



# City of Sunnyvale

## Agenda Item

24-0524

Agenda Date: 4/16/2024

### REPORT TO HOUSING AND HUMAN SERVICES COMMISSION

#### SUBJECT

Consider Approval of Draft 2024 Housing and Urban Development (HUD) Action Plan

#### BACKGROUND

HUD requires entitlement grantees (e.g., cities, counties, and states) to submit an application, referred to as a Consolidated Plan, every five years, to maintain eligibility for CDBG and HOME Program grants. Sunnyvale’s last Consolidated Plan was approved in 2020 and covers fiscal years 2020/21 through 2024/25. In addition, every year entitlement grantees must submit an annual “Action Plan” to HUD for its approval to obtain the grant for the coming fiscal year. Action Plans are required to describe the grantees’ local needs and the projects and programs to be funded with the grant funds in the coming fiscal year. The Action Plan is comprised of all grants and loans recommended by the City for funding for the upcoming fiscal year. Funding recommendations are made following a competitive funding application cycle, reviewed by the Housing and Human Services Commission (Commission) during the March 27, 2024 meeting. During that meeting, the Commission recommended funding the grants shown in this Action Plan (Attachment 2). Upon HUD approval, the annual Action Plans are appended to the five-year Consolidated Plan.

#### **CDBG and HOME Programs**

The CDBG program was established by the Housing and Community Development Act of 1974, Public Law 93-383, and the HOME Program was established by the National Affordable Housing Act of 1990. These programs provide annual grants to jurisdictions to enable them to “develop viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for low and moderate-income persons.” CDBG regulations define “low and moderate” as households earning not more than 80% of area median household income, or what the City and the State of California refer to as “lower-income households”. The CDBG and HOME lower-income limits are established annually by HUD and is currently set at \$137,100 for a household of four in the Sunnyvale-San Jose metropolitan area, with adjustments for larger or smaller households. To be eligible for most types of CDBG or HOME assistance, the household’s gross annual income cannot exceed that amount.

<b>CDBG Eligible Uses</b>	<b>HOME Eligible Uses</b>
Activities that “principally benefit” lower-income households, such as: housing rehabilitation, public facilities and infrastructure, public services, energy conservation, economic development and job creation/retention.	Activities that fund lower-income housing efforts, including construction, rehabilitation, and acquisition of affordable housing, first-time home buyer assistance, and tenant-based rental assistance.

The City Council is scheduled to consider this item on May 7, 2024.

24-0524

Agenda Date: 4/16/2024

---

## **EXISTING POLICY**

### **2020-2025 HUD Consolidated Plan:**

- Goal A Assist in the creation, improvement, and preservation of affordable housing for lower-income and special needs households.
- Goal B Alleviation of Homelessness.
- Goal C Support provision of essential human services, particularly for special needs populations.
- Goal D Expanding Economic Opportunities.

### **Council Policy 5.1.3 Human Services** *(from Purpose Statement)*

The City shall make its best efforts to provide supplemental human services, which include but are not limited to emergency services, senior services, disabled services, family services, and youth services.

## **ENVIRONMENTAL REVIEW**

The action being considered does not constitute a “project” with the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines Section 15378(b)(4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment. The action is also exempt under the National Environmental Policy Act (“NEPA”) pursuant to 24 CFR Section 58.34(a)(1) and (3) as it relates to the development of plans and strategies and is an administrative and managerial activity. Although site-specific projects may be identified in the Action Plan, approval of the Plan does not constitute a formal commitment for those projects.

## **DISCUSSION**

### **Action Plan Development**

When developing the draft Action Plan, staff analyzed the City’s ongoing programs eligible for CDBG and/or HOME funds, such as the Home Improvement Program and Tenant Based Rental Assistance (TBRA) and sought proposals from the community for programs and projects to be funded with available CDBG and HOME funds in the coming fiscal year.

Funding requests for CDBG public (human) services and HOME TBRA are considered on a competitive basis every two years with conditional funding awards made for a two-year term; CDBG capital project proposals are considered annually. A Request for Proposals (RFP) for FY 2024/25 CDBG capital funds and an RFP for FY 2024/25 and 25/26 HOME TBRA funds were released in December 2023; the City received two applications for CDBG capital funds and one application for the HOME TBRA.

### **HUD Spending Limits for Public Services and Administration**

HUD regulations limit how much entitlement grantees can allocate for program administration and public (human) services activities. CDBG administration is limited to 20% of annual funds (plus 20% of any program income, if applicable) and public services are limited to 15% of CDBG grant (and 15% of prior year program income funds, if applicable). HOME regulations limit funding for administration to no more than 10% of the entitlement grant and 10% of program income received in

24-0524

Agenda Date: 4/16/2024

prior years, if applicable.

