



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Rosalynn Hughey

SUBJECT: SEE BELOW

DATE: March 25, 2024

Approved

Date

**SUBJECT: FINAL PUBLIC HEARING AND APPROVAL OF THE FISCAL YEAR
2024-2025 ANNUAL ACTION PLAN FOR THE U.S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT**

RECOMMENDATION

Adopt a resolution:

- (a) Approving the Fiscal Year 2024-2025 Annual Action Plan;
- (b) Authorizing the Director of Housing or Acting Director of Housing to submit the Fiscal Year 2024-2025 Annual Action Plan to U.S. Department of Housing and Urban Development; and
- (c) Authorizing the Director of Housing, Acting Director of Housing, or their designee to negotiate and execute agreements with grantees for the activities identified in the Fiscal Year 2024-2025 Annual Action Plan and all related contract amendments, extensions, and changes.

SUMMARY AND OUTCOME

This final publicly noticed hearing on the Fiscal Year (FY) 2024-2025 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 May 15, 2024 deadline. Meeting this deadline enables the City to remain eligible to receive approximately \$14.3 million in federal housing and community development funds in FY 2024-2025.

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 2020-2025 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 2015-2020 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. The FY 2020-2025 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.

ANALYSIS

The City will receive approximately \$14.3 million in Community Development Block Grant (CDBG), HOME Investment Partnerships Program (HOME), Housing Opportunities for People with AIDS (HOPWA), and Emergency Solutions Grant (ESG) entitlement grants. Congress typically takes final action on the federal budget in June and the exact amount of federal entitlement funds will be known then. Funding from HOME American Rescue Plan (HOME ARP) of \$11.7 million and HOPWA Permanent Supportive Housing (PSH) of \$1.3 million have been included in the FY 2024-2025 Action Plan. The focus of this memorandum is the expenditure plan for the new annual federal allocations. However, the FY 2024-2025 Action Plan also provides a summary of anticipated carryover funding from previous years as well as program income from loan repayments. Housing Department has not received the FY 2024-2025 allocation from HUD. Table 1 below summarizes the total federal funding levels for FY 2024-2025 using FY 2023-2024 as the base. In 2021, Housing was awarded \$11,676,334 in HOME ARP funds. Housing presented the HOME ARP Allocation Plan to City Council on March 28, 2023 ¹ and submitted to HUD for approval. HOPWA PSH was awarded in September 2023.

Table 1: FY 2024-2025 Federal Funding Levels

Program	Actual FY 2023-2024 Allocation	Est. FY 2024-2025 Allocation	Fund Balance*	Program Income*	Total Program
CDBG	\$8,350,201	\$8,350,201	\$5,899,853	\$133,785	\$14,383,839
HOME	\$3,380,549	\$3,380,549	\$12,147,464	\$265,501	\$15,793,514
HOME-ARP**		\$11,676,334	\$0		\$11,676,334
HOPWA	\$1,797,713	\$1,797,713	\$1,562,639		\$3,360,352
HOPWA PSH**		\$1,325,991	\$0		\$1,325,991
ESG	\$743,071	\$743,071	\$101,446		\$844,517
Total	\$14,271,534	\$27,273,859	\$19,711,402	\$399,286	\$47,384,547

*Ending HUD IDIS fund balance as of 3/19/24

**New funding for FY 2024-2025

FY 2024-2025 Action Plan

The FY 2024-2025 Action Plan contains a description of all activities recommended for funding. Each of the activities detailed in the draft FY 2024-2025 Action Plan are aligned with the four goals of the Consolidated Plan and contribute to the City’s five-year objectives. The draft FY 2024-2025 Action Plan aligns the City’s available resources with the planned activities that will

¹ First Substantial Amendment to FY2021-2022 AAP to Report the HOME ARP Allocation Plan Awarded by HUD <https://sanjose.legistar.com/View.ashx?M=F&ID=11749053&GUID=EEB69629-9C35-4908-9946-4C4E3A0A86C1>

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, HOME ARP, HOPWA, HOPWA PSH, and ESG are provided below.

