



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Leslye Corsiglia

**SUBJECT:** SEE BELOW

**DATE:** November 24, 2014

Approved

Date

12/4/14

**SUBJECT: FY 2015-16 ANNUAL ACTION PLAN FUNDING STRATEGY**

## RECOMMENDATION

Approve the following actions:

1. Direct the Administration to utilize the Goals and Strategies from the 2010-15 Consolidated Plan for the FY 2015-16 Annual Action Plan.
2. Direct the Administration to incorporate into the FY 2015-16 Annual Action Plan the following grants and extensions of existing grants prior to completion of the needs assessment for the 2015-20 Consolidated Plan:
  - (a) Extension of the Community Development Block Grant Community Service (CDBG) grants for Senior Services, Fair Housing and the Minor Emergency Repair program, for one additional year through FY 2015-16;
  - (b) Three transitional neighborhood engagement grants for Place-Based Neighborhoods for one year, through FY 2015-16;
  - (c) Extension of the grants for Housing Opportunity for Persons with AIDS programs (HOPWA) and the HOME Tenant Based Rental Assistance (TBRA) Program through FY 2015-16.
3. Direct the Administration to bring back recommendations for the allocation of Homeless Grants funded with CDBG and the Emergency Solutions Grant funds as part of the FY 2015-16 Annual Action Plan approval process; and
4. Direct the Administration to bring back recommendations for the allocation of the remaining CDBG funding as part of the FY 2015-16 Annual Action Plan approval process.

## **OUTCOME**

Approval of this action will prevent the loss of federal funds by providing the Housing Department with sufficient time to complete the procurement processes for new services so they can be incorporated into the FY 2015-16 Annual Action Plan and submitted to HUD by the May 15, 2015 deadline.

## **BACKGROUND**

Annually, the City of San José receives entitlement funds from the U.S. Department of Housing and Urban Development (HUD) for a variety of housing and community development programs. The Five-Year Consolidated Plan is the basis for the City's strategy in allocating its federal resources in four primary programs: Community Development Block Grant (CDBG), HOME Investment Partnership (HOME), Housing Opportunities for Persons with AIDS (HOPWA), and the Emergency Solutions Grant (ESG). Through the Consolidated Plan process, extensive community input is gathered to determine the funding goals and strategies for the expenditure of these funds.

The 2010-15 Consolidated Plan was adopted by City Council on May 4, 2010. It incorporated six major funding goals and strategies. These are listed as follows:

1. Assist in the creation and preservation of affordable housing for lower-income and special needs populations
2. Support activities to end homelessness in San José and Santa Clara County
3. Support activities that provide basic services, eliminate blight, and/or strengthen neighborhoods
4. Expand economic opportunities for low-income households
5. Promote fair housing choice – affirmatively further fair housing
6. Promote environmental sustainability

Besides adopting a five-year Consolidated Plan, the City Council's approval of an Annual Action Plan is also required in order to receive federal funds from HUD. The City received approximately \$12.3 million in federal funds for FY 2014-15. Federal funding has been significantly reduced from prior years. Over \$2 million of the City's allocation is not available for service programs as it is used to meet the City's Section 108 loan repayment obligation. This leaves \$9.6 million that can be budgeted for CDBG, HOME, HOPWA, and ESG Programs. The Annual Action Plan details how the City will use these funds in the upcoming fiscal year to meet the goals identified in the Five-Year Consolidated Plan. The FY 2014-15 Annual Action Plan was approved by City Council on April 29, 2014.

This year the City will adopt a new Five-Year Consolidated Plan for 2015-2020 and an Annual Action Plan for FY 2015-2016. Final approval of the 2015-20 Consolidated Plan and the

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FY 2015-16 Annual Action Plan is scheduled for the May 5, 2015 City Council meeting so that they can be submitted to HUD by the May 15, 2015 federal deadline.

## ANALYSIS

The 2015-20 Consolidated Plan process is currently underway. It includes a regional effort to explore housing and community development responses from an inter-jurisdictional approach. This “needs assessment” is completed by obtaining public input through surveys and a series of public meetings.

Traditionally, the needs assessment is used to develop the Annual Action Plan for each year encompassed by the Consolidated Plan. In this scenario, the needs and priorities stated in the 2015-20 Consolidated Plan would be the basis for the FY 2015-16 Annual Action Plan.