**Funding Availability**

As final funding allocations have not been announced by HUD, the City will base funding availability on estimates from last year. The City expects to receive a CDBG grant of \$1,000,000 and a HOME grant of \$450,000 for FY 2024/25. In addition to the FY 2024/25 entitlement grants, staff estimates that approximately \$262,183 in HOME program income and an estimated \$150,000 in CDBG program income will be received by the end of the current fiscal year (FY 2023/24). Since HUD allows for certain amounts of program income (PI) to go towards new grants and administration, the City is planning for the maximum amounts of CDBG and HOME administration funds to be set aside due to increased staffing costs and program management needs, with all CDBG Program Income being deposited into the City’s Revolving Loan Fund due to a low fund balance.

**Table 1A: Total Estimated CDBG Funds Available in FY 2024/25**

<b>ESTIMATED Funds Available for FY 2024/25 (1 Year Grant Cycle)</b>	<b>CDBG</b>
Entitlement Grant	\$1,000,000
Prior Year Fund Balances Available to Commit	\$220,000
FY 2023/24 Program Income (PI) for RLF	\$150,000
<b>Total Budget Allocation Estimates</b>	<b>\$1,370,000</b>
Max Funds Available for Program Admin (20% of CDBG Grant)	\$200,000
Year 2 Public Services Grants	\$150,000
Revolving Loan Fund (PI Only)	\$150,000
Funds Available for Capital Projects*	<b>\$840,000</b>

\* “Funds available for capital projects” include activities funded through the City’s Home Improvement Program (approximately \$250,000).

**Table 1B: Total Estimated HOME Funds Available in FY 2024/25 & 2025/26**

<b>ESTIMATED Funds Available for 2 Year Grant Cycle</b>	<b>HOME</b>
Entitlement Grant	\$900,000
Prior Year Fund Balances	\$710,000
Available Program Income (PI)	\$262,183
Community Housing Development Organization (CHDO) Disencumbered Fund Balance	\$248,412
<b>Total Budget Allocation Estimates (Total Grant + PI)</b>	<b>\$2,120,595</b>
Max Funds for Program Admin (10% of HOME Entitlement + PI)	\$116,000
Estimated Funds Available for 2 Year TBRA Contract	<b>\$2,004,595</b>
Estimated Funds For Action Plan 2024/25	<b>\$1,000,000</b>

**Table 2: Recommended Allocations in 2024 Action Plan**

Category	Activity	CDBG	HOME
Administration	Planning & Admin, Fair Housing	\$200,000	\$45,000
Rental Assistance	Tenant Based Rental Assistance	N/A	\$1,000,000
Econ Development	WorkFirst Sunnyvale	\$511,811	N/A
Housing Rehabilitation Program	Minor Home Improvement Program	\$250,000	N/A
Housing Rehabilitation Program	Major Home Repair Program (RLF)	\$99,986	N/A
Public Services	Human Services Grants	\$158,203	N/A
CHDO	N/A	N/A	\$67,500
Program Income	Rehab Programs Administration (Revolving Loan Fund)	\$150,000	\$262,183
	<b>Total Recommendations</b>	<b>\$1,370,000</b>	<b>\$1,374,683</b>
	<b>FY 2024-25 Funding Available</b>	<b>\$1,370,000</b>	<b>\$1,670,595</b>
	<b>FY 2024-25 Funds Remaining</b>	<b>\$0</b>	<b>\$295,912</b>

**Proposed CDBG Activities**

The projects and programs proposed to be funded in FY 2024-25 are shown in Table 2 above and in Attachment 2. These activities are eligible for the indicated funding type and amount recommended, based on federal regulations associated with these grants, and meet one or more priority needs as identified in the City’s 2020-2025 Consolidated Plan.

- *Administration and Planning:*
  - Administration includes the City’s expenses for staffing and implementing the CDBG and HOME programs, including public outreach, holding hearings, publishing notices, developing the RFPs, evaluating proposals, grant contract management, tracking of grant funds and program income, sub-grantee monitoring, reporting, and compliance with federal requirements such as environmental, labor, anti-discrimination, and fair housing regulations. Indirect costs (e.g., overhead for expenses incurred by internal service departments) and fair housing services are also included in program administration. The planned administrative allocation based on HUD CDBG regulations is \$200,000 and \$45,000 for HOME funds.
  
