



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Jacky Morales-Ferrand

**SUBJECT:** SEE BELOW

**DATE:** April 25, 2022

Approved

Date

04/25/22

**SUBJECT: PUBLIC HEARING ON THE DRAFT FISCAL YEAR 2022-23 ANNUAL ACTION PLAN**

## SUPPLEMENTAL

### REASON FOR SUPPLEMENTAL MEMORANDUM

This supplemental memorandum summarizes comments received at the April 14, 2022, public hearing at the Housing and Community Development Commission on the draft Fiscal Year (FY) 2022-2023 Annual Action Plan for the use of federal funds from the U.S. Department of Housing and Urban Development (HUD).

The memorandum also provides an update on HUD's annual allocation process and clarifies how staff will adjust the proposed expenditure plan once HUD determines the City's final allocation amounts for the City's four formula-driven federal programs: Community Development Block Grant (CDBG); HOME Investment Partnership Program (HOME); Housing Opportunities for Persons with AIDS (HOPWA); and Emergency Solutions Grant (ESG) funding.

### ANALYSIS

HUD typically issues its annual allocation amounts for the City's four formula-driven federal programs early each calendar year. The City then must give the public at least 30 days' review of its proposed Annual Action Plan (Action Plan) and conduct at least three public hearings before submitting the final Action Plan to HUD. The City's annual submission deadline is May 15.

However, given the delayed federal budget approval on March 15, 2022,<sup>1</sup> HUD has not yet issued its final funding allocation amounts. As noted in staff's main memorandum to the City Council, the figures used for purposes of the draft Action Plan are estimates based on last year's

<sup>1</sup> H.R. 2471 became Public Law No. 117-103 on Mar. 15, 2022: <https://www.congress.gov/bill/117th-congress/house-bill/2471/text>

allocation amounts. On March 25, 2022, HUD issued Notice CPD-22-05 (Notice)<sup>2</sup> which instructs jurisdictions how to proceed given this year’s delayed federal budget passage. The Notice sets a new final deadline for the City to submit the Action Plan to HUD, 60 days after HUD’s release of final allocation amounts but no later than August 16, 2022. This release date is not yet known. The Notice also identifies alternatives for jurisdictions regarding the timing of their public hearings process and the content of their Action Plans, given the current uncertainty.

The City Council does not meet in July, and there are substantial lead times needed for HUD’s public notice publication, HUD’s 30-day public comment periods, and City Council memo submissions. It would be difficult or impossible to start this process over again and conclude it within 60 days, which may need to include the month of July when the City Council cannot hold a public hearing.

Therefore, staff is opting to hold this public hearing as planned and continue the outreach process already in progress. Per the Notice, outreach on the draft Action Plan can proceed if it clearly identifies that formula amounts are estimates, and identifies planned adjustments to activities’ proposed spending amounts if final HUD allocations come in higher or lower than estimated.

For each program and proposed activity, **Table 1** identifies how more or less funding than anticipated would be allocated. For almost all activities, staff proposes that increases or decreases would be spread approximately proportionally across the board.

**Table 1: Proposed Changes to Per Final Allocation Amounts by Activity FY 2022-23**

| Source and Category                      | Activities  | Award Adjustment    |
|--|---|---------------------|
| CDBG Public Services                     | Senior Services   | Proportional change |
| CDBG Public Services                     | Neighborhood Engagement and Leadership Training                                       | Proportional change |
| CDBG Public Services                     | Services for Homeless and Unhoused Populations  | Proportional change |
| CDBG Public Services                     | Citywide Legal Services for Low-income Tenants and Landlords                          | Proportional change |
| CDBG Community Development Invest. (CDI) | Minor Home Repair   | Proportional change |
| CDBG CDI                                 | Targeted Code Enforcement   | No change           |
| CDBG CDI                                 | Place-based Street and Infrastructure Enhancements                                    | Proportional change |
| CDBG CDI                                 | Acquisition, Rehabilitation, and Infrastructure Improvements for Nonprofit Facilities | No change           |
| CDBG Administrative                      | Fair Housing  | Proportional change |
| CDBG Administrative                      | City Administration   | Proportional change |

