

REPORT TO HOUSING AND HUMAN SERVICES COMMISSION

SUBJECT

Consider Draft Housing and Urban Development (HUD) Action Plan and Proposed Human Services Grants for FY 2015-16

REPORT IN BRIEF

As an entitlement grantee, the City must submit an Action Plan to HUD every year in order to receive its entitlement grants from the Community Development Block Grant (CDBG) and the HOME Investment Partnerships (HOME) Programs. The draft 2015 Action Plan (**Attachment 1**) 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. In addition, this report includes a recommendation on human services grants to be funded with supplemental General Funds pursuant to Council policy.

Staff Recommendation:

Alternatives 1 and 3:

1. Recommend that Council approve the 2015-16 Action Plan as presented in Attachment 1; and
3. Recommend that Council approve the General Fund human services grants as listed in Attachment 3, subject to Council budget appropriations in June.

The City Council is scheduled to consider this item on May 5, 2015.

BACKGROUND

As part of the required citizen participation process, staff issued a request for proposals (RFP) in January, proposals were presented by the applicants in February, and the Commission held public hearings on the proposals received during its March meeting. The proposals recommended for funding in March are included in the Action Plan, as well as the ongoing housing programs administered by the City: the Home Improvement Program and the Tenant-Based Rental Assistance Program (TBRA).

The activities proposed for funding next year include: human services grants; rental and homeowner housing rehabilitation; tenant-based rental assistance; employment development services for homeless and at-risk clients; fair housing services, and program administration, as shown on Table 1. All of these activities are eligible for the indicated funding type based on federal regulations associated with these grants, and all of them meet one or more priority needs as identified through

the City's citizen participation process. The proposal scores and recommended funding amounts are provided in **Attachment 2**. The human services programs recommended for funding with General Funds are not included in the Action Plan, but are listed in **Attachment 3**.

CDBG and HOME Programs

The CDBG program was established by the Housing and Community Development Act of 1974, Public Law 93-383. The program provides annual grants to larger 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." CDBG regulations define "low and moderate" as households earning not more than 80% of area median household income (i.e., what most California jurisdictions refer to as "lower-income households"). The median income limits are established annually by HUD for each metropolitan area in the U.S.

CDBG funds may be used for activities that "principally benefit" lower-income households, including but not limited to: housing rehabilitation, construction or renovation of public facilities, such as community centers and emergency shelters, and infrastructure, public services, energy conservation, economic development and job creation/retention efforts. In Sunnyvale, it is difficult to demonstrate lower-income benefit according to the HUD-required method for some types of activities, particularly those that use the "area benefit" method, so the full range of CDBG activities is not necessarily feasible in Sunnyvale and other higher-income communities. Certain activities are generally prohibited in the CDBG regulations, such as: acquisition, construction or renovation of general government buildings (i.e., city halls, schools, etc.); political activities; subsistence payments; and construction of new housing by government agencies, among others.

The HOME Program was established by the National Affordable Housing Act of 1990. It provides funding only for activities that assist housing affordable to lower-income households. Eligible activities include housing construction, rehabilitation, and acquisition, and first time home buyer and/or tenant-based rental assistance. HOME funds may be used to assist rental housing intended for clients transitioning out of homelessness, such as permanent or transitional supportive housing, but not for public facilities, such as emergency shelters.

Consolidated Plan Requirement

HUD requires entitlement grantees to submit one consolidated grant application, referred to as a Consolidated Plan or "ConPlan", every five years for its approval. Failure to do on time would disqualify the City from receiving the grants for the next five years. The City's current Consolidated Plan was approved in 2010 and expires in June 2015. Staff has prepared a draft 2015-2020 ConPlan for the Commission's review under a separate agenda item during the April meeting. The ConPlan describes the grantees' priority community needs and proposed uses of CDBG, HOME, and other available funds during the five-year period. The Action Plan is a one-year plan that becomes part of the ConPlan upon adoption each year, and provides more detail on the precise activities and funding amounts proposed for the next year. The 2015 Action Plan will be the first Action Plan in the 2015-2020 ConPlan. Until the new ConPlan is adopted, the 2010-15 ConPlan is still in effect. The main policies and programs listed in the current ConPlan are quite similar to those in the draft 2015-20 ConPlan, so consistency with the current one indicates likely consistency with the draft 2015-20 ConPlan upon its adoption.

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 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.

