



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jacky Morales-Ferrand

SUBJECT: FISCAL YEAR 2022-2023 ANNUAL
ACTION PLAN PRIORITIES

DATE: February 28, 2022

Approved	Date
	3/11/22

RECOMMENDATION

Hold a public hearing on funding priorities for the Fiscal Year 2022-2023 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.

OUTCOME

The goal of this publicly-noticed hearing and the presentation to the City Council is to give the public and the City Council an opportunity to provide comment on funding priorities for the City's Annual Action Plan for FY 2022-2023.

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, 2022, the City Council approved the City's *2020-2025 Consolidated Plan*, 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) 2022-2023 are also listed in Table 1. Note that FY 2021-2022 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 2022-2023 San José Federal Funding Levels

Funding Source	Primary Use	Estimated Allocations for FY 2022-2023
CDBG	Housing and Community Development Programs, Services, and Capital Improvements	\$8,761,415
HOME	Housing	\$3,221,675
ESG	Homeless Services and Shelter Operations	\$763,052
HOPWA	Housing Support for Persons with AIDS	\$1,553,405
	Total	\$14,299,547

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 usually focus on the use of CDBG.

ANALYSIS

Given the City’s additional responsibilities to administer approximately \$200 million in grant funds during the COVID-19 pandemic, staff has had extremely limited capacity and, therefore, proposes the activities outlined below, which will continue the current year’s funding priorities.

CDBG Priorities

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. Services are generally funded on a three- to five-year funding cycle to provide predictability in service delivery and to support service providers’ organizational capacity. 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.

Staff proposes the activities outlined in Table 2 continue under current service agreements, with individual funding levels approximately comparable to the levels from last fiscal year:

Table 2: Proposed CDBG-funded Public Services

CDBG Activities	Description	FY 2021-2022 Funding	Status Recommendation	Approximate % of Category*
Senior Services	Meals and support programs	\$200,000	Continue funding	15%
Neighborhood Engagement and Leadership Training	Leadership development and engagement training	\$200,000	Continue funding	15%
Services for Homeless and Unhoused Populations	Citywide outreach and shelter	\$399,097	Continue funding	29%
Legal Services	Citywide legal services for low-income tenants and landlords	\$475,115	Continue funding	35%
Fair Housing**	Fair housing services	\$100,000	Continue funding	7%
Total		\$1,374,212		100%

*Note: Totals do not equal 100% due to rounding.

**Note: The Fair Housing agreement would be split between CDBG Public Services, CDBG Program Administration, and HOME funding for a total of approximately \$633,000 (same as FY 2021-2022).

In addition to the recommendations for CDBG Public Services, the Housing Department also proposes to recommend that the City continue to provide Community Development Investment (CDI) funding for the eligible activities listed in Table 3 below:

Table 3: Proposed Community Development Investment Activities

Activity	Description	FY 2021-2022 Funding	Status Recommendation	Approximate % of Category*
Minor Home Repairs	Owner-occupied single-family home and mobilehome repairs	\$1,650,000	Continue funding	27%
Job Training and Placement	Job training and placement for homeless individuals; housing assistance	\$500,000	Awarded in FY 2020-2021 - Continue funding	8%
Enhanced Code Enforcement	Proactive City Code Enforcement focusing on multifamily housing issues in Project HOPE neighborhoods	\$1,100,000	Continue funding	18%
Place-based Street and Infrastructure Enhancements	Investments in City infrastructure such as Wi-Fi systems and walkability improvements; especially those located in extremely low-income census tracts reflected as areas of racially	\$2,484,920	\$2,784,920	46%

Activity	Description	FY 2021-2022 Funding	Status Recommendation	Approximate % of Category*
	and ethnically concentrated areas of poverty; and proximate to supportive housing developments for formerly homeless residents			
Acquisition, Rehabilitation, and Infrastructure Improvement Projects	Acquisition, rehabilitation, and infrastructure improvements for affordable housing sites, and public and nonprofit facilities	\$300,000	No projects known at this time that need this amount and could spend fully in FY 2022-2023; reallocate to Place-based Street and Infrastructure	0%
Total		\$6,034,920	\$6,034,920	100%

*Note: Totals do not equal 100% due to rounding.

