



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: April 3, 2015

Approved

D. DSYL

Date

4/9/15

SUBJECT: PUBLIC HEARING ON THE FIVE YEAR (2015-20) CONSOLIDATED PLAN AND THE FY 2015-16 ANNUAL ACTION PLAN

RECOMMENDATION

Conduct a Public Hearing on the draft Five Year (2015-2020) Consolidated Plan and the FY 2015-16 Annual Action Plan, as required by the U.S. Department of Housing and Urban Development (HUD) in order to receive federal housing and community development funding.

OUTCOME

Conducting a Public Hearing on the draft Five Year (2015-20) Consolidated Plan and the FY 2015-16 Annual Action Plan will meet U.S. Department of Housing and Urban Development (HUD) requirements – thereby allowing the City to receive \$12,232,815 in federal funds for FY 2015-16.

BACKGROUND

Every five years the federal Department of Housing and Urban Development (HUD) requires jurisdictions that receive federal funding to develop a Five-Year Consolidated Plan. The Consolidated Plan identifies priority needs, goals, actions, and funding strategies for the four federal housing and community programs – the Community Development Block Grant (CDBG), HOME Investment Partnership (HOME), Emergency Solutions Grant (ESG), and Housing Opportunities for Persons with Aids (HOPWA). Additionally, Annual Action Plans, that budget the federal funds received in accordance to the five-year funding strategy, are required to be approved each year.

In the fall of 2013, staff began the City's Consolidated Plan updated for the 2015-20 cycle. San José joined six other cities in Santa Clara County, as well as the County itself, in a regional consortium to develop the Plans in a comprehensive yet streamlined process. Another key goal was to understand housing and community development needs from a regional perspective,

which could identify potential areas for regional collaboration in the future. The consortium selected LeSar Development Consultants (LDC) and MIG through a competitive selection process.

Since the summer of 2014, LDC, MIG, and City staff have held several public meetings – both regional and San Jose-specific. A survey on housing and community development needs was also conducted. Subsequently, a draft of the 2015-20 Consolidated Plan and FY 2015-16 Annual Action Plan was developed based on public input, qualitative analysis, and quantitative analysis. The draft 2015-20 Consolidated Plan and the FY 2015-16 Annual Plan were made publicly available on March 27, 2015 (<http://www.sanjoseca.gov/DocumentCenter/View/41708>) to begin the 30-day public comment period, with a HUD submittal deadline of May 15, 2015.

On February 12, 2015, staff provided the Neighborhood Services & Education (NSE) Committee a report on the purpose and content of the 2015-20 Consolidated Plan and FY 2015-16 Annual Action Plan, as well as the community input activities that have informed the development of both Plans thus far. Staff also identified four goals – based on public input and analyses – that frame the City's funding priorities. These are listed below.

- Increasing and preserving affordable housing opportunities.
- Responding to homelessness and its impact on the community.
- Strengthening neighborhoods.
- Promoting fair housing.

The NSE Committee unanimously approved the motion to accept the staff report and goals, with the request that staff return to the April 9 NSE meeting with additional detailed information. [On April 9, staff presented a memorandum to the NSE committee that identified project categories for the 2015-20 Consolidated Plan for each of the four priority goals. Staff also presented a funding strategy for the FY 2015-16 Annual Action Plan in alignment with these goals.]

It is important to note that HUD is requiring all jurisdictions to migrate to an online Plan and reporting system called eCon Planning Suite: <https://www.hudexchange.info/consolidated-plan/econ-planning-suite>. Thus, in addition to developing the Plans, staff has spent significant time learning the system, how it functions, and how the various sections flow together. While much of the content remains the same, the format is quite different. LDC has facilitated staff's education of and migration to the eCon Planning Suite, and will be providing support for preparation of the final electronic document to be submitted to HUD by the May 15 deadline.

