



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO COUNCIL

SUBJECT

Consider Housing and Urban Development (HUD) Action Plan for FY 2014-15

REPORT IN BRIEF

Each year the City must submit an Action Plan to HUD in order to receive its entitlement grants from the Community Development Block Grant (CDBG) and the HOME Investment Partnerships Programs. The draft 2014 Action Plan (Attachment 1) has been prepared in accordance with federal requirements governing the use of CDBG and HOME funds, including citizen participation requirements. The U.S. Department of Housing and Urban Development (HUD) is the federal agency that administers and regulates these funds.

The 2014 Action Plan sets forth the proposed uses of the funds to be available in FY 2014-15. The City's 2014 HUD entitlement grants will consist of \$1,017,441 in CDBG funds and \$309,091 in HOME funds. Staff estimates that the City will also receive approximately \$250,000 in CDBG program income (loan payments) in the coming fiscal year. Approximately \$160,000 in excess FY 13-14 program income and disencumbered funds is also available for next year. These funds may be used for eligible community development activities to meet the priority or unmet needs described in the City's 2010-2015 Consolidated Plan.

The 2014 Action Plan allocates funds to the following activities in 2014-15: public (human) services; housing rehabilitation; rental assistance; employment development; infrastructure improvements, such as accessibility retrofits of sidewalks city-wide; and program administration, which includes compliance activities (environmental, labor, and other federal requirements), monitoring, fiscal tasks, and fair housing services. The Housing and Human Services commission (HHSC) considered the requests received for CDBG capital projects at its March meeting, and recommended funding four capital projects. Funding for those projects is included in the 2014 Action Plan. Detailed project descriptions and evaluations are provided in Attachment 2. At its April meeting, the HHSC reviewed the Action Plan, and recommended Council approve it in the form shown in Attachment1.

Staff recommends that Council hold a public hearing and approve Alternative 1: Approve the 2014 Action Plan as presented in Attachment 1, and authorize the City Manager to execute all required assurances and forms for submittal to HUD.

BACKGROUND

The CDBG program was established under Title I of the Housing and Community Development Act of 1974, Public Law 93-383, as amended; and is regulated by 42 USC §5301 *et seq.* The program provides annual grants to entitlement cities and counties, including Sunnyvale, 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, which CDBG

regulations define as households earning not more than 80% of area median household income. The income figures are established annually by HUD for each metropolitan area or county in the U.S. The City is also an entitlement grantee under the HOME Investments Partnership Program, established by the National Affordable Housing Act of 1990. Unlike the CDBG program, which funds a variety of community development activities, the HOME program provides funding solely for affordable housing production, rehabilitation, acquisition, and homebuyer and/or tenant assistance for lower-income households.

CDBG entitlement grants may be used for a wide range of community development activities, provided that they principally benefit lower-income households and meet the goals of: revitalizing lower-income neighborhoods, providing improved community facilities and services, and/or creating jobs. These activities may include, but are not limited to, the following items specified in federal regulations: property acquisition, relocation and demolition; rehabilitation of residential and non-residential structures; construction of public facilities and improvements, such as water and sewer facilities, streets, neighborhood centers, and conversion of school buildings for eligible purposes; public services (not to exceed 15% of the annual CDBG budget); activities relating to energy conservation and renewable energy resources; and provision of assistance to businesses for economic development and/or job creation/retention activities.

CDBG regulations list the following activities as generally ineligible for CDBG funding: acquisition, construction or reconstruction of buildings for the general conduct of government (i.e., city halls, etc.); political activities; certain income payments; and construction of new housing by units of general local government, except for homeless shelters and certain types of special needs housing, which are considered public facilities.

