



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Leslye Corsiglia

SUBJECT: SEE BELOW

DATE: April 5, 2013

Approved

Date

4/8/13

SUPPLEMENTAL

**SUBJECT: AVAILABILITY OF THE 2013-2014 FEDERAL ANNUAL ACTION PLAN
AND 30-DAY PUBLIC COMMENT PERIOD**

REASON FOR SUPPLEMENTAL

After the memorandum on the availability of the draft 2013-2014 Annual Action Plan was due, a public meeting was held on April 2, 2013, to receive input on alternatives in responding to the federal sequestration. The sequester triggered automatic spending cuts on military and domestic discretionary spending. This supplemental memorandum provides the public comments received at the April 2, 2013 public meeting. The Annual Action Plan will be updated based on the information provided in this memo. This supplemental does not change the recommendation provided in the original memo (Item 4.3) on this subject. The public comment period for this item began on March 28, 2013, and will conclude on April 30, 2013, when City Council will consider the Annual Action Plan for final adoption.

BACKGROUND

On February 26, 2013, the City Council approved the extension of all Community Development Block Grant (CDBG), Emergency Solutions Grant (ESG), and Housing Opportunities for People with AIDS (HOPWA) grant agreements through FY 2014-2015 contingent on the availability of funding and successful program performance. This action was taken in order to produce administrative efficiencies at a time of declining revenues, continue to fund identified City priority projects, and enable agencies to continue to focus on long-term outcomes.

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Effective March 1, 2013, federal sequestration took effect and across-the-board budget cuts were imposed as a result of the Budget Control Act of 2011 and the inability of Congress to come to an agreement on an alternative budget proposal. The Housing Department received notice from its local U.S. Department of Housing and Urban Development (HUD) representative that the expected cuts will equal 5% for all HUD community development and planning programs. These combined cuts for all the HUD programs including CDBG and ESG is \$598,448.

In addition, in FY 2011-2012, the Housing Department received a second allocation of ESG funding in the amount of \$248,315 that it allocated in FY 2012-2013. Unfortunately, this second allocation was on a one-time basis and is not available in FY 2013-2014. As a result of both reductions in funding, it is necessary to reduce funding to CDBG and ESG public service grantees by \$304,365. While HOPWA grantees will experience a 5% reduction in funding, it is not expected that this program will be impacted further.

On April 2, 2013, a special meeting of the Housing and Community Development Advisory Commission (HCDAC) was held to receive input on funding alternatives in response to these funding reductions. This supplemental memorandum provides a summary of the public comments received prior to and at this special meeting. The FY 2013-2014 Annual Action Plan will be updated to reflect the budget changes outlined in this memo.

On April 9, 2013, the Mayor and City Council will hold a Public Hearing on the draft 2013-2014 Annual Action Plan. The draft Plan was made available to the public for review on March 28, 2013. Comment will continue to be accepted through April 30, 2013. The City Council will approve the final Annual Action Plan at its April 30, 2013 meeting and the Department will forward the report to HUD before the May 15, 2013 deadline.

ANALYSIS

At the April 2 HCDAC meeting, staff presented the situation created by sequestration and the ESG reduction and presented three alternatives. The staff recommendation was to adopt a spending plan that maintained the level of funding for senior services, homeless programs, and fair housing programs, reduced the funding of the place-based third grade literacy/kindergarten readiness programs by 2% for a combined reduction of \$7,014 and eliminated \$297,351 for the ForeclosureHelp program.

Staff provided the HCDAC with the guiding principles that were used to make this recommendation, which included prioritizing funding for senior services and aligning with the Council priority to increase funding for homeless efforts. CDBG funds are used to provide daily home delivered meals to seniors and daycare services to prevent and reduce isolation. CDBG and ESG funds are used to provide outreach services, case management, and shelter beds for homeless residents. These services are targeted to residents of the encampments and serve the chronically homeless in addition to victims of domestic violence, families, and youth.

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Several public comments were received in response to the staff recommendation. (See Attachment A). While attendees recognized the need to make difficult choices, they expressed concerns over the loss of funding for the ForeclosureHelp center. Their testimony highlighted that, while foreclosures have significantly declined from the peak in 2009, they remain higher than pre-recession rates. Thus, while the need for foreclosure prevention assistance is lower than in recent years, it still exists.