ANALYSIS

San José Context

Jurisdictions receiving federal funding are tasked with determining the areas of greatest need and the areas in which community investment can have the most impact given the limited resources

available. San José is a large, diverse, and dynamic jurisdiction in transition. At a population of over 1,000,000, San José is the 10th largest city in the country and the 3rd largest in California, and is projected to add 400,000 residents by 2040. It is a minority-majority City, where one-third of its residents are Hispanic, one-third Asian/Pacific Islander, and one-third White. And where the City was once agricultural and predominantly suburban, San José is now the Capital of Silicon Valley and seeks to urbanize into the economic and cultural center of the South Bay Area. Already, some of the largest multinational technology companies call San José home, as well as many academic and cultural institutions.

San José is also one of the most expensive places in the country in which to live, with the median housing price at \$850,000 and the average new one-bedroom apartment costing \$2,500 to \$2,800 a month. Additionally, despite a strong economy that has produced many high-wage jobs, it has also produced many low-skill, low-wage jobs while middle-wage jobs have declined. According to the California Employment Development Department, the trend of bifurcated job growth is expected to continue for several more years. And although the City is one of the most diverse in the country, its lower-income communities are primarily concentrated in San José's East Side and Central industrial area that lack access to jobs, housing, infrastructure, and other resources and investments that other communities may have. These disparities in incomes, resources, and access provide the context for the needs identified through the public input process.

Findings of Need

As noted at the February 12, 2015 NSE Committee meeting, multiple community needs forums were held and a region-wide survey was distributed to seek public input on housing and community development needs. Staff received a wide range of input, ranging from needs for: community facilities and services; economic development; affordable housing for families, special needs, and the homelessness; neighborhood investments and services; and improved infrastructure and transit connectivity. The summary of the community needs forum is available on the Housing Department's website here: <http://www.sanjoseca.gov/index.aspx?nid=1291>.

In addition to public input, analyses of housing data finds that a significant number of San José's households experience housing challenges, including high housing cost burden (spending more than 30 percent or 50 percent of household income on housing costs), the lack of completed kitchen or plumbing facilities, and overcrowding. The demand for special needs housing, housing for the homeless, affordable housing for families and seniors, greatly exceeds the supply.

Proposed 2015-20 Consolidated Plan Goals & Project Categories

To adequately address community needs, the City has identified the areas that could benefit most from the four HUD programs. Based on public input, data and analysis, and City priorities, staff proposes the following project categories for these goals.

- Goal: Increasing and preserving affordable housing opportunities.
 - Development of new affordable rental apartments.
 - Acquisition/Rehabilitation of affordable rental apartments.
 - Acquisition/Rehabilitation of affordable homeowner housing.
 - Rental assistance/Rapid Rehousing for low-income households.

- Goal: Responding to homelessness and its impacts on the community.
 - Housing for homeless families and individuals.
 - Rental assistance/Rapid Rehousing for homeless and at-risk populations
 - Street outreach services for unhoused populations.
 - Homelessness prevention activities.

- Goal: Strengthening neighborhoods.
 - Services for low-income and special needs populations.
 - Public facility or infrastructure improvements.
 - Targeted code enforcement.
 - Homeowner housing repair.
 - Jobs creation/retention for low- and moderate-income individuals.

- Goal: Promoting fair housing.
 - Outreach, education, testing, enforcement, and technical assistance services to ensure equal access to housing.

Should these project categories be approved by City Council with the adoption of the 2015-20 Consolidated Plan, staff will further refine the categories and present specific funding strategies to City Council this Fall for the FY 2016-17 funding program. The only exception to this is for homeless services. The Department recently issued a Request for Proposals (RFP) for homeless services so that agreements with service requirements would be in compliance with new federal requirements for the Emergency Solutions Grants (ESG) Program. Responses to this RFP will be received before the end of this fiscal year.

Proposed FY 2015-16 Annual Action Plan Funding Program

At the December 16, 2014 City Council meeting, City Council approved staff recommendation to utilize the funding strategy from FY 2014-15 to ensure the continuity of activities prior to the selection of new services and service providers starting in FY 2016-17. (<http://www.sanjoseca.gov/DocumentCenter/View/38291>). The strategy of a transition year was also discussed at the Neighborhood Service and Education Committee on February 12 meeting. The funding program for the FY 2015-16 Annual Action Plan aligns with the goals identified in the Five-Year Plan. As shown in Table 1, the City estimates a total of \$14.6 million across the four federal housing and community development funding programs will be expended during the next fiscal year. Each of the four program budgets include the annual funding allocation from HUD. The CDBG budget includes additional funding from loan repayments (program income) and unused funds from the prior fiscal year. The HOME budget listed in the Draft FY 2015-16

Action Plan includes funds \$6,800,000 in funds already committed to affordable developments, plus an estimated \$3,300,000 in anticipated loan repayments, for a total of \$12,472,799. Table 1 depicts just the HOME allocation amount (\$2,281,725) which is all that is proposed to be budgeted at this time.