The Housing Department invited qualified organizations to submit proposals to oversee various programs funded by the CDBG, HOPWA, and ESG Program funds, for FY 2023-2024, and FY 2024-2025. This Notice of Funding Availability (NOFA) sought to contract with multiple organizations to manage different programs. Qualified organizations applied for only the programs they were interested in administering. Applications were accepted and approved for the following programs:

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

In March 2024, The Health Trust (THT) notified the Housing Department that the agency will no longer be providing direct services. This will impact CDBG Senior Nutrition Meals on Wheels program and the HOPWA programs. Grants Management staff is currently working with POSSO to manage the Meals on Wheels program since they are a current provider of meal services and a successful respondent to the previous procurement for these services. There was not another qualified service provider in the last procurement for the HOPWA programs, therefore a new Request for Proposal (RFP) for the HOPWA programs will be completed in April 2024 for service in FY 2024-2025.

The Legal Services program will be divided into two service areas in FY 2024-2025. There will be a Citywide Legal Service for Low-Income Tenants program and a Neutral Tenant/Landlord Counseling and Dispute Resolution Services program. An RFP will be completed in April 2024 for services in FY 2024-2025.

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, Community Development Investment (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 minor home repair, provided to low- and moderate-income households.

CDBG – Public Service Programs

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 the actual program delivery and staff costs to deliver eligible programs of the grantee organizations.

Table 2 below outlines the City’s proposed CDBG - Public Service Program expenditures for the coming fiscal year by category and activity.

Table 2: Proposed CDBG - Public Service Programs

CDBG Activity	Agency	Description	FY 2024-2025 Funding	Proposed Outcome
Senior Nutrition	POSSO	Provide seniors with nutritious food and wellness support.	\$302,530	Propose serving 300 seniors and 600 door-to-door transportation trips
Neighborhood Engagement	SOMOS Mayfair	Provide community-based leadership training and support.	\$150,000	Propose to serve 188 individuals, 40 families with translation services.
Neighborhood Engagement	VIVO	Provide cultural, educational, and health services.	\$50,000	Propose to serve 300 individuals.
Homeless City-wide Outreach	HomeFirst	Provide street outreach, engagement, basic needs supplies and housing eligibility assessments	\$350,000	Propose to complete 130 eligibility assessments.
Legal Services	TBD	Citywide legal service for low-income tenants	\$200,000	Propose to serve 100 individuals.
Legal Services	TBD	Neutral tenant/landlord counseling and	\$200,000	Propose to serve 100 individuals.

		dispute resolution services		
TOTAL			\$1,252,530	

*Senior Nutrition – Portuguese Organization for Social Services and Opportunities (POSSO)
Senior Access and Health Support*

POSSO will provide its core senior nutrition and general health and wellness support services to socioeconomically burdened seniors in San José that will promote aging in place, prevent isolation, and improve the quality of life of these individuals. The program will focus on the needs of limited English speaking, low-income immigrant and ethnic minority seniors, a population that is “high risk”, underserved, and isolated. It is important to note that POSSO is the only language accessible source of senior services in San José - including nutrition, transportation, and wellness services – for Portuguese seniors. POSSO will also be managing the Meals on Wheels participants in FY 2024-2025.

Neighborhood Engagement-SOMOS Mayfair

To address the challenges of the Mayfair and surrounding East San José areas, SOMOS Mayfair proposes to engage in community and power-building activities through the Eastside Neighborhood Development Program, which will offer community-based, resident- centered leadership training and basic needs support. These programs will enhance resident advocacy skills that will in turn position residents in places where decisions are made about their families, their homes, and their communities.

