



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO HOUSING AND HUMAN SERVICES COMMISSION

SUBJECT

Consider Approval of Draft 2019 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 2019 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 January 2019 and seven applications were received.

The Housing and Human Services Commission (HHSC) will hold a public hearing on the draft Action Plan at its April 17, 2019 meeting. The City Council is scheduled to hold a public hearing and consider this item on May 7, 2019. Staff recommends that the HHSC recommend to City Council Alternative 1: Approve 2019 Action Plan, as shown in Attachment 2.

BACKGROUND

HUD requires entitlement grantees (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 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. The 2019 Action Plan will be the final 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; 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 \$94,450 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

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. 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 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 two years with conditional funding awards made for a two-year term; capital project proposals are considered annually. The RFP for FY 2019/20 was released

in January 2019 and the City received seven 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 (no administrative funding is available from disencumbered funds or fund balance).

As shown in Table 1 below, staff estimates that no more than \$250,000* in CDBG funds can be allocated for administrative and planning (including fair housing), and no more than \$187,000* 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

HUD has not yet released the FY 2019/20 allocations, and therefore the City estimates its grant based off the previous year's allocation. The City estimates it will receive a CDBG grant of \$1,100,000*, and a HOME grant of \$400,000* for FY 2019. In addition to the FY 2019 grants, staff estimates that approximately \$150,000* 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. In addition, approximately \$150,000 in FY 2018/19 CDBG funds and \$530,000 in FY 2018/19 HOME funds remain unallocated and can be allocated in FY 2019/20.

As shown in Table 1 below, staff estimates that nearly \$1.4 million* in CDBG funds and approximately \$930,000* in HOME funds may be available for new activities to be implemented next fiscal year. These amounts include FY 2019 entitlement grants, program income, and balances from prior years' grants. These totals may increase or decrease if the entitlement grant amounts vary from the estimates, or if more program income is received than the current projections. Please see Table 1 below for details.

Table 1: Funds Available

<i>All Amounts are Estimates</i>	CDBG	HOME
Estimated FY 2019 Entitlement Grant	\$1,100,000*	\$400,000*
Estimated FY 2018 Program Income	\$150,000*	n/a
Disencumbered/Fund Balance	\$150,000*	\$530,000*
Total Estimated Funds for FY 2019	\$1,400,000*	\$930,000*

(All amounts followed with * are estimates.)

Proposed CDBG Activities

The projects and programs proposed to be funded in 2019 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 2015-2020 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 (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 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. 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

Preservation of affordable housing is a continuous goal of CDBG funding. Plaza de las Flores, a 100-unit senior affordable housing community near downtown Sunnyvale, needs energy efficiency upgrades and noise reducing measures. The housing development is owned and operated by Christian Church Homes.

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.

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 2019/20 is the first year of the 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, for reference, reflecting HHSC's recommendation. The final General Fund human services grants to be approved by Council will be included in the recommended City budget in June 2019, but are not included in the HUD Action Plan.

Public Infrastructure:

When available, the City allocates funds for a curb ramp project, which improves the accessibility of the City's sidewalks, crosswalks and related pedestrian infrastructure for disabled users. Public Works staff have indicated that a minimum of approximately \$500,000 is needed to launch such a project given current cost estimates. Pending the final 2019 allocation, staff proposes to include this

project as a “contingency project” in the 2019 Action Plan. By doing so, if sufficient program income or carryover CDBG funds are available, or the new grant is higher than projected, this project can be implemented next year without requiring an Action Plan amendment.

Proposed HOME Activities

No HOME proposals were received in 2019 for HOME funds. The City will retain funds and issue a larger Request for Proposals in January 2020.

Table 2: Recommended ESTIMATED Allocations in 2019 Action Plan

Category	Activity	CDBG*	HOME*
Administration	Planning and Administration	\$250,000*	\$80,000*
Housing Rehabilitation	Home	\$50,000	N/A
Rental Housing	CHDO Set-Aside	N/A	\$60,000
Public Infrastructure	Contingency Project: ADA Curb Ramps*	\$171,000*	N/A
Capital Project	Plaza de las Flores Energy Efficiency Upgrades	\$308,646*	N/A
Economic Development	WorkFirst Sunnyvale (CDBO Activity)	\$432,493*	N/A
Public Services	Human Services Grants	\$187,000*	N/A
	Total	~\$1,400,000*	\$140,000*
	Estimated Funds Available	\$1,400,000	\$930,000
	Difference	-	\$790,000*
	*ESTIMATED FY 2019/20 Funds		

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 5, 2019. A draft of the 2019 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. Recommend that the City Council approve the 2019 Action Plan as shown in Attachment 2 of the staff report
2. Recommend that the City Council approve the 2019 Action Plan as shown in Attachment 2 of the staff report with modifications.

RECOMMENDATION

Recommend to Council Alternative 1: Recommend that the City Council approve the 2019 Action Plan as shown in Attachment 2 of the staff report.

Approval of the Action Plan will allow the City to receive the 2019 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 funding proposal at its April 3rd meeting, as shown in Attachment 3. Once approved by the City Council, Staff will forward the Action Plan to HUD no later than May 15, 2019.

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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 2019 Action Plan
3. Draft Minutes of Housing and Human Services Commission meeting of April 3, 2019
4. General Fund Human Services Proposals and HHSC Recommendations