<sup>2</sup> U.S. Department of Housing and Urban Development, Notice CPD-22-05, Guidance on Submitting Consolidated Plans and Annual Action Plans for Fiscal Year (FY) 2022, <https://www.hud.gov/sites/dfiles/OCHCO/documents/2022-05cpdn.pdf>

| <b>Source and Category</b> | <b>Activities</b>   | <b>Award Adjustment</b> |
|----------------------------|---|-------------------------|
| HOME                       | New Affordable Housing Development (including project delivery) | Proportional change     |
| HOME                       | Fair Housing Services   | Proportional change     |
| HOME                       | City Administration   | Proportional change     |
| HOPWA                      | Rental Assistance and Supportive Services                       | Proportional change     |
| HOPWA                      | City Administration   | Proportional change     |
| ESG                        | Street Outreach   | Proportional change     |
| ESG                        | Homeless Prevention Program for Youth and Families              | Proportional change     |
| ESG                        | County Homeless Management Information System                   | Proportional change     |
| ESG                        | City Administration   | Proportional change     |

As noted in Table 1, the activities that would not receive an approximate increase or decrease proportionally commensurate with the final award amount for each funding source are the following two activities. The reason for these exceptions is that small increases or decreases would be unlikely to change the scope of the activity approved:

- Enhanced Code enforcement, which pays for Planning Building and Code Enforcement staffing. This activity award should not be altered as it needs to match that Department’s proposed City budget line item for this activity. While this activity was estimated based on last year’s Action Plan to need \$1,100,000, the final amount in the City’s budget will likely be higher. Any increase would result in a decrease in the other two large CDBG CDI line items: the City’s Place-based Street and Infrastructure Enhancements activity, and/or the Acquisition, Rehabilitation, and Infrastructure Improvements for Nonprofit Facilities activity. The final draft Action Plan will update the amounts that synchronize with the City budget.
- Acquisition, Rehabilitation, and Infrastructure Improvements for Nonprofit Facilities, which would pay for upgrades to nonprofit facilities. This activity likely does not make sense to change, as a small increase or decrease in funding would not alter what is eligible for CDBG funding, the scope of work for one project to undertake, or the number of projects that could be awarded.

To maximize the likelihood that HUD’s final award amounts will be available at the City Council’s second and final hearing of the draft Action Plan, staff plans to schedule its return to the City Council for late June.

**COMMISSION RECOMMENDATION/INPUT**

The Housing and Community Development Commission (Commission) heard this item at its virtual meeting on April 14, 2022, at 5:45pm. At its meeting, the Commission passed the following motion:

Vice Chair Jasinsky made the motion to recommend the City Council approve the draft FY 2022-23 Annual Action Plan, with a second by Commissioner Dawson. The motion passed 10-0.

|        |   |
|--------|---|
| Yes    | O’Connell, Jasinsky, Dawson, Shoor, Vong, Navarro, Wheeler, Partida, Tran, Moore (10) |
| No     | None (0)  |
| Absent | Del Buono (1)   |

In addition to discussion of this motion, the following input on funding priorities was given at this meeting.

Public Comments:

None

Commissioner Comments:

| Commissioner         | Comments   |
|----------------------|--|
| Commissioner Tran    | Asked whether the community is back to pre-pandemic conditions yet.  |
| Vice Chair Jasinsky  | Asked for confirmation that staff had increased funds for senior services and meals programs and decreased fair housing CDBG out of public services, per the Commission’s motion at the March 2022 meeting. [Staff clarified that senior services had been increased and CDBG public services funds were not paying for fair housing services.]  |
| Chair O’Connell      | Agreed that staff had increased funds for senior services and meals programs.  |
| Commissioner Moore   | Expressed appreciation for the staff work especially given existing funding uncertainties. Expressed support for preventing homelessness by supporting foster youth programs and suggested increasing that activity funding amount. Asked that a reminder of measured results for nonprofit grantees be included in the future to help determine how to spend funds. [Staff offered to link the Consolidated Annual Performance Evaluation Report (CAPER) to future draft Action Plan memos.]                          |
| Commissioner Dawson  | Voiced support for overall plan. Expressed gratitude for staff’s work on the Plan. Thanked staff for listening to the Commission on the importance of senior services by increasing funding for that activity. Voiced support for job training for homeless residents. Encouraged thought about neighborhood investment strategies that focus not just in Council Districts 3, 5 and 7, but also in smaller pockets such as D1 Cadillac/Winchester, the Moreland School area, and the Anderson Elementary School area. |
| Commissioner Navarro | Expressed interest in further discussing neighborhood investment strategies.   |

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| Commissioner         | Comments  |
|----------------------|---|
| Commissioner Wheeler | Commented that the Action Plan is a complicated but clearly written document. Supports staff thinking about underserved areas as defined by school districts at a more micro level than Census tracts can reflect, as a good way to think about neighborhoods for investment. |

/s/

JACKY MORALES-FERRAND

Director of Housing

The principal author of this memorandum is Kristen Clements, Division Manager. For questions, please contact her at [Kristen.clements@sanjoseca.gov](mailto:Kristen.clements@sanjoseca.gov), (408) 535-3860.