



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Leslye Krutko

SUBJECT: SEE BELOW

DATE: March 17, 2009

Approved

Date

3-19-09

COUNCIL DISTRICT: Citywide
SNI Area: N/A

SUPPLEMENTAL

SUBJECT: AVAILABILITY OF THE CONSOLIDATED PLAN - ANNUAL ACTION PLAN FOR FY 2009-2010 AND 30-DAY PUBLIC COMMENT PERIOD

REASON FOR SUPPLEMENTAL

At the time the memorandum on the availability of the Annual Action Plan FY 2009-2010 was due, the Annual Action Plan was still being drafted. Therefore, it is necessary to provide a supplemental memorandum in order to give the Mayor and City Council a copy of the recently released Annual Action Plan FY 2009-2010. This supplemental does not change the recommendation provided in the March 2, 2009 memorandum.

BACKGROUND

Attached to this memorandum, please find a copy of the Draft Consolidated Plan – Annual Action Plan 2009-2010. On March 24, 2009, the Mayor and City Council will conduct a Public Hearing and announce that as of March 17, 2009, the draft Action Plan is available to the public for thirty days for review and comment. The federally required 30-day public review and comment period will end on April 17, 2009. The draft document is available at the City's Housing Department and online at www.sjhousing.org/report/conplan.html. During this period, comments are accepted from the public via phone, in-person, mail, e-mail, or testimony provided

HONORABLE MAYOR AND CITY COUNCIL

March 17, 2009

Subject: Availability Of The Annual Action Plan FY 2009-2010 And 30-Day Public Comment Period

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at hearings on the Plan. The City Council will hold a final public hearing and approve the Plan on May 5, 2009.



LESLYE KRUTKO

Department of Housing

Attachment

For questions, please contact Leslye Krutko, Director of Housing, at (408) 535-3851.



CITY OF SAN JOSÉ

2005-2010 Consolidated Plan

ANNUAL ACTION PLAN
2009- 2010
DRAFT

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ANNUAL ACTION PLAN 2009-2010

The City of San José approved its **2005-2010 Consolidated Plan** in May 2005 and the U.S. Department of Housing and Urban Development (HUD) approved the report on July 21, 2005. The document that follows is the Fiscal Year 2009-2010 Annual Action Plan.

As defined by the U.S. Department of Housing and Urban Development guidelines, the City of San José 2005-2010 Consolidated Plan outlines the community's strategy for addressing its housing and community development needs. Developed through a collaborative process, the Consolidated Plan identifies the City's unified vision for actions to meet those housing and community development needs over a five-year period.

The Five-Year Consolidated Plan Serves Four Primary, Integrated Functions:

- ◆ It is a planning document, based on citizen input, which provides information for other jurisdictions
- ◆ It is a federal funding application for four of the U.S. Department of Housing and Urban Development (HUD) formula grant programs: HOME Investment Partnership Act (HOME), Housing Opportunities for Person with HIV/AIDS (HOPWA), Emergency Shelter Grant (ESG), and Community Development Block Grant (CDBG)
- ◆ It is a strategy to carry out HUD programs
- ◆ It is an action plan, which provides the foundation for performance assessment and evaluation

The Plan is based on the priorities identified by HUD for providing decent housing, providing a suitable living environment, and expanding economic opportunities for lower-income households from 2005 to 2010.

The **Annual Action Plan** is completed every year in order to provide program-specific information about the activities for the upcoming year. To conform to HUD requirements, the Annual Action Plan must contain the following components:

- ◆ Program Resources, including federal, State and local
- ◆ Housing for Homeless and Other Special Needs Populations
- ◆ Geographic Distribution
- ◆ Specific Program Requirements
- ◆ Monitoring
- ◆ Form Application (Standard Form 424)

EXECUTIVE SUMMARY

The City of San José is the tenth largest city in the United States, with a population of over 973,000. It has one of the highest median incomes in the nation-- \$105,500 for a family of four. Yet the City still finds itself with significant income disparity, with people earning high salaries and stock options living beside families on fixed incomes and people earning minimum wage. The gap between income and housing affordability continues to widen. The City has a strong commitment to ensuring that all of its residents have a variety of housing options, both in terms of housing type and affordability. 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.

