



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Leslye Krutko

SUBJECT: SEE BELOW

DATE: May 5, 2006

Approved

Deanna Safina

Date

5/5/06

COUNCIL DISTRICT: Citywide

SUBJECT: FINAL PUBLIC HEARING AND APPROVAL OF THE ANNUAL ACTION PLAN FOR FY 2006-07 - SUPPLEMENTAL REPORT

REASON FOR SUPPLEMENTAL REPORT

In order to report comments received during the 30-day public comment period related to the Draft Consolidated Plan 2005-2010 and Annual Action Plan 2005-2006 and to put forward the staff funding recommendations for the Emergency Shelter Grant (ESG) Program.

RECOMMENDATION

It is recommended that:

1. The City Council adopts the 2006-2007 Annual Action Plan.
2. Authorize the Director overseeing the Community Development Block Grant (CDBG) 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. 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.
5. Authorize the Housing Department to submit the 2006-2007 Annual Action Plan to the U.S. Department of Housing and Urban Development.

BACKGROUND

The memorandum submitted to the City Council on April 19, 2006, indicated that a supplemental memorandum would need to be distributed to the Mayor and City Council prior to the May 9, 2006 City Council meeting. At the time of completion of the memorandum, the City was only partially through the 30-day public comment period and the appropriate Committee and staff recommendations

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for the ESG funding were not yet available. This supplemental memorandum includes the public comments received to date, changes made to the document since the Draft Annual Action Plan was released on April 5, 2006, and the funding recommendations for the ESG program.

ANALYSIS

Public Comments

Since the release of the Draft 2005-2006 Annual Action Plan on April 5, 2006, two hearings have been held to take comments from the public. No new correspondence has been received by the City outside of these two public hearings. One of the public meetings took place at the Housing Advisory Commission meeting on April 13, 2006, and the other at the City Council public hearing of April 11, 2006. A summary of the public comments is included as **Attachment A** and will be included in the final document submitted to HUD.

Corrections and Edits

On page 4 of the report, allocation amounts for CDBG will be \$2,034,924 rather than \$1,834,924, to account for the 2006-07 projected program income of \$1,300,000 rather than the \$1,500,000 previously reported.

Beginning on page 43, line item adjustments were made to some of the City of San José General Administration and Planning projects. These changes correspond to departmental budgets and do not affect the overall total. These changes will read as follows: City of San José Department of Finance - Accounting Services for CDBG Program (\$202,272); City of San José Department of Planning, Building and Code Enforcement - Environmental Review of CDBG Proposals (\$89,049); City of San José Department of Planning, Building and Code Enforcement - Strong Neighborhoods Initiative (SNI)-Special Neighborhood Project (\$363,849).

Emergency Shelter Grant (ESG) Funding Recommendation

The City anticipates receiving \$441,400 in Emergency Shelter Grant Program funding in FY 06-07. **Attachment B** shows the funding recommendations made by City staff and the Emergency Shelter Grant (ESG) Review Panel. The ESG Review Panel reviewed and evaluated 16 ESG applications and agreed with staff's funding recommendation, which include two new requests, Bill Wilson Center-2nd Street Drop-In Center and Loaves and Fishes Family Kitchen. The five-member ESG Review panel consisted of the Homeless Services Grant Manager, the Housing Division Manager-Operations, a City Attorney, the County Homeless Coordinator, and a youth representative. The Housing Department Director made the final determination based on the panel's recommendation. Attachment B would replace the chart on page 23 of the Draft 2006-2007 Annual Action Plan.

In the "Activity" column the objectives listed reflect what the agency requested. Revisions will be made to actually reflect the awarded amounts and will be made part of the grant agreement for these agencies.

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Addition of Five-Year and One-Year Goals Chart

On page 10 of the draft Annual Action Plan, the chart entitled "Performance Objectives" has been replaced with a chart entitled Summary of Priority Housing Needs by Income Level. This change was made in response to public comments made at the April 11th City Council meeting and the April 13th Housing Advisory Commission to incorporate a table used in the Five-Year Consolidated Plan into the Annual Action Plan. This chart summarizes the City's goals and outcomes based on a five-year and one-year projection. Accordingly, **Attachment C** is recommended to be included as a part of Annual Action Plan submitted to HUD, in place of the prior performance objective table.