**Table 1:
Estimated FY 2015-16 Federal Housing & Community Development Resources**

Program	FY 2015-16 Allocation	Total Estimated FY 2015-16 Expenditures
CDBG	\$ 8,259,253	\$10,616,466
HOME	\$2,381,725	\$2,381,725
HOPWA	\$866,106	\$866,106
ESG	\$725,731	\$725,731
TOTAL	\$12,232,815	\$14,590,028

The federal funds for FY 2015-16 are proposed to be budgeted in projects that align with the 2015-20 goals. The proposed funding program consists of sixteen (16) activities composed of five (5) activities to increase and preserve affordable housing, eight (8) activities to strengthen neighborhoods, one (1) activity to promote fair housing, and two (2) activities to respond to homelessness and its impacts on the community (one of the homelessness activities is funded from both the CDBG and ESG programs). Five (5) of the sixteen projects qualify as public service activities totaling \$1.31 million. The remaining funding program is allocated to program administration for each of the four federal programs, and for the Section 108 loan repayment. See **Attachment A** for a detailed project list.

Community Development Block Grant (CDBG) – Proposed Expenditures

CDBG program expenditure components are categorized as Public Services, Administration, or Community Development Investment (CDI) activities. Public Services are the most competitively sought funds as they are the most flexible in terms of how they can be used. Note that CDBG program regulations require that funding for public services be capped at 15% of the annual allocation (\$8,259,253 for FY 2015-16) plus the prior year’s program income (\$500,000 for FY 2014-15).

**Table 2:
FY 2015-16 CDBG Program Components**

Program Components	Estimated Programming FY 2015-16
FY 2015-16 Public Services	\$1,310,097
FY 2015-16 Administration	\$1,791,850
Community Development/ Capital Projects	\$5,354,782
Section 108 Repayments	\$2,159,737
TOTAL	\$10,616,466

Similarly, the administration cap is 20% of the annual CDBG allocation plus the expected program income for the coming year (\$700,000 for FY 2015-16). Other than the amount of available CDBG funds, there is no funding limit on CDI project activities. There are however, specific guidelines that dictate how the funds can be used. The most common use is public or non-profit infrastructure benefitting low-income income populations.

The City is also required to allocate approximately \$2 million annually (\$2,159,737 in FY 2015-16) to repay the federal government for Section 108 loans made to the City's former Redevelopment Agency for various private development projects. When the loans were executed, CDBG funds were identified as the collateral funding source for this repayment obligation. Until another source of funding is identified, CDBG will continue to be the source of this repayment.

It should also be noted that in addition to the \$10,616,466 in proposed expenditures, the City has \$6.4 million in CDBG funds that are being reserved for future obligations. These include reserves for future Section 108 Loan repayments on behalf of the former Redevelopment Agency, as well as land acquisition reserves for affordable housing development.

Table 3 below depicts the proposed changes in CDBG funding between the 2014-2015 and 2015-2016 Annual Action Plans.

**Table 3:
Adjustments between the FY 2014-15 and FY 15-16 Annual Action Plans**

Public Services			
Activity	FY 2014-15 Funding	Proposed FY 2015-16 Funding	Change
Fair Housing	\$0	\$86,600	\$86,600
Senior Isolation	\$97,717	\$100,650	\$2,933
Meals on Wheels	\$97,717	\$100,650	\$2,933
Homeless Services	\$872,197	\$872,197	No Change
Neighborhood Engagement	\$288,636	\$150,000	(\$138,636)
TOTAL	\$1,356,267	\$1,310,097	(\$46,170)
Administration			
Activity	FY 2014-15 Funding	Proposed FY 2015-16 Funding	Change
Administration & Monitoring	\$1,386,267	\$1,481,850	\$95,583
Fair Housing	\$385,000	\$310,000	(\$75,000)
TOTAL	\$1,771,267	\$1,791,850	\$20,583

As mentioned in the December 16 City Council memo, the proposed Neighborhood Engagement funding provides services providers with grants to transition services from childhood education to neighborhood engagement. These services are more aligned with the adopted Place-Based Neighborhood strategy.

