



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Leslye Krutko  
Albert Balagso

**SUBJECT:** SEE BELOW

**DATE:** April 19, 2006

Approved

*Deanna Jatra*

Date

*4/25/06*

**COUNCIL DISTRICT:** Citywide

**SUBJECT: FINAL PUBLIC HEARING AND APPROVAL OF THE ANNUAL ACTION PLAN 2006-2007**

## RECOMMENDATION

It is recommended that:

1. The City Council adopt the 2006-2007 Annual Action Plan, including the FY 2006-2007 proposed recommendations for the Community Development Block Grant (CDBG) Program, the HOME Investment Partnership Program (HOME), the Housing Opportunities for People with HIV/AIDS (HOPWA) Program, and the Emergency Shelter Grant (ESG) Program.
2. Authorize the Department Director overseeing the Community Development Block Grant Program to negotiate and execute all agreements and contracts, including any amendments or modifications, for the expenditure of CDBG funds on behalf of the City.
3. Approve the ESG Program funding recommendations.
4. Approve the CDBG Program funding recommendations.
5. Authorize the Director of Housing to negotiate and execute all agreements and contracts, including any amendments or modifications, for the expenditure of ESG, HOME and HOPWA funds on behalf of the City.
6. Authorize the Housing Department to submit the FY 2006-2007 Annual Action Plan to HUD.

## OUTCOME

The Mayor and City Council will consider approval of the Consolidated Plan Annual Action Plan 2006-2007 and, if desired, request changes in order to finalize this federally required document. With approval of the Annual Action Plan, the City will be eligible to receive and distribute \$15.9 million in entitlement funds available to the City in 2006-2007.

## **BACKGROUND**

Last year the City of San José adopted a new Five-Year Consolidated Plan covering the years 2005-2010. The Five-Year Consolidated Plan assessed the City's current housing market, analyzed demographic, ethnic and socio-economic conditions, and reported the City's greatest community and housing and homeless needs for various populations (i.e. disabled, seniors, and families). The Five-Year report helps define the City's "priority" needs, strategies and objectives for reducing the most prevalent barriers to housing and services in our community. After identifying these priorities, the City establishes five-year strategies for allocating its federal CDBG, HOME, HOPWA, and ESG dollars. Each year thereafter, the jurisdiction must submit an Annual Action Plan outlining the jurisdiction's one-year plan for achieving the goals outlined in the Five-Year Plan.

## **ANALYSIS**

San José faces important challenges in providing affordable housing for all socioeconomic segments of its population, given the high-cost housing market and limited public dollars. The Consolidated Plan contains the following findings:

- Population Growth - Since 1990, San José's population has grown by 14.2% and its housing stock has grown by 13.5%. Much of this population growth is from natural population increases, rather than immigration. Net population growth outpaced any out-migration due to the economic downturn.
- Overcrowding - Compared to other areas of the State and County, San José has a high number of occupants per housing unit. Approximately 18.3% (50,579 units) of all occupied housing units in the City could be classified as overcrowded, an increase of 14.9% from 1990. Of these units, 61% were renter-occupied.
- Income - Over 30% (92,862) of San José's households fall into the low-income category. Those making very-low and extremely low incomes have acute housing needs. Hispanic households are almost twice as likely to be low-income as white households.
- Renters and Large Households - Renters are more likely to be low-income and experience housing burden than owners. Large households (over 5 members) are more likely to be low-income and have housing problems, and were particularly likely to pay a disproportionate amount of their income for rent.

In addition to these challenges, it should also be noted that federal entitlement funding continues to decline. This year, San José anticipates receiving \$15,910,885 in entitlement dollars (CDBG, HOME, HOPWA and ESG) from the federal government. This is almost a 9% decrease from last year's allocation and a total decrease of more than 14% over the last six years. The following chart demonstrates the sharp decline in funding San José has experienced in entitlement funds:

<b>Fiscal Year</b>	<b>Total Federal Funds Allocated</b>	<b>Change Over the Previous Year</b>
2006-2007	15,910,885	-9%
2005-2006	17,424,026	-5.6%
2004-2005	18,461,391	-1.2%
2003-2004	18,680,279	2.2%
2002-2003	18,280,000	-1%
2001-2002	18,468,000	

### **PUBLIC OUTREACH**

The Consolidated Plan regulations require that jurisdictions hold at least two public hearings. The City of San José routinely holds more public hearings than required by the federal government. The City sends individual announcements of these public hearings to nearly 330 organizations and individuals concerned about affordable housing and community development issues and places announcements in the San Jose Mercury News and San Jose Post Record for three days.

Including the May 9<sup>th</sup> City Council meeting, the City will have held a total of eight public hearings on the Annual Action Plan. These public meetings have been held with the Housing Advisory Commission, CDBG Steering Committee, and the City Council.

On April 5, 2006, the federally required 30-day public comment period was opened and the City Council received public input regarding the Draft 2006-2007 Consolidated Plan - Annual Action Plan at its April 11, 2006 meeting. In addition to the City Council hearing, the Housing Advisory Commission and CDBG Steering Committee took action to approve the Annual Action Plan. All of the comments from these hearings will be included in the Appendices of the Annual Action Plan to be submitted to HUD.

Because the public comment period closes on May 5, 2006, a matrix of all the comments and the City's responses will be distributed to City Council in the form of a Supplemental Memorandum prior to the May 9, 2006 City Council meeting. The Supplemental Memorandum will also include staff's recommendations for the Emergency Shelter Grants (ESG) program. A Notice of Funding Availability went out on March 3, 2006 and 16 applications were received by the March 30th deadline. A six-member ESG Review Panel, comprised of the City Homeless Coordinator, Grant Manager and Division Manager-Operations, the County Homeless Coordinator, City Attorney, and a community-based organization representative, will meet on April 20, 2006, to discuss, rate and make recommendations for the City Council's consideration.

Once the Mayor and City Council have approved the Consolidated Plan and Annual Action Plan, it will be submitted to the U.S. Department of Housing and Urban Development (HUD) by the May 15, 2006 deadline.

**COORDINATION**

Preparation of this report has been coordinated with the City Attorney's Office.

**COST IMPLICATIONS**

Without an approved Consolidated Plan, the City of San José will not be eligible to receive housing and community development funds, including CDBG, HOME, HOPWA and ESG funds, from the federal government in the amount of \$15,910,885.

**CEQA**

Not a project.



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Neighborhood Services