HUD Request of Entitlement Jurisdictions

A memorandum released to local governments on April 7, 2006, after the Draft Annual Action Plan was released for a 30-day public review period, requested that governments include an Executive Summary as a part of the Annual Action Plan. **Attachment D** reflects the addition of this new section.

PUBLIC OUTREACH

Since the release of the Draft Annual Action Plan, two public hearings have been held to obtain the public's comment. The San José City Council held a hearing on April 11, 2006, and the Housing Advisory Commission met on April 13, 2006.

COORDINATION

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


LESEYE KRUTKO
Director of Housing

ATTACHMENT A

San José City Council Meeting – April 11, 2006

Public Comment	City Response
Saul Wachter , Affordable Housing Network, commented that the Annual Action Plan was not consistent with the 2005-2010 Consolidated Plan as it did not track the number of anticipated units for 2006-2007 alongside the Consolidated Plan's five-year production number goal. Mr. Wachter encouraged the City to show these side by side comparisons in order to demonstrate the numbers of extremely-low income housing needed, along with the City's plan for developing these units. (A letter was distributed to the Mayor and City Council, a copy is attached)	The City will add a chart in the draft Annual Action Plan that will compare need, with the City's stated Five-Year housing goal and annual goal for 2006-2007.
Richelle Small with the San Jose State Student Homeless Alliance commented about the tremendous needs of the homeless populations and those with extremely-low incomes. Ms. Small said more should be done to assist the 25,000 ELI households.	With the adoption of the City's 10 Year Homeless Strategy and Consolidated Plan, the City recognizes the need to target and use funding for more ELI units.
Sandy Perry with CHAM commented that the Section 8 Housing Choice Vouchers should be expanded along with the PROGRESS program for ELI families. Mr. Perry encouraged the City to apply more pressure to the State and federal government for resources.	The City will actively continue to request that State and federal governments increase funding for affordable housing.

The Housing Advisory Commission Meeting –April 13, 2006

Public Comment	City Response
Commissioner Bock asked staff to explain the use of Section 108 funds and which housing project was receiving the money for a parking facility?	In regard to the Section 108 loans, staff explained that these are monies borrowed against the City's CDBG funds and are for economic development purposes. The parking spaces that are being created are for the public and are not intended for private use.
Commissioner Bock commented that there is a need to create a category of funding for people who are paying high rents, or are living in overcrowded conditions to help them before they fall through the cracks.	The purpose of all affordable housing funding is to target those people who are spending too much on housing and living in overcrowded conditions.
Commissioner Bock noted that the City should reconsider the policy which gives preference to Section 8 participants in ten percent of new affordable units (p. 33), because she stipulates this is using twice of the resources we have available on a single unit of affordable housing.	This policy was adopted to respond to the difficulties Section 8 Voucher holders were experiencing finding landlords who would accept the Voucher. Many were unsuccessful in locating willing landlords prior to the adoption of this policy.
Commissioner Bock encouraged the City to include a chart in the Annual Action Plan, similar to the one in the 5-Year plan which showed need alongside the 5-Year and annual goal numbers.	The City will add a chart in the draft Annual Action Plan that will compare need, with the City's stated Five-Year housing goal and annual goal for 2006-2007.
Saul Wachter , Affordable Housing Network, commented that the Annual Action Plan was not consistent with the 2005-2010 Consolidated Plan as it did not track the number of anticipated units for 2006-2007 alongside the Consolidated Plan's five-year production number goal. Mr. Wachter encouraged the City to show these side by side comparisons in order to demonstrate the numbers of extremely-low income housing needed, along with the City's plan for developing these units. (A letter was distributed to the Mayor and City Council, a copy is attached).	See above comments.
Chair Fink further requested inclusion of a table which shows how the City will meet the performance objectives for FY 2006-2007, which can be compared against the housing needs outlined in the 2005-10 Consolidated Plan.	See above comments.