HUD requires entitlement grantees to submit a single, consolidated application, referred to as a Consolidated Plan, for its approval prior to disbursing these grants. These plans must describe the grantees' relevant community needs and proposed uses of CDBG, HOME, and other available funds. HUD approved the City's 2010-2015 HUD Consolidated Plan in August 2010. HUD also requires grantees to adopt and submit an Action Plan every year, with annual updates regarding funding availability, any changes in community needs, and activities proposed to be funded with the new grant funds. Upon HUD approval, the annual Action Plans are appended to the Consolidated Plan, which is drafted and submitted to HUD every five years. The 2014 Action Plan will be the fifth Action Plan to be added to the 2010-2015 Consolidated Plan.

The City released a Request for Proposals (RFP) in January 2014 to solicit proposals for affordable housing and/or capital projects from eligible non-profit agencies. The City received four proposals in response to the RFP: Charities Housing submitted two housing rehabilitation proposals, Bill Wilson Center submitted one housing rehabilitation proposal for two sites, and Sunnyvale Community Services submitted a proposal for a Sunnyvale workforce development program for homeless jobseekers. The proposals were evaluated and scored by staff in accordance with the method set forth in the RFP. The HHSC recommended funding four proposals at its March meeting, consistent with the staff recommendation. Funding for these projects has been included in the 2014 Action Plan. A summary of the proposals, staff evaluations, and funding recommendations is provided in Attachment 2.

EXISTING POLICY

2010-2015 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 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

Adoption of the Action Plan does not constitute a project under CEQA. Any planned expenditures with the potential to have an environmental impact will be subject to environmental review under CEQA and NEPA before any funds can be formally committed to any projects.

DISCUSSION

CDBG Program

As shown in Table A below, staff estimates a total of \$1,427,718 in CDBG funds will be available in FY 2014-15. This includes the 2014 grant of \$1,017,441, plus \$58,778 in excess FY 2013-14 program income, \$250,000 in anticipated 2014 program income, and \$101,499 in disencumbered funds. This amount may increase slightly if additional program income is received by the end of June.

The CDBG regulations prohibit grantees from spending more than 20% of the CDBG funds received in a given fiscal year (i.e., program income estimated to be received in the coming fiscal year plus new grant funds) on defined administrative expenditures. For FY 2014-15, the 20% limit on administrative expenditures is estimated to be \$253,488. Ultimately, the City is monitored for compliance with the administrative expenditure limit calculated using the actual program income receipts, not the estimate, following the close of the fiscal year.

Similarly, CDBG regulations limit spending on public services to no more than 15% of available CDBG funds in a given year, however this limit is based on 15% of the sum of the current year's entitlement grant and the *prior* year's (FY 2013-14) actual program income receipts. For FY 2014-15, the limit on public services expenditures is \$198,933.

Proposed Uses of Community Development Block Grant Funds

The 2014 Action Plan (Attachment 1) provides a description of the activities to be undertaken during the program year, a summary of funding resources available, and related content. The activities proposed to be funded in 2014 are described below and summarized in Table A below.

Table A: FY 2014-15 CDBG Sources & Uses	
SOURCES	
2014 CDBG Grant	\$1,017,441
Excess 2013 Program Income	\$58,778
Estimated 2014 Program Income	\$250,000

Disencumbered/Unallocated Fund Balance	\$101,499
Total	\$1,427,718
USES	
Administration	\$253,488
Administration	\$234,188
Fair Housing	\$19,300
Home Improvement Program	\$315,000
Emergency Repair, Accessibility, Paint and Energy-Efficiency Grants	\$65,000
Transfer of Program Income to Revolving Loan Fund (RLF)	\$250,000
Public Infrastructure	\$338,297
Accessibility improvements (Curb Ramps) and Sidewalk Improvements in eligible areas	\$338,297
Economic Development	\$322,000
Sunnyvale Workforce Development (CBDO) Activity	\$322,000
Public Services	\$198,933
TOTAL	\$1,427,718

Administration:

Administration includes planning, fiscal management, monitoring, budgeting, and reporting. Program administration also includes compliance with federal requirements such as environmental, labor, anti-discrimination, and fair housing regulations, and monitoring sub-recipients. Indirect costs, the overhead incurred by the City for administering the CDBG program, are also paid for with CDBG administrative funds. CDBG administrative funds may also be used to pay for fair housing services. The Action Plan includes a grant of \$19,300 in CDBG administrative funds, the same amount provided this year, to the Fair Housing Law Project of San Jose, which was awarded a two-year grant in FY 2013-14 to provide fair housing services for Sunnyvale clients.