Neighborhood Engagement- Vietnamese Voluntary Foundation (VIVO)

The mission of VIVO is to empower refugees and immigrants, low-income ethnic families to become productive participating citizens, to benefit themselves, their families, and their communities through providing comprehensive community cultural, educational, health and social services. VIVO proposes to provide English as a Second Language workshops, basic computer, and digital literacy classes as a first step for settlement. VIVO will also provide civic awareness and engagement programs with workshops on community and social issues.

Homeless Citywide Outreach – HomeFirst

Homeless Outreach and Engagement program will offer individualized support to high-needs individuals and households living on the streets and in encampments in San José. Services are participant-centered and may include connections to shelter and services, providing basic needs supplies, such as hygiene items, food, water, and clothing and conducting housing eligibility assessments

Legal Services-TBD

Legal Services will be offering two programs. Citywide Legal Services for Low-Income Tenants and Neutral Tenant/Landlord Counseling and Dispute Resolution. Housing is completing an RFP to secure an agency to provide both programs to our qualifying residents.

Citywide legal services for low-income tenants program will be offering the following areas of legal services: Housing Development and Management; Real Property laws and codes, federal subsidy programs, and eviction diversion and mediation strategies. Services may only benefit persons of low-to-moderate income (income at or below 80% of the area median income) and residing in the service area.

Neutral tenant/landlord counseling and dispute resolution services program will engage in several community education approaches to increase community awareness of the laws and issues surrounding fair housing and rental rights. Recommended methods include fair housing workshops for members of the housing industry, educational workshops to assist property owners and/or managers who have been found through complaint investigation to discriminate in rental housing, regular publicity of fair housing services through local media, and speaking appearances before appropriate groups and organizations.

CDBG – CDI Non-Construction

Non-construction CDI projects include programs and other indirect services benefitting low- and moderate-income individuals and households. Generally, per HUD, low income is considered to be 50% or less of area median income, moderate income is 80% of area median income. 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 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 benefits low- and-moderate- income persons. The goal is to keep low- and moderate-income persons in their homes. Minor repairs are completed at no charge to the homeowner and the home can be any type of owner-occupied housing, such as single-family house, mobile home, or condominium. Services provided under the “minor” category is intended to address health and safety deficiencies that do not elevate to “emergency,” but that the homeowner simply cannot pay for on their own. Deficiencies include, but are not limited to, debris removal, replacement of doors, windows, installation of ramps/lifts, ADA improvements to bathroom(s), lighting improvements, flooring repairs/replacements accessibility improvements, replace broken windows, doors, and other minor repairs.

Table 3 below outlines the City’s proposed CDBG – CDI Non-Construction Project expenditures for the coming fiscal year by category and activity.

Table 3: Proposed CDBG - CDI Non-Construction Projects

CDBG Activity	Agency/ Department	Description	FY 2024-2025 Funding	Proposed Outcome
Enhanced Code Enforcement	PBCE	Providing code enforcement in targeted neighborhoods	\$1,100,000	Provide 400 initial inspections.
Home Repair	Rebuilding Together	Providing emergency and minor home repairs to homeowners.	\$1,150,000	Propose to service 170 households.
Home Repair	Habitat for Humanity	Providing emergency and minor home repairs to homeowners.	\$500,000	Propose to serve 40 households.
TOTAL			\$2,750,000	

CDBG – CDI Construction

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. 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. A key consideration for project eligibility is the requirement to spend funds timely. In accordance with CDBG regulations, the Housing Department must have a balance no greater than one and one-half (1.5) times, which is roughly \$13 million, in the Line of Credit, 60 days prior to the end of the program year. Given the many capital projects take multiple years to develop, design, and construct, the amount of CDBG funding that is practically able to be allocated to City infrastructure projects is relatively limited. The proposed funding priorities in this category include the following CDI activities:

- 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 approved in the FY 2022-2023 Annual Action Plan. A total of \$300,000 was appropriated in the FY 2022-2023 Mid-Year Budget Review. Environmental review has been completed and the project started to renovate the tot lot. A total of \$516,000 was approved in FY 2023-2024 and \$396,065 will be needed in FY 2024-2025.

