



File #: 17-0300, Version: 1

MEMORANDUM TO HOUSING AND HUMAN SERVICES COMMISSION

SUBJECT

Evaluations and Funding Recommendations for FY 2017-18 Human Services Grants and CDBG Capital Project Loans

BACKGROUND

The City received 18 proposals for human services funding and two capital project proposals in response to the Request for Proposals (RFP) issued in January 2017. A list of the proposals is provided in Attachment 1, and the full proposals are available online at *HUDPrograms.inSunnyvale.com*. The staff scoring committee, consisting of several Community Development Department staff members, evaluated the proposals based on the requirements and evaluation criteria in Council Policies 5.1.3: Human Services, as well as the unmet and priority needs described in the City's 2015-2020 Consolidated Plan, and using the scoring system provided in the RFPs.

Priority Needs for Human Services

The Commission and Council confirmed in November 2016 that the list of priority needs in the 2015 Consolidated Plan continues to be valid, therefore the human services proposals had to describe how they address one or more of these priority needs:

- A. Basic needs (such as food, shelter, transportation, health & mental health care, employment assistance/training, child care, etc.).
- B. After school or intervention programs to provide youth with positive alternatives to drugs, violence, and/or gangs (i.e., recreational, mentoring, educational, and career-building activities).
- C. Mental health, addiction and substance abuse counseling, particularly for youth and those exiting institutions.
- D. Other specialized supportive services as may be requested by the community, such as foreclosure assistance, legal assistance for seniors and others, and other specialized human services, such as those currently supported by the City, or those that may address a new or unmet priority need.

In addition, programs proposed for funding must verify that the funds will be used to serve primarily lower-income clients (at least 51% of clients).

Eligible Capital Projects

CDBG capital project proposals may include housing rehabilitation, economic development activities, public facilities and infrastructure improvements, site acquisition, commercial building rehabilitation, and several other rather obscure types of projects listed in the CDBG statutes. Any of the project types must show clear evidence that they will "primarily benefit" low income residents. This means at

least 51% of the users of the facility to be improved, or beneficiaries of the activity (loan recipient, occupants of housing to be improved, job training program participants etc.) must be lower-income.

Available Funding for FY 2017-18

For the current fiscal year (2016-17) the City received a CDBG entitlement grant from the U.S. Department of Housing and Urban Development (HUD) of \$1,037,051. This year, there is increased uncertainty regarding the amount of CDBG funds localities might receive, because Congress has not yet appropriated funding for the entire federal fiscal year (FFY) 2017 (October 1, 2016 through September 30, 2017), which would provide the funding for the City’s FY 2017-18 CDBG grant. Instead, Congress passed a continuing resolution in December to fund the first part of FFY 2017, and will need to pass another continuing resolution by mid-April in order to provide full funding for the year, in order for HUD to fund the City’s 2017 CDBG grant. So far there has been no bill introduced in Congress to show what funding level is proposed for the remaining part of FFY 2017. HUD staff has informed its grantees, including City staff, that they may not be able to follow the usual schedule in preparing their Action Plans this year due to the delay in federal appropriations, and that they should be prepared to adopt plans with contingency provisions to allow for adjustments in case appropriations are not consistent with the prior year. HUD expects a Continuing Resolution (CR) to be released in Congress within several weeks to provide the remaining funding needed for FFY 2017. As a note, most of the recent news coverage about HUD budget cuts has been regarding the federal budget for FFY 2018, not the budget for the remainder of FFY 2017.

Consistent with HUD guidance, staff has developed the draft funding allocations based on an assumption that CDBG funding will remain approximately the same as last year, but is aware that this may prove to be incorrect and adjustments may be required later in the process (e.g., prior to the next HHSC meeting). Due to the amount of uncertainty, staff has attempted to keep the recommended allocations as simple as possible to allow for relatively straightforward adjustments later, if needed.

In addition to the new grant amount, whatever it ultimately may be, staff estimates that approximately \$170,000 in CDBG program income will be received by the end of the current fiscal year. Program income consists of loan payments on prior CDBG loans, as well as interest accrued in the fund. So far this fiscal year, the City has received \$150,000 in program income, and the remaining \$20,000 is what staff expects to receive by June 30, 2017.

ESTIMATED Funds Available for FY 2017-18	CDBG	Change from Prior Year
Entitlement Grant	\$1,037,000	0%
FY 16-17 Program Income (PI)	\$170,000	-32%
Total Grant + PI	\$1,207,000	
Maximum Funds Available for Human Services 15% of Sum of Grant + PI	\$181,050	
Funds Available for Capital Projects*	\$550,000	

* “Funds available for capital projects” does not include activities funded outside of the RFP process, such as the Home Improvement Program, public facilities projects, and program administration.

CDBG regulations limit public services funding to no more than 15% of the City's FY 2017-18 CDBG grant, plus 15% of CDBG program income received in the current fiscal year (FY 2016-17). Based on this formula, as shown in the table above, staff estimates that approximately \$180,000 will be available for public services for next year.

Supplemental General Funds for Human Services

For many years Council has augmented the CDBG public services funding with general funds, referred to as the "supplemental general funds" for human services. In November 2016, Council set a tentative funding threshold of \$100,000 in supplemental General Funds for next fiscal year's human services grants. This amount, established so that staff and the Commission will have a general idea of approximately how much funding will be available, will be confirmed or modified by Council during the final budget hearings in June. If the general fund amount stays the same and the estimated CDBG funding described above is granted, a total of \$280,000 in CDBG and General Funds could be available next year for human services grants. The maximum amount available for any single human services grant is set by Council policy at 25% of the total funds available for human services, which would be approximately \$70,000, based on an estimated total of \$280,000. Staff expects more information to be released on the federal budget proposals within the next week; staff may have an updated estimate to share by the time the HHSC meeting occurs.