Based on public input, the HCDAC recommended that staff identify \$100,000 to keep the ForeclosureHelp center open and suggested several strategies including finding cost savings from existing contracts, redirecting funds in the event CDBG is not impacted by sequestration, and allowing nonprofit agencies to collaborate in reducing their funding which could then be redirected to ForeclosureHelp.

After the meeting, staff revisited the funding plan to see if there was a way to fund the ForeclosureHelp Center at the revised level of \$100,000. By taking several actions, it is feasible to fund the Center at this level:

1. Revise the ForeclosureHelp contract to carry over \$50,000 in unspent funds from its FY 2012-2013 CDBG award for use in FY 2013-2014
2. Use funds achieved from higher than anticipated program income to award an additional \$50,000 in CDBG funds to ForeclosureHelp, for a total of \$100,000 for FY 2013-2014
3. Reduce the three place-based projects by approximately \$1,500 each (or approximately 2% of their FY 2012-2013 award).

Attachment B shows the revised funding plan for CDBG and ESG public services that incorporates these changes.

NEXT STEPS

Staff will update the Annual Action Plan to reflect the lower public service dollars as outlined in this memo. Staff will continue to consider the public comments received as it develops the final draft of the Plan. The revised document will be brought back to the Mayor and City Council for consideration of final approval on April 30, 2013. The approved Plan must be submitted to HUD by May 15, 2013.

The draft Annual Action Plan document is posted on the Department's website at <http://www.sanjoseca.gov/DocumentCenter/View/14263>, and paper copies of the draft document are available at the Housing Department's reception desk. The public comment period concludes April 30, 2013. During the 30-day period, public comments may be received via phone, in-person, via U.S. mail, via e-mail, or in testimony provided at hearings on the Plan.

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COORDINATION

Preparation of this report was coordinated with the Office of the City Attorney.

/s/

LESLYE CORSIGLIA

Director of Housing

For questions, contact Jacky Morales-Ferrand, Assistant Director of Housing, at (408) 535-3855.

Attachment A: Public comments received at the April 2, 2013 HCDAC special meeting

Attachment B: Revised funding plan

Attachment A– Community Input and Public Testimony

- **Housing and Community Development Commission Meeting– April 2, 2013**

Public Comment	Staff Response
<p>A letter dated April 2, 2013 from the Aging Services Collaborative of Santa Clara County expressed support for a “new ‘Option 4’ or ‘Option 1 Revised’, whereby:</p> <ul style="list-style-type: none"> • CDBG funding for foreclosure response services is reduced by 83.18% • CDBG funding for all remaining programs, including funding to senior programs, be reduced by 2.94%” 	N/A
<p>An email dated April 1, 2013 from Matt Huerta, Executive Director of Neighborhood Housing Services Silicon Valley, expressed support for the ForeclosureHelp Center (FHC) and requested that the department “allocate the projected \$50,000 in FHC savings from FY 2012-13 back to the FHC and recommend \$50,000 for FY 2013-14. At least \$100,000 is needed for the FHC to offer basic referrals, tracking, and outreach services.”</p>	N/A
<p>Commissioner McLaughlin asked why funding reductions are different in the various options presented.</p>	<p>Fair Housing is funded out of the Departments Administrative Budget and is not impacted by the proposed cuts.</p>
<p>Commissioner Darrow asked how much additional funds would be obtained if sequestration did not happen.</p>	<p>Staff responded that funding of up to \$58,000 would be made available if sequestration does not happen.</p>
<p>Commissioner Ellak requested data on homelessness.</p>	<p>Staff will provide updated data when the new homeless census has been completed.</p>
<p>Commissioner Ngo asked about the long-term solutions for addressing homelessness.</p>	<p>Staff responded that providing outreach services is key to developing relationships with the homeless and for providing referrals in addition to the longer term goal of providing housing options.</p>
<p>Sean Coffey from FHC provided statistics on foreclosures and highlighted the limited alternatives available to residents if the program is eliminated.</p>	N/A
<p>Sharleen Kilgore from Project Sentinel mentioned that, even though there may be ups and downs in foreclosure statistics, making homes affordable helped streamline the process. Eliminating funding may return things back to the old status.</p>	N/A
<p>Andrea Moto from a HUD-certified financial agency commented that a lot of people lost trust in the system and the HUD counselors helped them find the way.</p>	N/A

