8: Proposed HOPWA Projects

<b>CDBG Activities</b>	<b>Description</b>	<b>FY 2024-25 Funding</b>
Rental Assistance and Supportive Housing	Rental assistance and supportive housing for HOPWA participants	\$1,671,873
<b>TOTAL</b>		<b>\$1,671,873</b>

### **CONCLUSION**

Identifying priority funding areas and potential programs helps San José’s residents and communities to meet their needs and could help them to become more resilient so they may better cope with the City’s changing market forces. These funding priorities are responsive to needs identified by the community and are consistent with existing City priorities.

### **EVALUATION AND FOLLOW-UP**

Staff will complete the draft 2024-25 Annual Action Plan in April 2024, and upon completion, will make a copy available to the public for review for 30 days. Officially noticed public hearings on the draft 2024-25 Annual Action Plan will include one Commission meeting and a City Council meeting to be held in April 2024. Staff then will submit the final 2024-25 Annual Action Plan to HUD by May 15, 2024.

### **PUBLIC OUTREACH**

Public hearing of the FY 2024-25 Funding Priorities will be conducted at the Housing and Community Development Commission meeting on February 8, 2024. This provides the public and commissioners an opportunity to comment on the potential uses of the City’s anticipated federal funds. This hearing checks the City’s Citizen Participation Plan<sup>2</sup> requirement to hold one publicly noticed hearing on funding priorities prior to drafting the FY 2024- 25 Annual Action Plan.

### **COMMISSION RECOMMENDATION/INPUT**

Staff will collect public and commissioners’ feedback and will report comments back to HUD.

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<sup>2</sup> San José’s Citizen Participation Plan for U.S. Department of Housing and Urban Development Programs, amended Aug. 4, 2020, p.9, <https://www.sanjoseca.gov/home/showpublisheddocument/64406/637369832783670000>.

The FY 2024-25 Funding Priorities discussion is the first step in completing the FY 2024-25 Annual Action Plan, which will be presented to HCDC and City Council in April 2024.

### **FISCAL/POLICY ALIGNMENT**

The proposed funding priorities are 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. It also furthers the advancement of the *Community Plan to End Homelessness 2020-2025* approved by the City Council in February 2020.

### **SECTION 84308 GENERALLY**

In 2022, the California Legislature passed SB 1439, a bill that amended Section 84308 of the Political Reform Act (“the Act”)

Section 84308 prohibits certain officials from taking part in an entitlement for use proceeding if the official has received a contribution exceeding \$250 from a party or participant in the proceeding within the preceding 12 months. An official is also prohibited from accepting, soliciting, or directing a contribution exceeding \$250 from a party or participant in the proceeding for a certain period of time after a final decision is rendered in such a proceeding.

A “party” is any person who files an application for, or is the subject of, a proceeding involving a license, permit, or other entitlement for use. A “participant” is person who is not a party but who actively supports or opposes a particular decision in a proceeding involving a license, permit, or other entitlement for use, and has a financial interest in the decision.

A party to a proceeding before an agency involving a license, permit, or other entitlement for use must disclose on the record any contribution in an amount of more than two hundred fifty dollars (\$250) made within the preceding 12 months to an official of the agency

RAGAN HENNINGER  
Deputy Director, Housing Department

For questions, please contact Stephanie Gutowski, Housing Policy and Planning Administrator, at (408) 975-4420 or at [stephanie.gutowski@sanjoseca.gov](mailto:stephanie.gutowski@sanjoseca.gov)