If there are no shovel-ready acquisition, rehabilitation, infrastructure, or facilities projects proposed, CDI infrastructure projects sponsored by the City will be considered for funding if monies are available. As part of the public outreach process, Housing Department staff are working collaboratively with the City’s Manager’s Budget Office and other City departments to determine which CDI projects to propose for funding and will bring these recommendations to the City Council for approval. These 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 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.

In addition to the annual allocation amount of CDBG, the Housing Department typically receives approximately \$400,000 in program income from repayments of existing CDBG-funded loans. The remainder of the annual allocation, plus what is received in CDBG program income, would be spent on administrative costs and fair housing.

HOME, ESG and HOPWA Priorities

For the non-CDBG federal funds, staff intends to define activities for the FY 2022-2023 Annual Action Plan that continue the current allowed uses for these funds. For HOME, this includes fair housing services and the development of restricted affordable apartments. Funds not allocated to tenant-based rental assistance would be reallocated to development of restricted affordable apartments for next fiscal year. For ESG, allowed uses are proposed to remain the same:

homelessness prevention services; citywide outreach to homeless people; and support for the County of Santa Clara's information system that captures data on homeless residents served. For HOPWA, allowed uses includes rent and supportive services programs for eligible homeless and at-risk populations.

CONCLUSION

Taken together, the four identified priority funding areas and potential programs could help 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 2022-2023 Annual Action Plan in spring 2022, and upon completion, will make a copy available to the public for review for 30 days. Officially noticed public hearings on the draft 2022-2023 Annual Action Plan will include one Commission meeting and two City Council meetings to be held in April and May 2022. Staff then will submit the final 2022-2022 Annual Action Plan to HUD by its deadline in mid-May 2022.

CLIMATE SMART SAN JOSE

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

PUBLIC OUTREACH

Two public hearings will be held on this funding priorities item: 1) at the Housing and Community Development Commission meeting on March 10, 2022 and 2) at the City Council meeting on March 22, 2022. These two hearings surpass the City's Citizen Participation Plan¹ requirement to hold one publicly noticed hearing on funding priorities prior to drafting the 2022-2023 Annual Action Plan. Both provide the public an early opportunity to comment on the potential uses of the City's anticipated federal funds. Three public meetings to be held on the draft 2022-2023 Annual Action Plan, with advance notice to the public and directions on how to submit comments, to provide more opportunities for public feedback.

The public notice containing information about this City Council hearing and the Commission's hearing on March 10, 2022, was published in the *Mercury News* on February 19, 2022. Staff also sent email announcements to over 2,600 organizations and individuals concerned about

¹ 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>.

affordable housing and community development issues, including staff contact information for questions in Spanish, Vietnamese, and Chinese. The announcement of these two public hearings was also placed on the Housing Department's website at www.sjhousing.org. This memorandum will also be posted on the City Council's website for the meeting on March 22, 2022. This outreach surpasses what is required by the City's Citizen Participation Plan for annual funding priorities.

For all public hearings related to development of the 2022-2023 Annual Action Plan, City staff sends widely distributed e-mail announcements, including staff contact information for questions in Spanish, Vietnamese, and Chinese, and publishes on the Housing Department's website. In addition, for the upcoming draft annual action plan hearings, staff will follow the City's Citizen Participation Plan and publish a notice in the *Mercury News* or *San José Post Record*. The City also will translate the notice into Spanish, Vietnamese, Chinese, and Tagalog, and publish it in the *El Observador*, *Vietnam Daily News*, *World Journal*, and *the Asian Journal* newspapers.

COORDINATION

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

FISCAL/POLICY ALIGNMENT

The proposed funding priorities are consistent with the City's *2020-2025 Consolidated Plan* 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 advances the *Community Plan to End Homelessness 2020-2025*, approved by the City Council in February 2020.

COST SUMMARY/IMPLICATIONS

There are no cost implications for this action. The draft 2022-2023 Annual Action Plan, which the City Council will be asked to approve separately later in spring 2022 and will incorporate feedback given on this memorandum, will be the actual spending plan for the City's federal formula funds received each year from HUD.

COMMISSION RECOMMENDATION/INPUT

This item is scheduled to be heard by the Housing and Community Development Commission at its meeting to be held virtually on March 10, 2022 at 5:45 p.m. A Supplemental Memorandum

summarizing the Commission's feedback will be included in the amended March 22, 2022, City Council meeting agenda.

CEQA

Not a Project, File No. PP17-007, Preliminary direction to staff and eventual action requires approval from decision-making body.

/s/
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