Housing completed an internal Notice of Funding Availability (NOFA) for possible CDI projects for FY 2024-2025 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 and were approved:

- 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. DOT 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.

Table 4 below outlines the City's proposed CDBG – CDI Construction Project expenditures for the coming fiscal year by category and activity.

Table 4: Proposed CDBG - CDI Construction Projects

CDBG Activity	Description	FY 2024-2025 Funding	Proposed Outcome
Fair Swim Center/Tot Lot Rehab	Rehabilitate the tot lot next to the swim center	\$396,065	Enhance the tot lot playground designed for ages 2-5 years old.
Accessible Pedestrian Signal (DOT)	Accessibility device installed at a traffic signal that provides audible and vibrotactile cues	\$559,374	Provide clear feedback in multiple formats when it is safe to enter a crosswalk at an intersection.
African American Community Services - Windows (PW)	Window replacement	\$120,000	Prevent water intrusion from the rains during storm events, ensure the efficiency of the heating and cooling systems
Fire Stations LED Replacement (PW)	LED replacement fixtures	\$350,000	Replace the exterior lighting at these fire stations so staff and public can have good visibility
TOTAL		\$1,425,439	

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 led 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

CDBG Activity	Agency/ Department	Description	FY 2024-2025 Funding	Proposed Outcome
Microenterprise Program	BOOST Program	Provide comprehensive business and technical support to participating microenterprise childcare providers	\$1,048,394	Serve 125 business households
TOTAL			\$1,048,394	

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

CDBG - Administrative Services

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 2024-2025, 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. The Housing Department administration consists of contract negotiations and development, monthly review of invoices and supporting documentation, tracking spending trends, contract monitoring and audit coordination with HUD.

Table 6 below outlines the City’s proposed CDBG – Administrative Activities expenditures for the coming fiscal year by category and activity.

Table 6: Proposed CDBG - Administrative Activities

Agency/Department	Program	FY 2023-2024 Funding
Housing Department	CDBG Administration	\$1,605,248
City Attorney’s Office	Legal Staffing	\$19,493

PBCE	Environmental Reviews	\$49,097
Law Foundation of Silicon Valley - Four Agency Consortium	Fair Housing	\$200,000
TOTAL		\$1,873,838

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. 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. On October 10, 2023, Housing released a \$50 million new construction NOFA. The NOFA made funding available to assist with the construction of affordable multifamily rental housing for extremely-low-, very-low-, and low-income individuals and families. Four proposals were selected from 17 applications to move forward to City Council for funding commitments pending completion of environmental review, followed by closings of financing and construction. The selected developments all 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 experiencing 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 selected 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. \$507,082 has been set aside for FY2024-2025.

Housing Production and Preservation Division has identified a development to use HOME funds in FY 2024-2025. The development located at 1860 Alum Rock will use \$5,625,000 in HOME funds.

HOME funds are also used to fund the Fair Housing program. \$200,000 is allocated to the Law Foundation for this service

Table 7 below indicates that HOME funds will be used mostly for new affordable apartments, but also for fair housing services and program administration. In FY 2024-2025, Housing Department may use up to 10% of the annual allocation for administrative and planning costs. The FY 2024-2025 allocation will be added to the existing fund balance of \$12,147,464 for a new balance of \$15,793,514. The current new affordable housing development amount noted is the balance of HOME after admin, CHDO set aside, and Fair Housing allocations have been made,

Table 7: Proposed HOME Activities

Agency/Department/Project	Project	FY 2024-2025 Funding	Proposed Outcome
New Affordable Housing Development (including project delivery)	Affordable Housing Development	\$2,335,409	New Affordable Housing Development
Housing Department	HOME Administration	\$338,058	Administration and Planning
New Affordable Housing Development	CHDO Set Aside	\$507,082	New Affordable Housing Development
Law Foundation of Silicon Valley - Four Agency Consortium	Fair Housing	\$200,000	Propose to serve 145 individuals
TOTAL		\$3,380,549	

HOME ARP Program

In 2021, the City of San José was awarded \$11,676,334 in HOME Investment Partnerships Program American Rescue Plan (HOME-ARP) funds. The ARP provides funding to assist individuals or households who are experiencing homelessness, 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. The funds are being administered through HUD’s HOME Program.