While the Fair Housing Project was fully funded through Administration category in FY 2014-15, the draft FY 2015-16 Action Plan includes a proposed \$75,000 shift in funding for the Fair Housing activity from Administration to the Public Services category. This shift frees up space within the Administration limit of \$1,481,850 to allow the Housing Department to submit a budget proposal to add an additional Analyst position to the Housing Department's Grant Management Program. Over the last several years, the number of Analysts assigned to the Program has been reduced from 7 to 3 positions. This reduction has impacted the Department's ability to execute agreements in a timely manner. It has also limited the amount of time staff has to monitor agencies as required by HUD. If approved, the additional Analyst will allow the Department to improve services to non-profit agencies and shorten the time it takes to process payments to the agencies.

In addition to the proposed position add, the Department is also proposing to shift funding for their administration positions from the CDBG fund to other various Housing funds. These proposed changes are still being reviewed with the City Manager's Office. Any recommended changes will be brought forward as part of the 2015-2016 Proposed Operating Budget. The proposed FY 2015-16 Action Plan also includes a 3% increase for all service providers with existing contracts.

HOME, HOPWA and ESG - Proposed Expenditures

HOME funds constitute the second largest federal entitlement. HOME funds must be used to provide low-income housing. As mentioned, the draft 2015-16 Annual Action Plan lists total funding as \$12,500,000. The City has already made funding commitments to new affordable housing in the amount of \$6,400,000. However, HUD has not yet recognized these as commitments. As a result, they are listed in Action Plan along with \$3,800,000 in projected loan repayments. The proposed HOME budget is solely comprised of the FY 2015-16 allocation (\$2,381,725). When the loan repayments are received, the Housing Department will recommend that they be used to fund a future affordable housing development.

As stated in the December 14, 2014 City Council memo, the proposed HOME funded activities are proposed to be the same as those funded in FY 2014-15. HOPWA is proposed to be funded at the current level for the nonprofit grantees that provide services. As mentioned, the Department recently issued a RFP for homeless services so that new agreements with service requirements could be established that are in compliance with new federal requirements for the ESG Program. Specific activities proposed to be funded through HOME, HOPWA, and ESG are listed in Attachment A.

EVALUATION AND FOLLOW-UP

Staff will continue to develop the 2015-20 Consolidated Plan and FY 2015-16 Annual Action Plan, with the following next steps:

- April 9, 2015: HCDC public hearing.
- April 21 2015: First City Council public hearing.
- May 5, 2015: Second and Final City Council public hearing and consideration of Consolidated Plan and Annual Action Plan adoption.
- May 15, 2015: Deadline to submit final plans to HUD.

Additionally, staff will initiate the FY 2016-17 funding process this summer in preparation for next year's FY 2016-17 Annual Action Plan process. An initial proposed timeline is below:

- Summer 2015: Initiate public outreach to seek input on 2016-17 funding strategy.
- Fall 2015: Obtain City Council approval on specific services to fund for FY 2016-17 and issue Request for Proposals for those services.
- Winter 2015: Deadline to apply for grant funding.
- Spring 2016: Selection of grant recipients and completion of the FY 2016-17 Annual Action Plan.

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PUBLIC OUTREACH

As indicated above, the 2015-20 Consolidated Plan process has included multiple public engagement opportunities, a needs survey, and staff presentation to HCDC. Staff will continue the public process as noted in the Evaluation and Follow-Up section.

COORDINATION

This report has been coordinated with the Office of the City Attorney and the City Manager's Budget Office.

FISCAL/POLICY ALIGNMENT

The recommendations are aligned with the strategies described in the City's Consolidated Plan for years 2010-2015.