ATTACHMENT B

Agency	Activity*	Funding Request	Proposed Funding
AACI	Provide safe, confidential shelter and comprehensive services to 104 battered women and their children.	25,000	12,718
Bill Wilson Center Runaway and Homeless Youth Shelter	Emergency shelter and counseling for 12 youth and meals for 115 youth ages 11to 17.	21,000	20,691
Bill Wilson 2 nd Street Drop-In Center	Downtown San Jose Drop-In Center for homeless, at-risk youth ages 13 to 23. Provide comprehensive services, including benefits counseling, job training and placement, and assistance in obtaining permanent housing to approximately 200 youth	\$30,000	7,000
City Team Ministries	Provide emergency food for men, women and children for 3 meals, 7 days a week. Provide emergency shelter, showers and support for up to 54 men on a nightly basis.	55,200	10,249
Community Technology Alliance	Project SHARE – Voicemail telecommunications costs for 500 persons, Shelter Bed Hotline for approximately 9,000 users, and training materials for partnering agency case managers and clients.	34,485	34,140
EHC LifeBuilders	Provide emergency shelter, meals and transportation to homeless families and individuals during the cold weather months	90,000	66,210
Family Supportive Housing	Provide emergency shelter and supportive services to approx. 200 unduplicated homeless family members.	50,000	46,865
Homeless Care Force	Feed and clothe the "street" homeless through a mobile hot meals and warm clothing program.	35,000	23,513
InnVision, Commercial Street Inn	Provide emergency shelter, meals and transportation to 220 homeless women and children, and assistance in obtaining permanent housing.	30,000	23,808
InnVision, Georgia Travis Day Center	Provide 9,000 units of emergency daytime shelter, which includes 2 meals per day, showers, laundry and childcare, to homeless women and their children.	45,000	36,209
InnVision, Montgomery Street Inn	Provide transportation, meals and 5,000 nights of emergency shelter to more than 500 homeless men and support services including job counseling and placement, and case management.	45,000	36,954
Loaves And Fishes Family Kitchen	Provide food services to families at risk of homelessness, in addition to utility termination prevention assistance, benefits counseling, and assistance in obtaining permanent housing. Staff is recommending awarded funds be used strictly for food service.	12,000	5,372
Martha's Kitchen	Provide approximately 30,000 emergency meals to the homeless and those at risk of homelessness.	40,000	10,000
Next Door: Solutions to Domestic Violence	Provide 21 beds in safe housing for up to 6 weeks, and 3 nutritious meals per day, and case management services approx. 75 victims of domestic violence.	43,500	23,808
Sacred Heart Community Services	Provide direct financial rental assistance to 3,500 individuals, emergency financial assistance to 500-600 individuals for utility, medical and transportation, and partial staff costs.	75,000	60,262
The Unity Care Group	Provide stable, nurturing housing, counseling, educational preparation and other supportive services to 75 homeless children and youth.	26,400	23,601
Total		\$657,585	\$441,400

*The Activity objectives will be revised to reflect the final award amount.

ACTIVITIES TO ADDRESS PRIORITY NEEDS

HOUSING NEED AND GOALS

As noted in the Strategic Plan section of the City's 2005-2010 Consolidated Plan, there are several priority needs that the City intends to address. The chart below illustrates the number of households in San José, by income, paying more than 30% of their income on housing. Furthermore, the City has identified five-year and one-year goals to help respond to the need of residents for more affordable housing options. Table 2A below helps to demonstrate the overall need identified in the Consolidated Plan 2005-2010 and the goals for addressing this need.

The 1-Year Goals listed for Fiscal Year 2006-2007 includes the anticipated completion of new housing units, Inclusionary housing units, households newly assisted through the Section 8 Voucher program, homeowner housing rehabilitation, construction of new homeownership units, and homebuyer purchase assistance.

At this rate, when looking at the five-year goals established in the 2005-2010 Consolidated Plan, the City has met 25% of this number and is therefore on track to meet its goal.

Table 2A
Summary of Priority Housing Needs by Income Level
Five-Year and One-Year Goal

Priority Housing Needs – Households	Income Levels # of Households	Priority Need Level – High, Medium, and Low	Unmet Need based on Cost Burden	5 – Year Goal 2005-10	1-Year Goal 2006-07
Small Related Renters (0-80%) - 20,974	0-30%MFI (7,470)	H	6125	316	121
	31-50%MFI (7,365)	H	5523	700	198
	51-80%MFI (6,139)	M	2701	440	-
Large Related Renters (0-80%) – 12,968	0-30%MFI (4,600)	H	3956	200	45
	31-50%MFI (4,715)	H	2923	600	156
	51-80%MFI (3,653)	M	876	330	177
Elderly Renters (0-80%) – 8,182	0-30%MFI (5,659)	H	3723	200	39
	31-50%MFI (1,685)	H	1078	249	5
	51-80%MFI (838)	M	444	150	-
Other Renter Households (12,533)	0-30%MFI (4,955)	H	3518	59	58
	31-50%MF I (3,454)	H	2798	500	174
	51-80%MFI (4,124)	M	2557	90	103
Total Owner Households (0-80%) (19,123)	0-30% MFI (10,755)	H	7528	591	83
	31-50% MFI (4,715)	H	7118	620	107
	51-80%MFI (3,653)	M	8190	719	148
Total			59,058	5,764	1,414