While the regional needs assessment process will provide the community with more comprehensive approach to address social issues collectively, it has required additional coordination and public meetings. As a result, it will not be possible to procure CDBG-funded services based on the new 2015-20 funding priorities in time to incorporate them into the FY 2015-16 Annual Action Plan. Once the hearings are complete, there are number of steps that the Housing Department will have to take to procure services based on the new spending priorities. This includes obtaining City Council approval of the funding priorities, soliciting bids for services, holding more public hearings, and obtaining City Council approval of the agreements with service providers. The time required to complete these tasks does not leave sufficient time for the City to approve and submit the FY 2015-16 Annual Action Plan to HUD by the May 15 deadline using the new funding priorities.

Therefore, the Housing Department is recommending that the City use its funding priorities from the existing 2010-15 Consolidated Plan as the basis for the FY 2015-16 Annual Action Plan. This strategy will allow the City to fund most of the public services agreements, HOPWA and HOME grants for an additional fiscal year as these services align with current spending priorities. Furthermore, the Department would like to propose the following funding strategy for Public Services and Homeless Service funding categories as part of the draft FY 2015-16 Annual Action Plan. Formal approval of the funding will be approved by City Council on May 5, 2015 after several noticed public hearings.

### CDBG Public Services – (Excluding Homeless Services)

The Department recommends continuing funding for the nonprofit grantees that are providing Senior Services and Fair Housing for one additional year through FY 2015-2016 at the same amount budgeted for the current fiscal year (See Attachment).

The Place-Based Neighborhood Initiative allows for a more coordinated effort to respond to neighborhood-based needs. FY 2012-13 was the first year that this Program was funded. The first three years of funding focused on Third Grade Literacy and Kinder Readiness Programs in the Place-based Neighborhood Initiative. FY 2015-2016 Place-based Initiative efforts will focus on neighborhood engagement programs. Neighborhood engagement is consistent with the City priorities identified in the 2010-15 Consolidated Plan. The Department is proposing that each of the three agencies currently providing education services be awarded a \$50,000 allocation in FY 2015-16. This proposed allocation (which is approximately half of the annual funding they received from the City since FY 2012-13) will allow them to transition out of providing the education services or obtain an alternative source of funding for this activity. The agencies have been notified of the City's intention.

### Homeless Services

The Housing Department also recommends using the 2010-15 Consolidated Plan goals for Homeless Services for one additional year. However, because of new federal regulations, the Department must issue an RFP for homeless services. The Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009 (HEARTH ACT) renamed the Emergency Shelter Grants Program to the Emergency Solutions Grants (ESG) Program. The ESG Interim Rule took effect on January 4, 2012. This Interim Rule requires that the local Continuum of Care (COC) develop written funding standards and performance standards. It also requires local jurisdictions to coordinate ESG funding with the COC. The County of Santa Clara is the local agent for the COC and they are just completing the funding and performance standards for homeless grants. As a result, the City must issue an RFP that is consistent with the new standards. This will ensure that the ESG requirements are met and more importantly will ensure that our homeless services are coordinated. A new RFP will be issued for homeless services by the end of January so that new agreements can be approved in the FY 2015-16 Annual Action Plan. As with the current service agreements, a portion of Homeless Services will be funded with CDBG funds.

The Department recommends funding at the current level for the nonprofit grantees that provide homeless services funded with HOPWA, HOPWA/SPNS and HOME services through FY 2015-2016.

### Approval process for the FY 2015-16 Annual Action Plan

The Department is seeking City Council approval of the funding strategy at this time so that it can initiate work on the Request for Proposals for the new services. This will provide time for the Department to complete the procurement process and incorporate reference to the selected service providers and proposed budgets in the draft FY 2015-16 Annual Action Plan.

A public hearing on the Annual Action Plan will be held at the City Council meeting of March 24, 2015. Recommendations regarding the specific services and agencies to receive federal funding will be discussed at the April 9, 2015 Housing and Community Development

Commission meeting. The Housing Department will bring a recommendation to City Council for final approval of the FY 2015-16 Annual Action Plan on May 5, 2015. At that time, the Department will bring forward additional funding recommendations for the remaining CDBG-funded services, including housing rehabilitation, code enforcement, neighborhood clean-up services, and community development improvements.