COST SUMMARY/IMPLICATIONS

Final approval of the associated expenditures and appropriation actions will occur as part of the FY 2015-2016 budget process.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office and the City Manager's Budget Office. Review of the 2015-20 Consolidated Plan and FY 2015-16 Annual Action Plan has been coordinated with the Departments of Transportation and Library, both of whom are grant recipients for the FY 2015-16 fiscal year.

CEQA

Not a Project, File No.PP10-069(a), Annual Report.

/s/

Jacky Morales-Ferrand
Interim Director, Department of Housing

For questions please contact Dave Bopf, Interim Assistant Director, at (408) 535-3854.

Attachment A: Proposed FY 2015-16 Annual Action Plan Funding Program

Attachment A: Proposed FY 2015-16 Annual Action Plan Funding Program

CDBG-Funded Projects for FY 2015-16 Action Plan

Activity	Description	Agency	Goal Supported	Public Service (Y/N)	Funding
Senior Isolation to Inclusion	<ul style="list-style-type: none"> Community-based safety net services for San Jose's low-income, dependent seniors to reduce isolation and depression and increase community connections, including: <ul style="list-style-type: none"> Licensed adult day care Escorted transportation Congregate senior meals 	Catholic Charities	Strengthening Neighborhoods	Y	\$100,650
Meals on Wheels	<ul style="list-style-type: none"> Services for low-income, homebound San José seniors who cannot access services outside of their homes, including: <ul style="list-style-type: none"> Daily home-delivered hot meals Personal connections Wellness Checks 	The Health Trust	Strengthening Neighborhoods	Y	\$100,650
Neighborhood Engagement	<ul style="list-style-type: none"> Neighborhood engagement and/or leadership development in Santee, Mayfair, and Five Wounds/Brookwood Terrace Activities to increase community members' access to neighborhood resources 	Somos Mayfair CommUniverCity Franklin-McKinley Children's Initiative	Strengthening Neighborhoods	Y	\$150,000
Encampment and Place-Based Clean Up	<ul style="list-style-type: none"> Remove trash and other debris in homeless encampments and in three San José neighborhoods Provide project participants with case management, employment development services, and housing placement assistance. 	San Jose Streets Team	Strengthening Neighborhoods	N	\$775,000
Library Facility Improvements	<ul style="list-style-type: none"> Library improvements at several locations in the city, including: <ul style="list-style-type: none"> Teen Space at Bilblioteca Latinoamericana Technology Bars at four branch libraries Library facility improvements at several key branch libraries in low-moderate income neighborhoods 	SJ Public Library	Strengthening Neighborhoods	N	\$295,900

Place Based Street and Infrastructure Enhancements	<ul style="list-style-type: none"> • ADA Pedestrian Ramp Improvements, including: <ul style="list-style-type: none"> – Installation of 55 new Curb Ramps – Modification/reconstruction of 110 existing curb ramps • King Road Pedestrian Safety and Accessibility Enhancements, including: <ul style="list-style-type: none"> – Upgrade flashing beacons at an uncontrolled crosswalk – Upgrading four ramps to meet ADA compliance – Re-aligning a marked crosswalk • Relocating utilities (e.g. fire hydrant, utility boxes) 	SJ Department of Transportation	Strengthening Neighborhoods	N	\$1,430,000
Targeted Code Enforcement	<ul style="list-style-type: none"> • Enhanced code enforcement services in three place-based neighborhoods (Santee, Mayfair, Five Wounds/Brookwood Terrace) 	SJ Planning, Building, & Code Enforcement	Strengthening Neighborhoods	N	\$1,418,882
Minor Home Repair Program	<ul style="list-style-type: none"> • Repair housing units to address immediate health and safety needs, including: <ul style="list-style-type: none"> - Emergency and critical repair needs - Minor accessibility and mobility needs 	Rebuilding Together	Strengthening Neighborhoods	N	\$775,000
Land Acquisition	<ul style="list-style-type: none"> • Purchase of real property to be used for low and moderate-income rental rehabilitation or development. CDBG funds may be used for the acquisition only for planned low-moderate income housing or for the acquisition and rehabilitation of low-moderate income housing. 	N/A	Increasing and Preserving Affordable Housing Opportunities	N	\$660,000
Services for Unhoused Populations	<ul style="list-style-type: none"> • Citywide Homeless Outreach and Engagement program – Activities may include street outreach, emergency shelter operations, and rapid re-housing services for the chronic homeless population. • Supportive Services and Rapid Re-housing Program for Unhoused Populations – Activities may include shelter, interim housing, case management services, deposit/rental assistance, and other eligible services 	TBD - The City has issued a request for proposals	Responding to Homelessness and its Impacts on the Community	Y	\$872,197