Home Improvement Programs:

The Home Improvement Program provides grants and loans for housing rehabilitation, energy efficiency improvements, painting, emergency repairs and accessibility improvements. The primary source of funding for this program is the City's Revolving Loan Fund (RLF). Expenditures from the RLF are not required to be included in the Action Plan, which focuses on new CDBG revenues. However, an allocation of \$65,000 from the 2014 entitlement grant is proposed for minor home improvement grants, which do not generate future program income to the RLF. The remaining funds in the RLF and the proposed \$250,000 transfer of 2014 program income to the RLF will be made available for rehabilitation loans for owner-occupied or rental housing and program delivery.

Public Infrastructure:

Public infrastructure projects may be funded by CDBG if they are located in census tracts that have a certain minimum percentage of lower-income households, according to HUD's census data, or if they are used to make accessibility improvements to public infrastructure. The 2014 Action Plan includes providing \$338,297 to continue the city-wide Accessibility Retrofit Program for installing handicap accessible curb cuts. A portion of these funds may be used for sidewalk installation or replacement in eligible areas. CDBG funds may not be used to replace other sources of funding that would otherwise

be available; therefore the infrastructure projects selected for CDBG funding are those that are currently unfunded in the City's Capital Improvement Plan.

Economic Development:

In response to the RFP, Sunnyvale Community Services, a local community-based development organization (CBDO), submitted a proposal requesting a grant of approximately \$322,000 in CDBG funds for its Work First Sunnyvale (WFS) Program. This job training and placement program is implemented through a contract with Downtown Streets Team, a non-profit agency that provides work-readiness training and services for homeless people. The proposal is described in more detail in Attachment 2. Next fiscal year will be the third year that the WFS program will provide job readiness training, job skills training, and job placement for at least fifty low-income individuals who are homeless, recently homeless, or at risk of homelessness in Sunnyvale. The program has successfully provided job training and placement assistance to over 92 low-income individuals during the first two years of its operations. During that time, 18 of the program's clients have moved into permanent housing and 23 have obtained paid employment. At its March 26th meeting, the HHSC recommended a grant of \$322,000 for this program, as recommended by staff.

Housing Rehabilitation:

Three housing rehabilitation proposals were received in response to the CDBG RFP. Staff recommended funding these projects from the RLF. The projects are described in more detail in Attachment 2. At its March meeting, the HHSC recommended awarding a total of \$411,000 in RLF funds to three proposals, as follows:

- \$201,000 to Charities Housing for the rehabilitation of Stoney Pine Apartments in Sunnyvale;
- \$165,000 to Charities Housing for the rehabilitation of two Senior Group Homes in Sunnyvale; and
- \$45,000 to Bill Wilson Center for the rehabilitation of the homes at 1284 and 1294 Jackson Street in the City of Santa Clara.

Public Services (Human Services):

CDBG funds may be allocated for a wide variety of 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. The services may be provided by the City itself, or sub-granted to qualified service providers in accordance with CDBG regulations. The City has an established Human Services Policy and competitive grant process for awarding CDBG public service funds to eligible non-profit agencies on a two-year cycle.

FY 2014-15 is the second year of the two-year funding cycle. During the second year of funding, the City does not solicit applications; rather, those agencies which have met or exceeded performance standards receive approximately the same grant amount for a second year, based on the amount of available CDBG funds. Due to the decrease in CDBG program income received in 2013 compared to the prior year, each of the 2014 human service grants will be approximately 2% lower than they were this year. A list of the 2014 grants, by grantee name and amount, is provided in Attachment 3. General Fund grants for human services are on this list and will be included in the recommended City budget, but they are not included in the Action Plan.

