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REPORT TO HOUSING AND HUMAN SERVICES COMMISSION

SUBJECT

Consider Draft 2017 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 Partnerships (HOME) Programs. The draft 2017 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.

The City Council is scheduled to hold a public hearing and consider this item on May 9, 2017.

Staff recommends that the Commission recommend to City Council Alternative 1: Approve 2017 Action Plan as shown in Attachment 2.

BACKGROUND

HUD requires entitlement grantees, which include larger 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 2015 and covers fiscal years 2015-16 through 2019-20. In addition, every year, these grantees must submit an annual “Action Plan” to HUD for its approval in order to obtain the grant for the coming fiscal year. The Action Plans 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. The 2017 Action Plan will be the third Action Plan to be added to the City’s 2015-2020 Consolidated Plan.

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 counties and larger cities, 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, 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 for

each metropolitan area in the U.S. The lower-income limit (80% of median) for these federal programs in the Sunnyvale-San Jose metropolitan area is currently nearly \$80,000 for a household of four, with adjustments for larger or smaller households. That means that the gross, pre-tax income of all adults in the household, combined, cannot exceed that amount. This low-income limit is significantly higher than the national median household income of \$56,600, and also higher than the statewide median of \$63,600 in California, both according to Census estimates for 2015. HUD adjusts the area income limits based on local housing costs and local median income data, so the higher limits in Sunnyvale are due to both of those factors being quite high compared to national or state levels.

Eligible Activities

CDBG funds may be used for 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. Certain activities are prohibited by CDBG regulations, such as acquisition, construction or renovation of general government buildings (i.e., city halls, schools, etc.); political activities; subsistence (welfare) payments; and construction of new housing.

The HOME Program was established by the National Affordable Housing Act of 1990. It provides funding for lower-income housing efforts, including construction, rehabilitation, and acquisition of affordable housing, first-time home buyer assistance, and tenant-based rental assistance. HOME funds may be used to assist permanent rental housing for clients transitioning out of homelessness, but not for emergency shelters.

EXISTING POLICY

2015-2020 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.

Although site-specific projects may be identified in the Action Plan, approval of the Plan does not constitute a formal commitment for those projects. Before formally committing or releasing funds for a specific project, staff will complete applicable federal and state environmental reviews for those projects.

DISCUSSION

Funding Availability

This year, there is increased uncertainty regarding the amount of CDBG and HOME funds localities might receive. This uncertainty is 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 and HOME grants. Congress passed a continuing resolution in December for the first part of FFY 2017, and needs to pass another continuing resolution by late April in order to provide funding for the rest of the FFY. This funding is needed for HUD to award the City's 2017 CDBG and HOME grants. HUD staff has informed staff that the delay in federal appropriations may require adjustment to the usual schedule for Action Plan submittal, and grantees should adopt plans with contingency provisions to allow for adjustments in case appropriations are not consistent with the prior year. Staff anticipates a Continuing Resolution (CR) to be passed in Congress by April 28 or shortly thereafter to provide the remaining funding for FFY 2017.

Consistent with HUD guidance, staff has developed the draft funding allocations based on an assumption that CDBG and HOME 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 final budget adoption by City Council). 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 FY 2017 grants, staff estimates 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. Staff also projects that \$150,000 in CDBG program income will be received during FY 2017-18. The program income received so far in FY 2016/17 (which was also \$150,000), was already allocated for use in FY 2016/17 through the 2016 Action Plan. Therefore, only the additional \$20,000, is the amount in excess of the projected FY 2016/17 program income, is available to allocate for next fiscal year.

As shown in Table 1 below, staff estimates that nearly \$1.3 million in CDBG funds and slightly over \$521,000 in HOME funds may be available for new allocation for next fiscal year. This funding includes the FY 2017 entitlement grants (pending federal budget appropriations), program income, disencumbered funds, and balances from prior years' grants. The total may increase slightly if additional program income is received in either fund by the end of June, or could decrease if the entitlement grants are not received in the estimated amounts. Because of the increased uncertainty noted above, staff has developed contingency allocations based on two alternative scenarios in case the estimates shown in Table 1 are overly optimistic: one if the FY 17 entitlement grants are approximately half of what they were the prior year, and another if HUD does not award any entitlement grants this year. Staff thinks the second alternative scenario is less likely, because HUD funding was appropriated for the first half of FFY 2017 through the continuing resolution passed in December 2016. These contingency allocations are provided in the Action Plan (Attachment 2).

Table 1: Funds Available

ESTIMATED FY 17 FUNDS	CDBG	HOME
FY17 Entitlement Grants (ESTIMATE)	\$ 1,000,000	\$ 300,000
Current FY Remaining Program Income	\$ 20,000	\$ 50,000
Projected FY 2017/18 Program Income	\$ 150,000	\$ -
Disencumbered/Fund Balance	\$ 128,000	\$ 171,221
TOTAL	\$ 1,298,000	\$ 521,221
<i>Maximum Available for Human Services</i>	\$ 175,500	\$ -
<i>Maximum Available for Administration</i>	\$ 230,000	\$ 80,000

Activities funded from the CDBG Revolving Loan Fund are not required to be included in the Action Plan tables, but are included in the Projects Budget. These include an allocation for housing rehabilitation loans, which are available for lower-income mobile home and single family home owners, and rehabilitation program operations.

Action Plan Development

When developing the draft Action Plan, staff analyzes 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 also seeks 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 second year, and conditional funding awards are made for a two-year term.