EXECUTIVE SUMMARY

Until the recent economic downturn, Santa Clara County, in the heart of Silicon Valley, enjoyed enormous economic success due to the booming Information Technology (IT) industry. Although it has one of the highest median incomes in the nation-- \$105,500 for a family of four-- Santa Clara County has significant income disparity, with people earning high salaries and stock options living beside families on fixed incomes and people earning minimum wages. The gap between income and housing affordability continues to widen.

The City of San José is the tenth largest city in the United States, with a population of over 950,000. While San José is a vibrant and successful community, many of the City's residents, especially those with lower incomes, cannot afford decent, safe and appropriate housing. Although over 200,000 jobs were lost in the Silicon Valley since 2000 and many workers have left the area, housing prices have continued to rise and remain significantly higher than other parts of the State and nation. The City of San José has a strong commitment to ensure that all of its residents have a variety of housing options, both in terms of housing type and affordability.

As a part of the City's Consolidated Plan 2005-2010, the City conducted a thorough evaluation of the community's housing and development needs and provides strategies to address those needs. The "Housing Needs Assessment" looks at US Census data for the year 2000 and gives characteristics for San José's housing stock and demographics. These key findings are summarized below:

- ◆ **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 Jose 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, particularly rent burden.

In a telephone survey commissioned by Santa Clara County and the cities in the County, survey participants were asked to rank the two most important community needs. This survey was conducted with 417 households, selected at random throughout Santa Clara County. The purpose of the survey was to better understand public opinions regarding community needs for affordable housing, economic development, public services and facilities; education and job training; homeless services and shelter; and other services.

The survey results showed that the top seven community needs cited by respondents were:

- ◆ Affordable Housing Construction (7.7%)
- ◆ Facilities and Services for At-Risk Youth (6.5%)
- ◆ Health Care Facilities and Services (6.5%)
- ◆ Facilities and Services for Seniors (6.2%)
- ◆ Anti-Crime Programs (6.1%)
- ◆ Rental Assistance for Low-Income Households (5.8%)
- ◆ Facilities and Childcare Services (5.3%)

Of the various types of affordable housing programs that survey participants were asked to rank, three in particular were ranked as most important: rental assistance for low-income households (21.7%), construction of affordable housing (20%), and homebuyer assistance (18.6%). Other highly ranked affordable housing programs, at 10.2% each, were accessibility improvements for disabled households and housing rehabilitation assistance for lower income households.

San José faces important challenges in providing affordable housing for all socioeconomic segments of its population given the highly competitive housing market and limited public dollars. The following report is a one-year "Annual Action Plan" covering FY 2006-2007. This report is a follow-up to the City's Five-Year Consolidated Plan and outlines the approach the City plans to take during the next fiscal years to meet these needs.

The following outlines some of the highlights of the City's objectives and goals for FY 2006-2007:

- **Maintaining and Expanding the Supply of Affordable Rental Housing** by completing 748 new and rehabilitated affordable (ELI/VLI/LI) rental housing units.
- **Maintaining and Expanding the Homeownership Opportunities & Supply** by completing 112 new for-sale units, assisting 86 LI/MOD homeowners with downpayment assistance; and providing housing rehabilitation to 275 low-income (ELI/VLI/LI) homeowners.
- **Ending and Preventing Homelessness** by providing 20,000 individuals/families with direct or indirect assistance from community-based agencies assisted by the City of San José and provide 7 new permanent housing units, 8 transitional housing units, and 26 permanent beds all for ELI households.
- **Assisting Special Needs Population** by providing funding for 36 ELI SRO units for the developmentally disabled and assistance to 73 low-income senior and disabled households for single-family home rehabilitation.
- **Improving our Community through Neighborhood and Economic Development**, by focusing on serving lower income residents and providing 48,639 seniors, disabled, youth and children with critical public services; serving 439 people through Micro-Enterprise Assistance to businesses; and providing code enforcement and rehabilitation to over 3,000 housing units.