



City of Sunnyvale

Agenda Item

23-0225

Agenda Date: 4/19/2023

REPORT TO HOUSING AND HUMAN SERVICES COMMISSION

SUBJECT

Consider Approval of Draft 2023 Housing and Urban Development (HUD) Action Plan

BACKGROUND

HUD requires entitlement grantees (i.e., 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 20/21 through 24/25. 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 to fund for the upcoming fiscal year by the City through the competitive funding application cycle, reviewed by the Housing and Human Services Commission (Commission) during the March 22, 2023 meeting. During that meeting, the Commission recommended funding the grants shown in this Action Plan, and also reiterated the need to increase the General Fund Supplement for Human Service Grants with inflation due to grantee need and decreasing HOME and CDBG grant allocations. 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 \$131,750 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.

CDBG Eligible Uses	HOME Eligible Uses
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.

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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 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 sought proposals from the community for programs and projects to be funded with available CDBG funds in the coming fiscal year.

Funding requests for human services are considered on a competitive basis every two years with conditional funding awards made for a two-year term; capital project proposals are considered annually. The RFP for FY 2023/24 was released in December 2022 and the City received nine applications for CDBG funds.

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) 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 prior years, if applicable.

Funding Availability

The City will receive a CDBG grant of \$1,054,691 and a HOME grant of \$454,952 for FY 2023/24, which is a 6.5% decrease in CDBG and 4.5% decrease in HOME grants issued to the City in 2022. In

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In addition to the FY 2023/24 grants, staff estimates that approximately \$120,000 in HOME program income will be received by the end of the current fiscal year. Staff also estimates approximately \$50,000 in CDBG program income will be received by the end of the current fiscal year in which certain amounts of program income (PI) can go towards new grants and administration. For FY 2023/24, 20% of PI will be set aside for administration due to increased staffing costs and increased program management needs, but all other program income will go into the City's Revolving Loan Fund due to low fund balance.

Table 1: Total Funds Available in FY 2023/24

AVAILABLE FUNDS	CDBG	HOME
FY 2023-24 Entitlement Grants	\$1,054,691	\$454,952
HOME PA (Admin Reserves)	\$0	\$0
Projected FY 2022-23 Program Income (CDBG Admin only)	\$10,000 *	\$120,000 *
Projected Disencumbered/Fund Balance	\$300,000	\$305,000
TOTAL	\$1,364,691	\$879,952

* Estimate

Table 2: Recommended Allocations in 2023 Action Plan

Category	Activity	CDBG	HOME
Administration	Planning and Administration, and Fair Housing Services	\$ 220,938	\$ 57,495
Housing Rehabilitation	Home Access Program	\$ 140,000	N/A
Rental Housing	Tenant Based Rental Assistance	N/A	\$ 0
Economic Development	<u>Workfirst</u> Sunnyvale (CBDO)	\$ 355,550	\$ 0
Capital Project	Carroll St. Inn Rehab	\$ 490,000	\$ 0
Public Services	Human Services Grants	\$ 158,203	\$ 0
CHDO	Community Housing Development Org. Specific Project – <i>Required Set Aside</i>	N/A	\$ 68,243
	Total Recommendations	\$ 1,364,691	\$ 125,738
	FY 2023-24 Funding Available	\$1,364,691	\$ 879,952
	FY 2023-24 Funds Remaining	\$ 0	\$754,214

Proposed CDBG Activities

The projects and programs proposed to be funded in 2023 are shown in Table 2 above and in

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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.
- *Housing Rehabilitation (Owner-Occupied)*
 - The Home Improvement Program provides grants and in-kind assistance to lower-income home owners, including mobile home owners, 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 RLF provides funding for larger loans to lower-income home owners and/or non-profit housing developers for major housing rehabilitation projects. The recommended allocation for home improvement grants for next year is \$140,000, 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 10 years by Sunnyvale Community Services, in partnership with Downtown Streets Team. The program provides homeless 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 Carroll St. Inn Rehabilitation and Energy Efficiency project will assist an affordable supportive housing community in becoming more energy efficient by replacing its central gas hot water heaters with electric hot water heaters and replacing its hydronic heating system, powered by gas, with Packaged Terminal Air Conditioners, which will be powered by electricity. Carroll St. Inn is fully occupied serving households with special needs and this project supports the community by preserving/upgrading the building to ensure habitability for the long-term.
- *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 2023/24 is the first year of the City's two-year funding cycle so the competitive award process occurred this year. Recommended funding awards include assistance to seniors, disabled adults, homeless residents, lower-income households, and at-risk youth. The City uses general funds to

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supplement CDBG funding because public services are the most competitive component. The agencies that applied for CDBG funds (grants of \$25,000 or more) are listed in the Action Plan (Attachment 2); while the agencies that applied for General Funds (grants of less than \$24,999) are listed in Attachment 4 as General Fund awards are not a part of the Action Plan and are provided merely as reference to the Council; the final General Fund human services grants to be considered by Council will be included in the recommended budget in June 2023.

Proposed HOME Activities

During the 2022 HUD Action Plan process, the City allocated \$2 million in HOME funds for rental and security deposit assistance to its Tenant Based Rental Assistance (TBRA) program to increase its capacity, for a two-year funding contract. The City will continue, during this second year of the contract, to focus on growing its TBRA program with existing funding; therefore, there are no proposed HOME activities this cycle, except for Administration and the required Community Housing Development Organization set-aside. Any unallocated HOME funds from FY 2023/24 will be available during the FY 2024/25 competitive application process with a goal to again further expand the TBRA program.

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 *Sunnyvale Sun* newspaper on March 31, 2023. A draft of the 2023 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 2023 HUD Action Plan as shown in Attachment 2 of the staff report.
2. Approve the 2023 HUD Action Plan as shown in Attachment 2 of the staff report, with modifications.

RECOMMENDATION

Alternative 1: Recommend that the City Council approve the 2023 HUD Action Plan as shown in Attachment 2 of the staff report.

Approval of the Action Plan will allow the City to receive the 2023 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 recommendations on the funding proposal at its March 22, 2023 meeting, as shown in Attachment 3. Once approved by the City Council on May 2, staff will forward the Action

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Plan to HUD no later than May 15, 2023.

Prepared by: Leif Christiansen, Housing Programs Analyst
Reviewed by: Jenny Carloni, Housing Officer
Reviewed by: Trudi Ryan, Director, Community Development
Reviewed by: Teri Silva, Assistant City Manager
Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. Reserved for Report to Council
2. Draft 2023 Action Plan
3. Excerpt Draft Minutes of Housing and Human Services Commission meeting of March 22, 2023
4. General Fund Human Services Proposals and HHSC Recommendations