In 2015, the HHSC proposed a budget issue suggesting that the supplemental funding amount shown in the Resource Allocation Plan (RAP) should be indexed to the consumer price index (CPI) to adjust for inflation. This suggestion was considered during the City's FY 2016/17 Budget hearings as Budget Supplement No. 6, and was deferred to the FY 2017/18 budget deliberations, which will occur in May 2017.

Human Services Proposals

The staff scoring committee reviewed the proposals, discussed their strengths and weaknesses, and reviewed the financial information provided. The committee met to discuss the proposals, eligibility and completeness requirements, scoring, and possible funding scenarios. Each member of the committee independently scored each proposal, and their scores for each proposal were averaged. Staff then ranked the proposals by average score, as shown in Attachments 2 and 3.

Of the 18 human services proposals received, six proposals requested a total of \$276,460 in CDBG funding, which exceeds the CDBG amount available by nearly \$100,000. The remaining proposals requested a total of \$213,879 in General funds, which exceeds the GF amount by nearly \$114,000. One of the CDBG proposals (fair housing services), is eligible for funding with CDBG administrative funds, to the extent those may be available, therefore staff recommends funding it from that source, as was done in prior years, so that the human services funds can be maximized for the other proposals.

CDBG Recommendations

As shown on Attachment 2, for the CDBG applicants, staff recommends funding the top-ranked proposal at the maximum grant limit (\$70,000) and the remaining proposals at the minimum grant amount (\$25,000)-to be able to avoid cutting any of the programs. One of the applicants is in a unique situation in that their program is eligible for either administrative or human services funding. For this applicant staff is recommending funding half of their grant from the human services funding and the other half from administrative funds. If the City's final grant amount is significantly lower than the estimate shown above, staff may recommend dropping one or more of the lower-scoring

proposals and/or adjusting the recommended funding for one or more of these proposals.

General Fund (GF) Recommendations

The concept used for this group was to fund as many of the eligible, complete proposals received, in ranked order by score, with the minimum grant amount (\$10,000), which is what most of these applicants received in the prior year. Based on the available amount of \$100,000, this meant that ten grants of \$10,000 could be funded. This resulted in all but two of the GF proposals being funded, with no funds left over. In the last funding cycle, two \$5,000 grants were approved at half of the minimum amount required by Council policy (total of \$10,000). Shortly after the start of the first grant year, one of those grantees complained to staff about the administrative requirements, such as required liability insurance coverage, being too burdensome for such a small grant. That agency did not apply for funding this cycle. Staff continues to recommend that no grants be funded at less than the minimum \$10,000 amount as experience has shown that grants of less than that amount are not cost-effective for the grantee or the City.

Capital Project Proposals

Two capital project proposals were received, as shown below. One proposal was for CDBG funds for an economic development activity that has been funded in several prior years, and the other requested CDBG Revolving Loan funds (RLF) for rehabilitation of a six-unit affordable rental property for disabled tenants. These proposals are available online at HUDPrograms.inSunnyvale.com.

Sufficient funds are estimated to be available for both capital project proposals at or near the amounts requested. Due to the uncertainty noted above regarding the City’s CDBG grant amount for next year, staff recommends funding the WorkFirst Sunnyvale proposal at the same amount it received for the current fiscal year. The new proposal for rental housing rehabilitation is eligible for funding with RLF funds, which are already in the City’s possession. Staff recommends funding that proposal in the amount requested, however the applicant has informed staff that they may rescind this request as it appears another funding source may be able to fully fund this project without any City funding required. Staff expects to receive confirmation of that before the next HHSC meeting, in which case this proposal will be removed from the draft Action Plan.

Applicant	Proposal	Funding Type	Amount Requested	Recommended Award
Sunnyvale Community Services	WorkFirst Sunnyvale	CDBG	\$410,211	\$404,000
Greater Opportunities for the Developmentally Disabled	Cortez Rental Housing Rehabilitation Project	CDBG RLF	\$150,000	\$150,000
Total			\$560,211	\$554,000

Process for Final Approval

Staff will include the HHSC’s CDBG funding recommendations in the draft FY 2017-18 Action Plan, which will be considered by the HHSC at its regular meeting in April. At that time the HHSC may make changes to the funding recommendations if needed, such as if new information becomes available regarding the federal appropriations for the City’s CDBG entitlement grant. The

Commission's recommendations for GF human services awards will not be included in the Action Plan, which only covers HUD funds, but will be included in the same Report to Council as a separate attachment. Council will consider all of the funding recommendations and make a final decision at its regular meeting on May 9, 2017. Public hearings will be held prior to any action on these items at each meeting. Awards will not become final until after Council adopts the final 2017-18 budget and HUD approves the City's 2017 Action Plan.

ALTERNATIVES

1. Recommend funding the human services proposals in the amounts shown in Attachments 2 and 3 and the capital project proposals as shown in the table above.
2. Recommend funding one or more of the proposals with a different amount(s) than those recommended by staff under Alternative 1, not to exceed the total amount of funding estimated to be available for each type of proposal and/or funding source.

RECOMMENDATION

Staff recommends Alternative 1 for the reasons explained in the staff report. However, the Commission may recommend Alternative 2, if a slightly different funding allocation is desired. If so, the Commission should specify which recommended awards should be modified, and by what amount, without exceeding the amount of funding estimated to be available.

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ATTACHMENTS

1. List of Proposals
2. Human Services: Recommended CDBG Grants
3. Human Services: Recommended General Fund Grants