Proposed Uses of HOME Funds

The City has been allocated a grant of \$309,091 in HOME funds for affordable housing activities in 2014. HOME funds may be used to assist the construction, rehabilitation, and/or acquisition of affordable housing for lower-income households, and for tenant-based rental assistance. The HOME regulations limit administrative expenditures to no more than 10% of the annual HOME grant amount plus 10% of available program income. Ten percent of program income received in any given year may be retained and used for administration in future program years. The sources and proposed uses of HOME funds are shown on Table B below.

Table B: FY 2014-15 HOME Sources & Uses	
SOURCES	
2014 HOME Grant	\$309,091
Program Income Administrative	\$51,894
Total	\$360,985
USES	
Administration	\$82,803
Tenant-Based Rental Assistance (TBRA)	\$278,182
TOTAL	\$360,985

The HOME grant amount has declined sharply in recent years, from nearly \$900,000 several years ago, to just over \$300,000 this year. This amount is not enough to fund multiple projects or activities, so staff recommends using it for the TBRA program, which has been successfully operating for the past year, with a focus on housing homeless and at-risk clients, through a partnership with the County and several non-profits. The TBRA program works in tandem with the CDBG-funded Work First Sunnyvale program to help homeless people re-enter the workforce and regain permanent housing. The remaining HOME funds are available for HOME program administration, which also includes developing and managing the TBRA program contracts, oversight of the HOME loans provided last year to the two Armory homeless housing projects, and annual monitoring of the affordable rental properties in the HOME loan portfolio.

FISCAL IMPACT

Approval of the 2014 Action Plan will not impact the General Fund. It will allow the City to receive its federal entitlement grants for FY 2014-15. The 2014 Action Plan as shown in Attachment 1 complies with federal requirements and limits regarding use of these grants.

PUBLIC CONTACT

Public contact was made through posting of the agenda on the City's official-notice bulletin board, on

the City's website, and the availability of the agenda and report in the Office of the City Clerk.

Notice of public hearings, including a 30-day public comment and review period, was posted at City Hall and published in the Sunnyvale *Sun* newspaper on April 4, 2014.

A draft of the 2014 Action Plan was made available for public review at the One Stop Counter at City Hall, at the Sunnyvale Library, and was posted on the City Housing website during the 30-day review period. The HHSC held a public hearing in March on the proposed capital projects and recommended approval of the funding recommendations included in the Action Plan, and approved the Action Plan at its April meeting in the form provided in Attachment 1. Draft minutes of that meeting are provided in Attachment 4.

ALTERNATIVES

1. Approve the 2014 Action Plan as presented in Attachment 1, and authorize the City Manager to execute all required assurances and forms for submittal to HUD.
2. Approve the 2014 Action Plan with modifications, and authorize the City Manager to execute all required assurances and forms for submittal to HUD.

STAFF RECOMMENDATION

Alternative 1: Approve the 2014 Action Plan as presented in Attachment 1, and authorize the City Manager to execute all required assurances and forms for submittal to HUD.

Approval of the Action Plan will allow the City to receive its FY 2014-15 entitlement grants of \$1,017,441 in CDBG funds and \$309,091 in HOME funds, following HUD approval of the Plan. The Action Plan is consistent with the 2010-2015 HUD Consolidated Plan and the Housing Element, and addresses priority community needs such as homelessness and hunger, and benefits lower-income residents, as required by the conditions of the grants.

Prepared by: Katrina L. Ardina, Housing Programs Analyst

Reviewed by: Hanson Hom, Director, Community Development
Suzanne Isé, Housing Officer

Approved by: Robert A. Walker, Interim City Manager

ATTACHMENTS

1. Draft 2014 Action Plan
2. Capital Project Proposals
3. Human Services Grants
4. Draft Minutes of the April HHSC Meeting