- *Housing Rehabilitation Program*
  - The Home Improvement Program provides grants and in-kind assistance to lower-income homeowners, including mobile homeowners, for minor home improvements (e.g., energy efficiency upgrades, exterior painting, emergency repairs and disabled access improvements). The Home Access Grant is also available to lower-income renters, with the landlord’s consent.. The recommended allocation for home improvement grants for next year is \$250,000 based on the level of demand for this program in recent years and actual expenditures in the current fiscal year.
  
- *Capital Projects & Economic Development*
  - The “WorkFirst Sunnyvale” Program has been implemented for over ten years by Sunnyvale Community Services, in partnership with Downtown Streets Team. The program provides unhoused clients with job readiness training, job placement services, career counseling and supportive services while obtaining long-term employment. The program qualifies for CDBG funding as a Community-based Development Organization (CBDO) economic development activity. The recommended allocation for this program for the next year is \$511,811 (the amount requested by the applicant) based on the competitive solicitation process held in December 2023.

24-0524

Agenda Date: 4/16/2024

- *Revolving Loan Fund*  
The Revolving Loan Fund is used to operate the City's in-house Home Improvement Program (HIP) and provides larger loans for major home repairs to low income home owners. The recommended allocation for the RLF is \$150,000 of PI for administration of these programs, and \$99,986 of entitlement funds for major home repair loans.
- *Public Services (Human Services):*
  - CDBG funds may be used for various public services, as long as a majority of the clients are lower-income persons, and the services address the priority needs identified in the Consolidated Plan. Fiscal year 2024/25 is the second year of the City's two-year funding cycle so there is no competitive award process this year, and agencies that were funded during the FY 2023/24 cycle (shown in Attachment 3) will receive their second allocation of funding on July 1, 2024, in the total amount of approximately \$158,203. Continued funding awards include assistance to seniors, disabled adults, unhoused residents, lower-income households, and at risk youth. Should HUD funding be increased or decreased, grants would be adjusted accordingly.

### **Proposed HOME Activities**

- *Tenant Based Rental Assistance (TBRA)*  
The TBRA program provides rental assistance coupled with supportive services to low-income households in Sunnyvale. Sunnyvale's TBRA program has been in operation for nine years and moved to a two-year funding cycle in 2022. This year marks the second competitive funding cycle and staff recommends funding the only applicant, Sunnyvale Community Services, for an award of \$2,000,000 for a two-year contract (\$1,000,000 in HOME funds per year, as shown in the proposed Action Plan).

### **FISCAL IMPACT**

Approval of the Action Plan is necessary for the City to receive two federal grants (CDBG and HOME) next fiscal year. The recommended funding allocations in the Action Plan make use of these grant funds and related program income for various purposes consistent with the grant program regulations. Expenditure of these federal funds is necessary to meet timeliness requirements. The adoption of the Action Plan has no direct impact on the General Fund.

### **PUBLIC CONTACT**

Public contact was made by posting the Housing and Human Services Commission's agenda on the City's official notice bulletin board and on the City's website. Notice of public hearings, including the 30-day public comment and review period, was posted at City Hall and published in the Mercury News newspaper on April 5, 2024. A draft of the 2024 Action Plan was made available for public review, upon request, at the One Stop Counter at City Hall, and on the City's website for the required minimum 30-day review period prior to City Council action.

### **ALTERNATIVES**

Recommend that the City Council:

1. Approve the 2024 HUD Action Plan as shown in Attachment 2 of the staff report.
2. Approve the 2024 HUD Action Plan as shown in Attachment 2 of the staff report, with modifications.

### **RECOMMENDATION**

Alternative 1: Recommend that the City Council approve the 2024 HUD Action Plan as shown in Attachment 2 of the staff report.

Approval of the Action Plan will allow the City to receive the 2024 CDBG and HOME grants and use them to address local needs for affordable housing and related programs, consistent with the 2020-2025 Consolidated Plan. Most of these projects leverage additional funding from other sources. The Commission made its funding recommendations on the funding proposal at its March 27, 2024 meeting, as shown in Attachment 3. If approved by the City Council on May 7, staff will forward the Action Plan to HUD no later than May 15, 2024.

Prepared by: Amanda Sztoltz, Homeless Services Manager  
Reviewed by: Jenny Carloni, Housing Officer  
Reviewed by: Trudi Ryan, Director, Community Development  
Reviewed by: Connie Verceles, Deputy City Manager  
Approved by: Kent Steffens, City Manager

**24-0524**

**Agenda Date: 4/16/2024**

---

**ATTACHMENTS**

1. Reserved for Report to Council
2. Draft 2024 Action Plan
3. CDBG HOME Funding Allocations
4. Excerpt Draft Minutes of Housing and Human Services Commission meeting of March 27, 2024