Public Comment	Staff Response
Kyra Kazantis from the Fair Housing Law Project explained the structure of the FHC and how City funding seamlessly helped bring all the players together. She explained that this is also related to homelessness.	N/A
Tammy Pitkin from Catholic Charities asked to maintain senior service programs and isolation services/	N/A
Matt Huerta from Neighborhood Services Silicon Valley highlighted the City's leadership in neighborhood stabilization. He asked to consider the effect of saving over 5,000 people from losing their home.	N/A
Mary Vollinger from Health Trust, Meals on Wheels, asked for support for option #4.	N/A
Dr. Gary Stemple from Alzheimer's Activity Center commented that senior services have been decimated and a \$10,000 cut would be significant and have ripple effects.	N/A
Colleen Wu from Asian Inc. highlighted the importance of language services and asked that the grantees work together to share the cuts.	N/A
Sandra Murillo from the Housing Trust stressed that the program does not just provide loan modifications but also educates households on a wide variety of available services and resources.	N/A
Crystal Nguyen from FHC advocated for maintaining the program.	N/A
Commissioner Darrow asked what options were available to fund FHC if there was no sequestration.	Staff responded that if any funding is made available because there is no sequestration or via another strategy, then available funds may be used for the ForeclosureHelp program.
Commissioner McLaughlin asked about the feasibility of \$50,000 in savings.	Staff responded that the option is feasible but would require other funded organizations to realize cost-savings that could be redirected towards foreclosure prevention activities.
Commissioner McLaughlin asked if homelessness changes with fluctuations in the economy and if a 2% to 3% cut would significantly impact homeless reduction efforts.	Staff responded that many individuals are chronically homeless. Council direction is to add funding to homeless services and any cut would contradict that direction. This direction was most recently provided when staff returned with the Housing Investment Plan.
Commissioner Ngo asked how much of the funding goes to cleanup efforts. He added that cleanup efforts do not seem very effective.	Staff responded that all CDBG and ESG funding goes to outreach, beds and case management.

Public Comment	Staff Response
Brandon Davis from EHC LifeBuilders mentioned that they are funding six outreach workers, who are working in 125 encampments/	N/A
Robert Vernon from Innvision Shelter Network mentioned that they are trying to improve program design by conducting focus groups to better understand the resistance of homeless people to treatment options.	NA/
Commissioner Ellak expressed that the homeless are concerned with the security of their possessions and this issue needs to be addressed.	N/A
Commissioner Darrow commended all the non-profits for their work. He asked that they work together to address the \$50,000 gap.	N/A

Option 2
Elimination of ForeclosureHelp and Reductions to Placed Based Services

	Agency	Project	FY 12-13 Funding	Amount of Reduction	FY 13-14 Funding Amount	% of Reduction from FY 12-13
ESG	Bill Wilson Ctr.	Homeless Outreach	\$249,023	\$0	\$249,023	0%
	Bill Wilson Ctr.	Families and Youth	\$306,909	\$0	\$306,909	0%
	Next Door Solutions	DV Collaborative*	\$235,000	\$0	\$50,439	-79%
	CTA	HMS	\$90,000	\$0	\$90,000	0%
		ESG Subtotal			\$696,371	
CDBG	Housing Trust	ForeclosureHelp**	\$297,351	\$247,351	\$50,000	-83%
	Catholic Charities	Senior Isolation	\$100,000	\$0	\$100,000	0%
	Health Trust	Meals on Wheels	\$100,000	\$0	\$100,000	0%
	Catholic Charities	FMCI	\$100,000	\$1,505	\$98,495	-2%
		Accelerating 3rd Grade				
	San Jose State	Literacy	\$100,000	\$1,505	\$98,495	-2%
	Somos Mayfair	In Our Hands	\$100,000	\$1,505	\$98,495	-2%
	EHC	Homeless Outreach	\$461,898	\$0	\$461,898	0%
	EHC	Citywide Outreach	\$97,797	\$0	\$97,796	0%
	Next Door Solutions	DV Collaborative*			\$184,561	
		CDBG Subtotal			\$1,289,740	
Admin Budget		ESG/CDBG Program Total	\$2,237,978	\$251,866	\$1,986,111	-14%
	Fair Housing	Total Services From Admin	\$385,000	\$0	\$385,000	
		TOTAL ALL FUNDS	\$2,622,978	\$251,866	\$2,371,111	

*DV Collaborative funding has been eliminated from ESG and replaced with CDBG to keep their funding intact

**ForeclosureHelp will be allowed to carryforward \$50,000 from their current contract which will result in a \$100,000.