



Memorandum

TO: HOUSING AND COMMUNITY
DEVELOPMENT COMMISSION

FROM: Ragan Henninger

SUBJECT: SEE BELOW

DATE: March 2, 2023

Approved

Date

**SUBJECT: FISCAL YEAR 2023-24 ANNUAL ACTION PLAN FUNDING
PRIORITIES**

RECOMMENDATION

Conduct a public hearing on funding priorities for the Fiscal Year 2023-24 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 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 2023-24.

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*, 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) 2023-24 are also listed in Table 1. Note that FY 2022-2023 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 2023-24 San José Federal Funding Levels

Funding Source	Primary Use	Estimated Allocations for FY 2023-2024
CDBG	Housing and Community Development Programs, Services, and Capital Improvements	\$8,454,606
HOME	Housing	\$3,564,527
ESG	Homeless Services and Shelter Operations	\$747,341
HOPWA	Housing Support for Persons with AIDS	\$1,652,667
TOTAL		\$14,419,141

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

The City of San José Housing Department invited qualified organizations to submit proposals to oversee various programs funded by the Community Development Block Grant (CDBG), Emergency Solution Grant (ESG), and Housing Opportunities for Persons with AIDS (HOPWA) Program funds, for FY 2023-24, and FY 2024-2025. This NOFA sought to contract with multiple organizations to manage different programs. Qualified organizations applied for only the programs they are interested in administering. Applications were accepted 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)

Proposals were due on February 24, 2023. Staff is in the process of evaluating the proposals.

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. 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

Fair Housing and Legal Services	Description	FY 2023-24 Funding
Neighborhood Engagement	Leadership development and engagement training	\$200,000
Legal Services	Citywide legal services for low-income tenants and landlords and fair housing services	\$400,000
Senior Nutrition	Meals and support programs	\$300,000
Homeless Outreach	Citywide outreach and shelter	\$400,000
TOTAL		\$1,300,000

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.

The appropriation action for rehabilitation of the Haven, a City-owned property containing a five-unit building and a three-unit triplex is included in the CDI budget. On November 27, 2018,¹ the City Council approved a ground lease to the County of Santa Clara for use of the property for the provision of transitional housing. The rehabilitation scope was estimated in 2018 to cost \$1.2 million total and rehabilitation would occur over a two-year period. The City Council approved \$300,000 of CDBG funds for the property’s first year rehabilitation costs in the City’s FY 2018-19 Annual Action Plan. In subsequent minor amendments to Action Plans, an additional \$1.1 million was designated for this project out of the Place-based Street and Infrastructure reserves, for a total of \$1.4 million. The funds initially appropriated for the work were later zeroed out because the rehabilitation was delayed. The rehabilitation is finally anticipated to start in FY 2022-23. Therefore, the FY 2022-23 Action Plan contained an appropriation action for \$1.4 million to enable the CDBG funds committed in FY 2019-20 to be used in FY 2022-23. As construction costs have escalated significantly since the original project estimate, \$400,000 is requested in FY 2023-24.

¹ Staff memo, File No. 18-1559, Nov. 27, 2018, <https://sanjose.legistar.com/View.ashx?M=F&ID=6791234&GUID=79DBAECB-50DD-494D-A1E6-6051F3979B07>

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 Jose 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 2022-23 Annual Action Plan. \$300,000 was appropriated in the FY 2022-23 Mid-Year Budget. Environmental review has been completed and the project is ready to start renovating the tot lot. \$516,000 will be needed in FY 2023-24.

In the June 2022 Mayor’s Budget Message, direction was given to add lighting and “No Dumping,” in multiple languages, to the alleyway between Oak and Virginia St. in the Guadalupe Washington Neighborhood. The project was approved in the FY 2022-23 Annual Action Plan. \$135,000 is required to install lighting and \$15,000 is required to complete the signage for a total request of \$150,000 in FY 2023-24.

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

CDBG Activities	Description	FY 2023-24 Funding
BWC Haven Rehabilitation Project (Housing and PW)	Rehabilitate building for Bill Wilson Center’s Haven	\$400,000
Fair Swim Center/Tot Lot (PRNS and PW)	Rehabilitate building and tot lot	\$516,000
Guadalupe Alleyway Lighting and Signage (DOT and PW)	Provide lightning and signage in Guadalupe Alleyway	\$150,000
TOTAL		\$1,066,000

CDBG – CDI Non-Construction

Non-construction CDI projects include programs and other indirect services benefitting low- and moderate-income individuals and households. Enhanced code enforcement and job creation are two of the only “service” activities that can be funded with CDI funds. For enhanced code enforcement to be eligible, it must be proactive and linked with a special program, such as Project Hope I and II. The 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. The City invited qualified organizations to submit proposals to oversee the Minor Home Repair Program in this year's NOFA.

Table 3: Proposed CDI Non-construction Projects

CDBG Activities	Description	FY 2023-24 Funding
Enhanced Code Enforcement (PBCE)	Enhanced Code Enforcement in Targeted Neighborhood	\$1,000,000
Minor Home Repair	Owner-occupied single-family home and mobile home repairs	\$1,650,000
TOTAL		\$2,650,000

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.

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. \$513,000 in ESG funds will be used in FY 2023-24 to assist in Citywide outreach. The City invited qualified organizations to submit proposals to oversee the homeless outreach services in this year's NOFA.

Table 4: Proposed ESG Projects

CDBG Activities	Description	FY 2023-24 Funding
Homeless Outreach	Citywide outreach and shelter	\$513,000
TOTAL		\$513,000

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. The City invited qualified organizations to submit proposals to oversee HOPWA's rental assistance and supportive housing in this year's NOFA.

Table 5: Proposed HOPWA Projects

CDBG Activities	Description	FY 2023-24 Funding
Rental Assistance and Supportive Housing	Rental assistance and supportive housing for HOPWA participants	\$1,600,000
TOTAL		\$1,600,000

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 2023-24 Annual Action Plan in April 2023, and upon completion, will make a copy available to the public for review for 30 days. Officially noticed public hearings on the draft 2023-24 Annual Action Plan will include one Commission meeting and a City Council meeting to be held in April 2023. Staff then will submit the final 2023-24 Annual Action Plan to HUD.

PUBLIC OUTREACH

Public hearing of the FY 2023-24 Funding Priorities will be conducted at the Housing and Community Development Commission meeting on March 9, 2023. 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 Plan² requirement to hold one publicly noticed hearing on funding priorities prior to drafting the FY 2023- 24 Annual Action Plan.

COMMISSION RECOMMENDATION/INPUT

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

² 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>.

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.

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