RFP Process

The City released two RFPs in January 2017 to solicit proposals for human services and affordable housing/capital projects from eligible agencies. In response, the City received 18 human services proposals and two capital project proposals, as listed in the commission’s March meeting materials. The proposals are available online at *HUDPrograms.inSunnyvale.com*. The staff scoring committee evaluated the proposals based on the priority needs described in the City’s 2015-2020 Consolidated Plan and related City plans and policy documents, and scored the proposals based on the point system provided in the RFP. The CDBG funding awards recommended by the Commission at its March meeting are included in the draft Action Plan (Attachment 2). The March meeting minutes are provided in Attachment 4.

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 (no administrative funding is available from disencumbered funds or fund balance). There are nuances and slight differences in the way these limits are calculated, as set forth in the CDBG regulations. As shown in Table 1, staff estimates that no more than \$230,000 in CDBG funds can be allocated for administrative and planning (including fair housing), and no more than \$175,500 can be provided for public services, 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, which may be carried over from year to year if not used in full (the “HOME PI Admin Reserve”). The amount recommended to be allocated for HOME administration complies with this requirement.

Proposed CDBG and HOME Activities

The projects and programs proposed to be funded in 2017 are shown in Table 2 below and in **Attachment 2**. All of these activities are eligible for the indicated funding type and amount recommended, based on federal regulations associated with these grants, and all of them meet one or more priority needs as identified in the City's 2015-2020 Consolidated Plan. The amounts shown will be adjusted as needed once the continuing resolution has been published, which staff expects to occur before the Council hearing on May 9.

Affordable Rental Housing:

This category includes the Tenant-Based Rental Assistance (TBRA) program which provides a portable rental assistance voucher, similar to a Section 8 voucher, to clients who are homeless or at imminent risk of homelessness. The program is administered by Abode Services on the City's behalf, and takes referrals from several local partner agencies, some of which are also human services grantees. The TBRA program is funded with HOME funds and provides transitional assistance for clients who can be reasonably expected to pay their full rent and/or transition to other affordable housing options after the two-year assistance term.

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 (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 (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 revolving loan fund (RLF) provides funding for larger loans to lower-income home owners and/or non-profit housing developers for major housing rehabilitation projects. Expenditures from the RLF are not required to be included in the Action Plan, which focuses on new CDBG revenues. The recommended allocation for home improvement grants for next year is \$40,000, based on the level of demand for this program in recent years.

Table 2: Recommended Allocations in 2017 Action Plan

Planned Allocations		CDBG	HOME
Administration	Planning and Administration	\$ 215,000	\$ 80,000
	Fair Housing*	\$ 15,000	N/A
Housing Rehabilitation	Home Improvement Program	\$ 40,000	N/A
Rental Assistance	Tenant-Based Rental Assistance	N/A	\$ 441,221
Infrastructure	Persian Drive Sidewalk Extension**	\$ 448,500	N/A
Economic Development	WorkFirst Sunnyvale (CDBO Activity)	\$ 404,000	N/A
Public Services	Human Services Grants	\$ 175,500	N/A
TOTAL		\$ 1,298,000	\$ 521,221

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. The City has established a Human Services policy and competitive RFP process for awarding human services grants on a two-year cycle, using CDBG and any supplemental General Funds. FY 2017-18 is the first year of the two-year funding cycle. Human services provide assistance to seniors, disabled adults, homeless people, lower-income households, and at-risk youth. The agencies that applied for CDBG funds are listed in the Action Plan (Attachment 2). The agencies that applied for General Funds are listed in Attachment 3 reflecting HHSC’s previous motion. The final General Fund human services grants to be approved by City Council will be included in the recommended City budget, but are not included in the Action Plan.

Public Infrastructure:

Public infrastructure projects may be funded by CDBG if they are located in census tracts with a minimum percentage of lower-income households, according to HUD. One infrastructure project, the Persian Drive Sidewalk Extension, was provided an allocation of \$200,000 in last year’s Action Plan, with hopes that additional funding would come from a State grant opportunity. The project was not awarded the State grant, so additional CDBG funds are recommended this year, if available. The project consists of a new sidewalk along the south side of Persian Drive between Morse and Borregas Avenues, where there is currently no sidewalk. The sidewalk would provide adjacent neighborhoods with safe pedestrian/bike access into Moffett Park via the bike/ pedestrian bridge over Highway 237. The project would also include storm water filtration improvements funded from a portion of a budgeted project in the Wastewater Treatment Fund (Project 831510: Green Streets for Stormwater).

Economic Development:

The “Work First Sunnyvale” Program, described in Attachment 2, has been implemented for five years by Sunnyvale Community Services, in partnership with Downtown Streets Team and Our Daily Bread. 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 has helped clients graduate and maintain employment and housing, while exceeding

national benchmarks for employment programs for homeless people. The program qualifies for CDBG funding as a Community-based Development Organization (CBDO) economic development activity.

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.

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, 2017. A draft of the 2017 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 for the required minimum 30-day review period prior to City Council action.

ALTERNATIVES

1. Approve the 2017 Action Plan as shown in Attachment 2.
2. Approve the 2017 Action Plan with modifications.

RECOMMENDATION

Staff recommends that the Housing and Human Services Commission recommend to Council Alternative 1: Approve the 2017 Action Plan as shown in Attachment 2.

Approval of the Action Plan will allow the City to receive the 2017 CDBG and HOME grants and use them to address local needs for affordable housing and related programs, consistent with the 2015-2020 Consolidated Plan. Most of these projects leverage additional funding from other sources. The Commission made its recommendations on the General Fund grants at its March meeting, as shown in Attachments 3 and 4; no further action on those allocations is required.

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ATTACHMENTS

1. Reserved for Report to Council
2. Draft 2017 Action Plan
3. Human Services: General Fund Grant Recommendations
4. Draft Minutes of Housing and Human Services Commission meeting of March 22, 2017
5. Comments Received