



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: April 14, 2005

Approved

Date

4/23/15

**SUBJECT: PUBLIC HEARING ON AND RECOMMENDATION FOR APPROVAL
OF A SUBSTANTIAL AMENDMENT TO THE FY 2014-15 ANNUAL
ACTION PLAN**

RECOMMENDATION

It is recommended that the City Council:

- a. Hold a public hearing and take public comment on a Substantial Amendment to the City's FY 2014-15 Annual Action Plan to:
 1. Increase the 2014-2015 Emergency Solutions Grant (ESG) allocation by \$146,287 from previous years unused ESG allocations for emergency shelter operations;
 2. Add the Shelter Operations category under Description of ESG Programs; and
- b. Adopt a resolution approving the recommended Substantial Amendment to the FY 2014-15 Annual Action Plan.

OUTCOME

Approval of the Substantial Amendment will enable the City to complete its programming for the use of ESG funds for Fiscal Year 2014-15 and will support the City's effort on homelessness.

BACKGROUND

On April 29, 2014, the City Council approved the FY 2014-15 Annual Action Plan for expenditure of the entitlement and competitive grants that the City receives from the U.S. Department of Housing and Community Development (HUD). The approved Annual Action

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Plan detailed the funding strategy for the City's annual allocations of Community Development Block Grant (CDBG), Emergency Solutions Grant (ESG), HOME Investment Partnership, and Housing Opportunities for People with AIDS (HOPWA) programs. The Action Plan was subsequently forwarded to HUD for its approval.

At the close of each fiscal year, agencies under contract with the City reconcile budgets and expenditures from that funding year as part of contract closeout process. With most entitlement or ongoing federal funding, unspent funds are liquidated and reallocated to projects or services in future program years. After closeout of the 2010 ESG Program grant, City staff determined that \$146,287 remained unspent by agencies during this expenditure period.

ANALYSIS

Under ESG regulations, funds must be fully expended within 24 months from award of funds. Ordinarily, ESG funds that are not fully expended within the regulatory period are recaptured by HUD. After closeout of the 2010 ESG grant, City staff held ongoing discussions with HUD regarding recapture of funds and alternatives for the remaining fund balance. In July 2014, HUD approved the use of the 2010 ESG fund balance to be utilized in Fiscal Year 2014-15. Use of the fund balance requires that the funds must be used for existing or reprogrammed activities within the City's current Annual Action Plan and must be used for shelter operations only. Additionally, the City has been given a deadline to spend and draw down these funds by September 15, 2015.

Shelter Operations

The City is proposing to allocate \$146,286 in ESG funds to support eligible costs associated with Emergency Shelter Operations. Shelter operations are identified as one of several eligible expenses under ESG and are regularly included in the homeless service agreements with the City. Eligible expenses may include costs related to day-to-day operations and maintenance necessary for operation of an emergency shelter such as rent, security, food, fuel, equipment, furnishings and supplies.

The addition of the Shelter Operations category in the amended Action Plan is intended to ensure compliance with the limitation of HUD's Use of the 2010 fund balance. The proposed changes will not affect other ESG-funded projects included in the FY 2014-15 Action Plan.

Currently the City has existing contracts with two homeless service agencies that provide shelter to homeless individuals. HomeFirst Services of Santa Clara County currently provides overnight shelter, outreach and case management services to homeless individuals and families under the existing City agreements. HomeFirst is also the largest shelter in Santa Clara County that provides overnight shelter and service year around. The second agency funded by the City for homeless shelter and services is a consortium agreement lead by the Bill Wilson Center. Under the City's agreement, the consortium provides a variety of shelter options throughout San José including overnight and day shelter facilities scattered throughout Santa Clara County. The

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consortium also provides case management, outreach and permanent housing placement services in conjunction with the City funded agreement.

These additional ESG funds must fund shelter operations of one or both of these agencies. Given the use and time constraints of these funds, staff has determined that extending the existing agreement with HomeFirst is the most prudent direction. This amendment to the HomeFirst Agreement will be brought forward for Council consideration on May 12, 2015.

Proposed Substantial Amendment

The City's Citizen Participation Plan (CPP) defines what constitutes a "substantial amendment" to the Annual Action Plan and describes the public outreach efforts that the City will undertake when a Substantial Amendment is proposed. An amendment is deemed substantial per the following criteria.

- Increases or decreases by the greater of \$100,000 or a 15% change in the amount allocated to a category of funding
- A significant change to an activity's proposed beneficiaries or persons served
- Funding of a new activity not previously described in the Action Plan

The proposed reallocation of the \$146,287 in ESG fund balance meets these criteria. Therefore, the City must follow the process as described in the Public Outreach section of this memo. The specific text to the FY 2014-15 Annual Action Plan is Provided as an Attachment to this memo.

EVALUATION AND FOLLOW-UP

As stated, the amendment to the HomeFirst Agreement will be brought forward for Council consideration on May 12, 2015. In September 2015, the City will use the Consolidated Annual Performance and Evaluation Report (CAPER) to report on progress in achieving the goals identified in the FY 2014-15 Annual Action Plan.

POLICY ALTERNATIVES

Alternative: Reject the recommendation to approve the Substantial Amendment.

Pros: Rejection of these recommendations would result in the City's inability to access these funds. This would eliminate the need to dedicate staff time to contract development, contract management and ongoing monitoring of these funds.

Cons: Rejection of these recommendations would result in the City's inability to access these funds now and in the future. The result would be the inability to fund desperately needed homeless services within San José.

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Reason for not recommending:

Staff is *not* recommending this alternative. City Council has provided policy direction to make homelessness a top priority. Recommending this alternative would be contrary to that direction and result in lost opportunities to advance the City's priorities.

PUBLIC OUTREACH

In accordance with the CPP requirements, the City of San José provided a public notice in five newspapers including notices in English, Spanish, Vietnamese, Chinese and Tagalog publications. Additionally, two public hearings were scheduled to provide opportunities for public comment:

- April 9, 2015 - Housing & Community Development Commission Meeting, 5:45pm, Wing Rooms 118-120
- May 5, 2015 - City Council consideration of Plan adoption, 1:30pm, Council Chambers (Please review Council Meeting agenda when available to confirm item number)

The public hearing notice was sent out and published in time to provide a 30-day public comment period prior to the City Council's consideration of the Substantial Amendment. At the April 9, Housing & Community Development Commission meeting, the Commission endorsed Staff's recommendation to City Council as presented in this memorandum.

COORDINATION

Preparation of these recommendations has been prepared in coordination with the Office of the City Attorney, the Planning Department and the City Manager's Budget Office.

FISCAL/POLICY ALIGNMENT

The recommended action is consistent with the City's Five-Year Consolidated Plan FY 2010-15, adopted by the City Council on May 4, 2010.

COST SUMMARY/IMPLICATIONS

This action will allow the City to budget and utilize \$146,287 in ESG funds, which were appropriated in the 2014-15 Mid-year Budget Review, to support eligible costs associated with Emergency Shelter Operations.

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BUDGET REFERENCE

Fund #	Appn. #	Appn. Name	Current Appn.	Recommended Budget Action	2014-2015 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
448	2236	Emergency Shelter Grants	\$776,459	0	XI - 68	2/10/2015 Ord.No. 29533
Total			\$776,459	\$0		

CEQA

Not a Project file number PP10-066: Purchase Order/Cooperative Purchase of Supplies, Equipment & Professional Services with no changes in the physical environment.

/s/

Jacky Morales-Ferrand
Interim Director of Housing

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