This strategy was presented to the Housing and Community Development Commission at its regular meeting of November 13, 2014. The Commission unanimously supported this recommendation.

### **EVALUATION AND FOLLOW-UP**

A public hearing on the FY 2015-16 Annual Action Plan will be held at the City Council meeting of March 24, 2015. City Council will vote on a recommendation to approve the Annual Action Plan on May 5, 2015.

### **POLICY ALTERNATIVES**

To arrive at this proposal, Staff considered the following options:

- Alternative #1:** *Wait until the needs assessment for the 2015-20 Consolidated Plan is completed before determining which public and homeless services to fund in FY 2015-16.*
- Pros:** The needs assessment will be completed prior to the decision on how to spend these funds.
- Cons:** By waiting until the needs assessment is formally completed, the City may not have the time needed to complete a competitive process to select service providers in time to be incorporated in the FY 2015-16 Annual Action Plan. This would jeopardize the City's ability to obtain millions in current and future in federal funding.
- Reason for not recommending:** The specific services being recommended to be included the FY 2015-16 Annual Action Plan were identified as high priorities in the 2010-2015 Consolidated Plan. The recent public meetings held to obtain community input on funding needs for the 2015-20 Consolidated Plan indicate that these activities will be among the top priorities for funding in the next five-year period. In order to avoid risking the loss of federal funds, the Housing staff does not recommend waiting for completion of the needs assessment for the 2015-20 Consolidated Plan prior to soliciting the services stated in this memorandum.

**PUBLIC OUTREACH**

This memorandum will be posted to the City Council Agenda for December 16, 2014 via the City's website.

**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 Five-Year Consolidated Plan FY 2010-15, adopted by the City Council on May 4, 2010.

**COST SUMMARY/IMPLICATIONS**

Approval of the recommendation will allow the Housing Department to begin soliciting proposals for the services outlined in this memo. Final approval of the associated expenditures and appropriation actions will occur as part of the FY 2015-2016 budget process.

**CEQA**

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

/s/  
LESLYE CORSIGLIA  
Director of Housing

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

Attachment

## (Attachment)

**City of San José - Adopted FY 2014-2015 and Potential FY 2015-16 Federal Program Budgets  
(CDBG Public Services and Homeless Services)**

Funding Source	Agency	2014-15 Project	Potential 2015-16 Project	FY 14-15 Funding Amount	Potential 2015-16 Funding *
<b>Public Services (Excluding Homeless Outreach)</b>					
<b>CDBG</b>	Catholic Charities	Senior Isolation	Senior Isolation	\$97,717	\$97,717
	Health Trust	Meals on Wheels	Meals on Wheels	\$97,717	\$97,717
	Law Foundation	Fair Housing	Fair Housing	\$385,000	\$385,000
	Catholic Charities	FM Children's Initiative	<i>Neighborhood Engagement</i>	\$96,212	\$50,000
	San Jose State	3rd Grade Literacy	<i>Neighborhood Engagement</i>	\$96,212	\$50,000
	Somos Mayfair	In Our Hands	<i>Neighborhood Engagement</i>	\$96,212	\$50,000
<b>Homeless Services</b>					
<b>CDBG</b>	EHC	Homeless Outreach	New RFP	\$546,818	TBD
	Next Door Solutions	DV Collaborative	New RFP	\$177,189	TBD
	Bill Wilson Ctr.	Families and Youth	New RFP	\$148,190	TBD
<b>ESG</b>	Bill Wilson Ctr.	Homeless Outreach	New RFP	\$243,315	TBD
	Bill Wilson Ctr.	Families and Youth	New RFP	\$151,641	TBD
	Next Door Solutions	DV Collaborative	New RFP	\$52,422	TBD
	CTA	HMIS	New RFP	\$87,945	TBD
	EHC	Homeless Outreach	New RFP	\$85,319	TBD
<b>HOPWA</b>	The Health Trust	TBRA, Housing, Services	TBRA, Housing, Services	\$796,755	\$796,755
<b>HOPWA SPNS</b>	The Health Trust	TBRA & Supportive Services	TBRA & Supportive Services	\$439,509	\$439,509
<b>HOME TBRA</b>	The Health Trust	TBRA	TBRA	\$1,850,000	\$1,850,000

\*Potential FY 2015-16 Funding - Budget is dependant on level of approved federal funding.