



File #: 21-0069, Version: 1

REPORT TO HOUSING AND HUMAN SERVICES COMMISSION

SUBJECT

Consider Approval of Draft 2021 Housing and Urban Development (HUD) Action Plan

REPORT IN BRIEF

The City must submit an Action Plan to HUD every year in order to receive federal entitlement grants from the Community Development Block Grant (CDBG) and the HOME Investment Partnership (HOME) Programs. The draft 2021 HUD Action Plan (“Action Plan”) provided in Attachment 2 has been prepared in accordance with federal requirements governing the use of these entitlement grants, including the citizen participation requirements. HUD is the federal agency that administers and regulates these grants. The Action Plan sets forth the proposed uses of the CDBG and HOME funds projected to be available in the coming fiscal year, as shown in Table 1 in the Discussion section of this report. These funds may be used for eligible community development activities to meet the priority and/or unmet needs, primarily of lower-income residents, described in the City’s HUD Consolidated Plan. A Request for Proposals (RFP) was issued for these funds in December 2020 and eight applications were received.

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 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. 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 \$112,150 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. |

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.

Human Services Policy 5.1.3

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 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 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 2021/22 was released in December 2020 and the City received eight 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% and public services are

limited to 15% of CDBG grant and program income funds

Staff estimates that no more than \$236,000 in CDBG funds can be allocated for administrative and planning (including fair housing), and no more than \$185,000 can be provided for public services, for next fiscal year. 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. The amount recommended to be allocated for HOME administration complies with this requirement.

Funding Availability

The City will receive a CDBG grant of \$1,182,126 and a HOME grant of \$415,138 for FY 2021. In addition to the FY 2021 grants, staff estimates that approximately \$395,000 in HOME program income and \$50,000 in CDBG program income will be received by the end of the current fiscal year, not including amounts deposited into the Housing Rehabilitation Revolving Loan Fund (RLF). Program income consists of loan payments on prior CDBG loans, as well as interest accrued in the fund.

As shown in Table 1 below, nearly \$1.1 million in CDBG funds and approximately \$395,000 in HOME funds will be available for new activities to be implemented next fiscal year. These available amounts include FY 2021 entitlement grants, program income, and balances from prior years' grants. These totals may increase or decrease if more program income is received than the current projections. The amount of funding committed to HOME activities for FY 2021 is lower than the total amount available - as the City is exploring potential FY 2022 programs and projects that would maximize the balance of HOME funds, as the program continues to receive large amounts of program income that must be spent prior to the entitlement grant.

Table 1: Funds Available in FY 2021/22

| AVAILABLE FUNDS | CDBG | HOME |
|--------------------------------------|--------------------|--------------------|
| FY 2021-22 Entitlement Grants | \$1,182,126 | \$415,138 |
| HOME PA (Admin Reserves) | \$0 | \$0 |
| Projected FY 2020-21 Program Income | \$50,000 * | \$395,000* |
| Projected Disencumbered/Fund Balance | \$150,000 | \$889,800 |
| TOTAL | \$1,382,126 | \$1,699,938 |

* Estimate

Proposed CDBG Activities

The projects and programs proposed to be funded in 2021 are shown in Table 2 below 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.

- *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 \$50,000, 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 five years by Sunnyvale Community Services, in partnership with Downtown Streets Team. The program provides homeless and at-risk clients with job readiness training, job placement services, career counseling and supportive services. It helps clients obtain long-term employment and/or increase their earnings in order to obtain housing, stability, and increased self-sufficiency. The program qualifies for CDBG funding as a Community-based Development Organization (CBDO) economic development activity.
 - The Refrigeration and Freezer Replacement Project will ensure Sunnyvale Community Services has the resources needed to continue operating and to expand their food assistance program to low-income residents of Sunnyvale at their new location at 1160 Kern Avenue.
- *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. FY 2021/22 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 agencies that applied for CDBG funds are listed in the Action Plan (Attachment 2); while the agencies that applied for General Funds 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 City budget in June 2021.

Proposed HOME Activities

- *Tenant Based Rental Assistance*
 - The City will utilize a portion of its HOME allocation to continue serving 20- households enrolled in its TBRA program. The TBRA program provides up to two-years of rental assistance, coupled with supportive services, to low-income households in Sunnyvale. Staff will be revamping the project in the next FY and therefore does not recommend

funding all available HOME funds for 2021-22.

Table 2: Recommended Allocations in 2021 Action Plan

| Category | Activity | CDBG | HOME |
|------------------------|--|--------------|--------------|
| Administration | Planning and Administration, and Fair Housing Services | \$ 236,425 | \$ 81,013 |
| Housing Rehabilitation | Home Access Program | \$ 50,000 | N/A |
| Rental Housing | Tenant Based Rental Assistance | N/A | \$ 400,000 |
| Economic Development | Workfirst Sunnyvale (CBDO) | \$ 514,300 | \$ 0 |
| Capital Project | Freezer and Refrigeration Replacement | \$ 100,000 | \$ 0 |
| Public Services | Human Services Grants | \$ 185,000 | \$ 0 |
| CHDO | Community Housing Development Org. Specific Project | N/A | \$ 62,270 |
| | | | |
| | Total Recommendations | \$ 1,085,725 | \$ 543,283 |
| | FY 2021-22 Funding Available | \$ 1,332,126 | \$ 1,699,943 |
| | FY 2021-22 Funds Remaining | \$ 246,401 | \$ 1,156,660 |

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.

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 April 2, 2021. A draft of the 2021 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

1. Recommend that the City Council approve the 2021 HUD Action Plan as shown in Attachment 2 of the staff report.
2. Recommend that the City Council approve the 2021 HUD Action Plan as shown in Attachment 2 of the staff report, with modifications.

RECOMMENDATION

Alternative 1: Recommend that the City Council approve the 2021 HUD Action Plan as shown in Attachment 2 of the staff report.

Approval of the Action Plan will allow the City to receive the 2021 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 24 meeting, as shown in Attachment 3. Once approved by the City Council on May 4th, staff will forward the Action Plan to HUD no later than May 15, 2021.

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 2021 Action Plan
3. Draft Minutes of Housing and Human Services Commission meeting of March 24, 2021
4. General Fund Human Services Proposals and HHSC Recommendations