	as needed.				
Fair Housing	<ul style="list-style-type: none"> • Support a consortium of agencies that will provide Fair Housing service including: <ul style="list-style-type: none"> – Outreach and education on fair housing issues – Conducting fair housing testing – Enforcing fair housing laws through litigation • Providing technical assistance to the Housing Department on how to monitor City-financed developments for fair housing compliance 	The Law Foundation of Silicon Valley	Promoting Fair Housing	Y (partial)	\$396,600
Section 108 Loan Repayment	<ul style="list-style-type: none"> • CDBG funds are utilized to cover the former redevelopment agency's Section 108 debt service obligation. 	N/A	N/A	N	\$2,159,737
CDBG Planning and Administration	<ul style="list-style-type: none"> • Planning and administrative costs associated with the administration of the CDBG funds and other related federal requirements, including: <ul style="list-style-type: none"> – Oversight activities of the housing department – Legal services from the City Attorney's Office • Environmental reviews 	N/A	N/A	N	\$1,481,850
Total = \$10,616,466					

HOME-Funded Projects for FY 2015-16 Action Plan

Activity	Description	Agencies	Goal Supported	Funding
Rental Housing Development	<ul style="list-style-type: none"> • Creation and preservation of affordable housing for low-income households through: <ul style="list-style-type: none"> – Land acquisition and new construction of rental units – Acquisition/rehabilitation of existing rental units • Community Housing Development Organization (CHDO) Operating Costs 	TBD	Increasing and Preserving Affordable Housing Opportunities	\$1,361,147
Homeowner Housing Development	<ul style="list-style-type: none"> • Assist in the acquisition and/or rehabilitation of single-family homes 	Habitat for Humanity	Increasing and Preserving Affordable Housing Opportunities	\$532,406
HOME TBRA	<ul style="list-style-type: none"> • Tenant-based rental subsidies targeting employable homeless individuals and families. • Collaboration with outside agencies to provide intensive case management services to TBRA clients 	The Health Trust	Responding to Homelessness and its Impacts on the Community	250,000
HOME Planning & Administration	<ul style="list-style-type: none"> • Planning and administrative costs associated with the administration of the HOME funds and other related federal requirements. 	N/A	N/A	\$238,172
Total = \$2,381,725				

HOPWA-Funded Projects for FY 2015-16 Action Plan

Activity	Description	Agencies	Goal Supported	Funding
HOPWA – The Health Trust	<ul style="list-style-type: none"> Rental subsidies (tenant-based rental assistance) Supportive services 	The Health Trust	Increasing and preserving affordable housing opportunities	\$790,772
HOPWA – San Benito County	<ul style="list-style-type: none"> Utility and rental subsidies (tenant-based rental assistance) Nutritional and dental assistance 	San Benito County	Increasing and preserving affordable housing opportunities	\$49,351
HOPWA Planning & Administration	<ul style="list-style-type: none"> Planning and administrative costs associated with managing with the HOPWA grant. 	N/A	N/A	\$25,983
Total =				\$866,106

ESG-Funded Projects for FY 2015-16 Action Plan

Activity	Description	Agencies	Goal Supported	Funding
Services for Unhoused Populations (ESG15 City of San José)	ESG funds will be combined with CDBG funds to support the same programs described in the CDBG Unhoused Services project.	TBD - The City has issued a request for proposals	Responding to Homelessness and its Impacts on the Community	\$671,301
ESG Planning & Administration	Planning and administrative costs associated with the administration of the ESG funds and other related federal requirements. Planning and administrative costs will not exceed 7.5% of the total ESG budget.	N/A	N/A	\$54,430
Total =				\$725,731