Housing completed a HOME-ARP Tenant Based Rental Assistance (TBRA) Request for Proposal (RFP) in March 2024. Proposal submissions are currently being evaluated. Housing is seeking qualified nonprofit organizations to administer a TBRA program for Qualified Populations (QPs), provide enhanced supportive services, and ensure compliance with HUD regulations and program requirements. Clients will receive rental assistance for one year, with the option to extend one additional year. Housing would like a model in which clients continue to receive relevant and person-centered supportive services after the period of rental assistance is over. The goal of these activities is to reduce the frequency and severity of homelessness in San José through rental

subsidies and deposits along with targeted supportive services. This is a five year program with an initial term of 2-years, and 1 option to extend for an additional 3-years.

QPs for this program are listed below:

1. Homeless,
2. At risk of homelessness,
3. Fleeing or attempting to flee, domestic violence, dating violence, sexual assault, stalking, or human trafficking,
4. Veterans and families that include a veteran family member
5. Other populations where providing supportive services or assistance would prevent the family's homelessness or serve those with the greatest risk of housing instability.

Table 8 below outlines the City's proposed HOME-ARP Activities expenditures for the coming fiscal year by activity.

Table 8: Proposed HOME ARP Activities

HOME ARP Activity	Description	FY 2024-2025 Funding	Proposed Outcome
Tenant Based Rental Assistance (TBRA) - TBD	Rental Assistance	\$4,500,000	Provide assistance to 50 households
Supportive Services - TBD	Provide client-centered supportive services.	\$5,424,884	Provide assistance to 50 households
Housing Department	HOME ARP Administration	\$1,751,450	
TOTAL		\$11,676,334	

HOPWA Program

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.

THT notified the Housing staff in March 2024 that the agency will no longer provide direct services. THT will be closing their services at the end of FY 2023-2024. Housing staff is completing an RFP for HOPWA services in April 2024 for services to be provided in FY 2024-2025.

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 \$150,000 in rental assistance in that County. Housing Department may use up to 7% of the annual allocation for administrative and planning costs.

HOPWA-PSH provides eligible households with permanent housing and ongoing access to appropriate supportive services through qualified providers. “Permanent housing” means housing in which the eligible person has a continuous legal right to remain in the unit established by a lease or legally binding occupancy agreement. The lease must be renewable after the first year of occupancy. Additionally, the clients receiving permanent supportive housing assistance must also have ongoing access to appropriate supportive services provided through qualified service providers in the area.

Table 9 below outlines the City’s proposed HOPWA Activities expenditures for the coming fiscal year by category and activity.

Table 9: Proposed HOPWA Activities

HOPWA Agency	Activity	FY 2024-2025 Funding	Proposed Outcome
TBD	Rental Assistance and Supportive Services	\$1,521,873	Propose to provide service to 84 households
San Benito County	Rental Assistance and Supportive Services	\$150,000	Propose to provide service to 8 households
Housing Department	HOPWA Administration	\$125,840	
TOTAL		\$1,797,713	

HOPWA PSH Agency	Activity	FY 2024-2025 Funding	Proposed Outcome
TBD	Permanent Supportive Housing and Supportive Services	\$1,325,991	Propose to provide service to 16 households
TOTAL		\$1,325,991	

ESG Program

The focus of ESG is to assist 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 2024-2025 to assist in Citywide outreach. Services include case management, financial assistance, and homelessness prevention workshops. Funding will also be provided to the County to operate and maintain a database that is required by HUD. The Housing Department may use up to 7.5% of the annual allocation for administrative and planning costs.