DISCUSSION

RFP Process

The City released two RFPs in January 2015 to solicit proposals for human services, affordable housing and/or capital projects from eligible non-profit agencies. In response, the City received two capital project proposals and 22 human services proposals, as listed in **Attachments 2 and 3**. The proposals were evaluated for eligibility and completeness and scored by a staff committee based on the scoring criteria set forth in the RFP. The projects and programs recommended for CDBG or HOME funding by the Commission at its March meeting have been included in the draft 2015 Action Plan, and are also listed, along with their scores, in **Attachment 2**. The recommended human services grants of supplemental General Funds are listed, with their scores, in **Attachment 3**.

Funding Availability

As shown in Table 1 below, staff estimates that slightly over \$1.5 million in CDBG funds and nearly \$900,000 in HOME funds will be available next fiscal year. This funding includes the FY 2015 entitlement grants, program income, disencumbered funds, and reserve fund balances. The total may increase slightly if additional program income is received in either fund by the end of June. In addition to the CDBG and HOME funds, in November 2014, Council tentatively allocated \$115,000 in “Supplemental General Funds” for human services grants. The human services grants recommended for funding with General Funds are not included in the Action Plan, which only includes HUD funds, but are listed in **Attachment 3**.

HUD Spending Limits for Public Services and Administration

HUD regulations set limits on how much entitlement grantees can allocate for program administration and public services activities. CDBG administration is limited to 20% and public services are limited to 15% of CDBG grant and program income funds (but not disencumbered funds or fund balance). There are some nuances and slight differences in the way these limits are calculated, as set forth in the CDBG regulations. Based on these limits and the current funding estimates, no more than \$233,891 in CDBG funds can be allocated for administration, and no more than \$215,000 can be provided for public services next year. HOME regulations limit administration to no more than 10% of the entitlement grant and 10% of program income received in prior years, which may be carried over from year to year if not used in full (the “HOME PI Admin Reserve”). The amount allocated for HOME

administration complies with this requirement.

Proposed CDBG and HOME Activities

The amount of CDBG and HOME funding available and the activities proposed to be funded in 2015 are shown in Table 1 below and in **Attachment 1**. Human services grants recommended for funding with supplemental General Funds are not included in Table 1, but are listed in **Attachment 3**.

Table 1: Available Funds and Activities Proposed for Funding, FY 2015-16

AVAILABLE FUNDS	CDBG	HOME
FY2015-16 Entitlement Grants	\$989,453	\$281,021
Excess FY2014-15 Program Income / HOME Admin PI Balance	\$195,000	\$46,610
Estimated FY2015-16 Program Income	\$180,000	N/A
Disencumbered/Fund Balance	\$157,374	\$567,081
TOTAL	\$1,521,827	\$894,712
ACTIVITIES PROPOSED FOR FUNDING IN FY 2015-16		
Administration		
Administration	\$213,891	\$74,712
Fair Housing	\$20,000	N/A
Subtotal	\$233,891	\$74,712
Housing Rehabilitation (Owner-Occupied)		
Minor Improvement Grants / Loans	\$50,000	N/A
Deposit to Revolving Loan Fund	\$127,936	N/A
Subtotal	\$177,936	N/A
Affordable Rental Housing		
Rental Housing Rehabilitation	\$500,000	\$550,000
Tenant-Based Rental Assistance (TBRA)	N/A	\$270,000
Subtotal	\$500,000	\$820,000
Economic Development		
WorkFirst Sunnyvale (CBDO Activity)	\$395,000	N/A
Public Services		
Human Services Grants	\$215,000	N/A
TOTAL	\$1,521,827	\$894,712

In addition, all of the proposals received are posted on the City's website at: HUDPrograms.inSunnyvale.com. Not all proposals were recommended for funding, however, and amounts recommended may be less than that requested in the proposals.

Administration:

Administration includes the City's expenses for staffing and implementing the CDBG and HOME programs. This includes the costs of 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 (overhead) and fair housing services are also included in program administration.

Housing Rehabilitation (Owner-Occupied)

The Home Improvement Program provides grants and loans for housing rehabilitation, and minor improvements (energy efficiency upgrades, exterior painting, emergency repairs and accessibility improvements). Homes must be owned and occupied by a lower-income household to be eligible for this program. The primary funding source for this program is the City's CDBG Revolving Loan Fund (RLF). The deposit of \$127,000 to the RLF, as well as any available balance in the RLF, will provide funding for rehabilitation loans for owner-occupied housing, including mobile homes, as well as contingency funds for prior-year rental rehabilitation housing projects, and program delivery.