Table 10 below outlines the City’s proposed ESG Activities expenditures for the coming fiscal year by category and activity:

Table 10: Proposed ESG Activities

ESG Activity	Description	FY 2024-2025 Funding	Proposed Outcome
Homeless Citywide Outreach- HomeFirst	Street-based outreach, connections to shelter and housing eligibility assessments for people experiencing unsheltered homelessness	\$445,843	Propose to serve 190 individuals, services include connections to shelter and housing eligibility assessments
County Homeless Management Information System	Operation of the Homeless Management Information System (secure web-based database) in compliance with HUD	\$241,498	Provide funding for web-based homeless shelter software
Housing Department	ESG Administration	\$55,730	
TOTAL		\$743,071	

EVALUATION AND FOLLOW-UP

Once the FY 2024-2025 Action Plan is approved by the City Council, staff will work with service providers to develop agreements that include finalized scopes of service, contract budgets, performance measures, goals, and outcomes. The Action Plan will be submitted to HUD by the May 15, 2024 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.

Additionally, capital projects identified in the FY 2024-2025 Action Plan will require further development and review. Upon approval of the FY 2024-2025 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.

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 2023-2024 CAPER in September 2024.

COST SUMMARY/IMPLICATIONS

This report summarizes the expenditure plan for the City's federal formula funds received from HUD, which includes a new FY 2024-2025 funding of \$14,271,534 along with \$20,110,688 from previous years’ funding for a combined total of \$34,382,222. FY 2024-2025 will also include HOME ARP funding of \$11,676,334 and HOPWA PSH funding of \$1,325,991. This amount will be programmed into the 2024-2025 Proposed Operating Budget within the Home Investment Partnership Program Fund (\$15.8 million), the Community Development Block Grant Fund (\$14.4 million), and the Multi-Source Housing Fund (\$4.5 million).

COORDINATION

This item has been coordinated with the City Attorney’s Office and the City Manager’s Budget Office.

PUBLIC OUTREACH

This memorandum will be posted on the City’s Council Agenda website for the April 30, 2024 Council meeting.

Federal regulations require that jurisdictions hold at least two public hearings to receive public comment for the FY 2024-2025 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 2024-2025 Action Plan. The Housing Department presented the draft funding strategies and priorities to solicit feedback to the Housing and Community Development Commission on February 8, 2024. The Commission will hear the draft FY 2024-2025 Action Plan on April 11, 2024. The April 30, 2024 action is the final public hearing, at which time the City Council must

adopt the final FY 2024-2025 Action Plan. The Housing Department then will submit the FY 2024-2025 Action Plan to HUD in time to meet its deadline.

All public comments provided to the City both verbally and in writing will be included in the appendices of the FY 2024-2025 Action Plan together with staff's responses when the FY 2024-2025 Action Plan is submitted to HUD.

COMMISSION RECOMMENDATION AND INPUT

The Commission will consider the draft Action Plan at its meeting on April 11, 2024 at 5:45 p.m. A supplemental memorandum summarizing the Commission's feedback will be included with the action on the April 30, 2024, City Council meeting agenda.

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 because of the Annual Action Plan are subject to project-specific CEQA clearance.

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.

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.

HONORABLE MAYOR AND CITY COUNCIL

March 25, 2024

Subject: Final Public Hearing and Approval of the Fiscal Year 2024-2025 Annual Action Plan for the U.S. Department of Housing and Urban Development.

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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

/s/
ROSALYNN HUGHEY
Acting Director of Housing

The principal author of this memorandum is Stephanie Gutowski, Housing Policy and Planning Administrator-Grants Management. For questions, please contact Ragan Henninger, Deputy Director, at ragan.henninger@sanjoseca.gov.