Affordable Rental Housing:

This category includes two activities: a rental rehabilitation project and the ongoing Tenant-Based Rental Assistance (TBRA) program. The rehabilitation project consists of moderate rehabilitation work at Crescent Terrace, an affordable rental housing complex for low-income seniors built in 1986, owned by an affiliate of MidPen Housing Corp. and located at 130 Crescent Ave. in Sunnyvale. The renovation work consists primarily of accessibility improvements, including lighting improvements, energy and water efficiency upgrades, including turf replacement with drought-tolerant landscaping, and modification of a flat roof with ponding issues. The project is recommended for funding with CDBG and HOME funds.

The TBRA program is funded with HOME funds, and is designed to help homeless and at-risk households move into standard rental housing, with move-in assistance and a portable rental subsidy, similar to Section 8, for a term of up to two years. The program provides transitional assistance for those clients who can be reasonably expected to assume full responsibility for their rent and/or transition to other affordable housing options after the two-year term. The TBRA program is administered on the City's behalf by the County of Santa Clara Office of Supportive Housing, which subcontracts with Abode Services to implement the program.

Economic Development:

One activity is proposed for funding in this category: the "WorkFirst Sunnyvale" Program, described further in the Action Plan. This program, administered by Sunnyvale Community Services in partnership with Downtown Streets Team, provides work-readiness training, job placement assistance, and supportive services for homeless and at-risk clients. The program has successfully provided job training and placement assistance to over 127 low-income individuals during the first three years of its operations. During that time, 26 of the program's clients have moved into permanent housing and 52 have obtained paid employment.

Public Services (Human Services):

The City has established a Human Services policy and competitive RFP process for awarding human services grants using CDBG public services funds and any supplemental general funds. Human services provide basic needs and specialized assistance to lower-income and/or special needs clients, such as seniors, disabled adults, homeless people, lower-income families, and at-risk youth. The human services agencies that applied for and were recommended for funding with CDBG are listed in the Action Plan and in **Attachment 2**. The agencies that applied for and were recommended for funding with supplemental General Funds are listed in **Attachment 3**. Including both sources, a

total of \$330,000 is estimated to be available for human services grants next year.

Commission Recommendations for Human Services Grants Funded with General Funds

At its March meeting, the Commission approved the staff recommendations for CDBG and HOME awards for the human services grants listed in **Attachment 2** and for the two capital project proposals received, described above and listed in the Action Plan. However, for the human services grants to be funded with General Funds, the Commission's recommendation was slightly different than the staff's recommendation. The Commission recommended essentially Scenario B as described in the memorandum for the March meeting, but instead of funding the Healthier Kids Vision Screening proposal, it split the last \$10,000 between the Live Oak Day Center and Maitri programs, providing each program with a grant of \$5,000, as shown in **Attachment 4**. Because this recommendation does not meet the minimum grant amount of \$10,000 per program, and would significantly reduce funding for several programs that scored higher, staff has not changed its prior recommendation as shown in **Attachment 3**. Minutes of the March and April meetings will be provided to Council as part of the Report to Council on this item.

FISCAL IMPACT

The recommended actions will not have an adverse fiscal impact as they are subject to final Council and HUD approval. The recommended funding awards and activities planned do not exceed the funds estimated to be available for these programs for next fiscal year.

PUBLIC CONTACT

Public contact was made through posting of the Housing and Human Services Commission's 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 the 30-day public comment and review period, was posted at City Hall and published in the Sunnyvale *Sun* newspaper on March 27, 2015. A draft of the 2015 Action Plan was made available for public review at the One Stop Counter at City Hall, at the Sunnyvale Library, and on the City's website during the 30-day review period.

ALTERNATIVES

1. Recommend that Council approve the 2015-16 Action Plan as presented in Attachment 1.
2. Recommend that Council approve the 2015-16 Action Plan with modifications.
3. Recommend that Council approve the General Fund human services grants as listed in Attachment 3, subject to Council budget appropriations in June.
4. Recommend that Council approve the General Fund human services grants as listed in Attachment 4, subject to Council budget appropriations in June.

RECOMMENDATION

Staff recommends Alternatives 1 and 3:

1. Recommend that Council approve the 2015-16 Action Plan as presented in Attachment 1; and
3. Recommend that Council approve the General Fund human services grants as listed in Attachment 3, subject to Council budget appropriations in June.

The recommended actions are consistent with applicable HUD regulations and City policies. The draft Action Plan provides funding for activities that address priority community needs such as

homelessness and hunger, and primarily benefit lower-income residents.

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Reviewed by: Hanson Hom, Director, Community Development

Reviewed by: Robert A. Walker, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Draft 2015-16 Action Plan
2. Recommended CDBG and HOME Funding Awards and Proposal Scores
3. Recommended General Fund Human Services Grants and Proposal Scores
4. Commission Recommendation for General Fund Human Services Grants