The 2009 Joint Venture Silicon Valley report indicated that Silicon Valley has become the least affordable region for housing in California, with less than 30% of the first-time homebuyers able to afford a median-priced home. Only 5% of all the housing units approved in 2008 were classified as affordable, down from 10% in 2007. This situation highlights the critical need for housing assistance so that service providers such as nurse's aides, janitors, retail workers, police officers and teachers can afford to live and work in our neighborhoods. This has been exacerbated by the current housing downturn caused by the subprime mortgage crisis and foreclosures. The number of foreclosure sales rose from 2,429 in 2007 to 6,900 in 2008. In addition to adversely impacting lower-income homeowners, the sub-prime crisis has also affected low-income renters who are displaced, sometimes without adequate notice. Often times, these renters may even lose their security deposit and experience difficulty finding another place to live.

Due to the nature of lending practices over the last several years, the foreclosure crisis is likely to get worse before it becomes better. Moreover, the decline in the housing market has, in turn, dragged down the broader economy. While Silicon Valley had been relatively insulated from cuts, local unemployment figures have risen in recent months and may continue to increase in the months ahead. When householders lose their jobs, they also lose their ability to pay their mortgage. Thus, foreclosures may spillover into a previously unaffected group of homeowners. Experts generally agree that the economy and the housing market will continue to decline until 2010 or 2011. Thus, foreclosures will continue to have a significant impact on San José's families, households, and communities over the short- and longer-term.

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. The data indicates that those making below the median incomes for the area have a significant housing need. 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 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 from 14.2% in 1990. Of these units, 61% were renter-occupied;
- ◆ **Income** - Over 30% (93,068) of San José's households fall into the lower-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 2005 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 2009-2010. 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 year to meet these needs.

Beginning in the 2006-2007 Annual Action Plan, jurisdictions have been asked to incorporate a set of performance measures for each of the programs funded by the U.S. Department of Housing and Urban Development (HUD). Generally, the following outlines some of the highlights of the City’s objectives and goals for FY 2009-2010:

- **Maintaining and Expanding the Supply of Affordable Rental Housing** by completing **474** new and rehabilitated affordable (ELI/VLI/LI) rental housing units.
- **Maintaining and Expanding the Homeownership Opportunities & Supply** by providing housing rehabilitation to **390** low-income (ELI/VLI/LI) homeowners and by assisting 229 homebuyers through new construction, inclusionary production and downpayment assistance.
- **Ending and Preventing Homelessness** by providing **5,000** individuals/families with direct or indirect assistance from community-based agencies assisted by the City of San José.
- **Assisting Special Needs Population** by providing funding for ELI/VLI/LI units and assistance to **183** low-income senior and disabled households for single-family home rehabilitation (this number is included in the 390 units of rehabilitation, mentioned above).
- **Improving our Community through Neighborhood and Economic Development**, by focusing on serving lower income residents and providing **17,206** seniors with critical public services; providing **1,726** individuals with gang and drug intervention services for youth; shelter and social services to **1,103** individuals and families who’ve experienced domestic violence; serving **272** entrepreneurs and businesses through Micro-Enterprise Assistance; and providing code enforcement and rehabilitation to over **2,355** housing units.

The City has demonstrated an excellent track record of reporting and meeting its annual and five-year goals and objectives. In a letter to the City of San José from HUD entitled the “Annual Community Assessment for FY

2005," HUD commended the City for producing a cumulative of 1,350 affordable rental units benefiting large families, through new construction and acquisition/rehabilitation, thus exceeding its Annual Action Plan objective by 309%. Additionally, the City has exceeded its goals under its first-time homebuyer program by helping 188 residents, which represents 188% of its Annual Plan objective.

San José received a grade of A+ from the Bay Area Council for exceeding its Regional Housing Needs Allocation (RHNA) for 1999-2005 and received special mention as a top performer in its report titled *Bay Area Housing Profile 2006*. The Association of Bay Area Governments (ABAG) has determined that San José's fair share of the regional need for the current planning period from January 2007 through June 2014 is 34,721 housing units, an increase of 33 percent from the prior regional housing need planning period.

The City has also been quite effective in utilizing its ESG and HOPWA funds by providing over 300,000 units of service including case management, housing assistance, food, and employment services to homeless persons and persons at-risk of becoming homeless, as well as providing over 50,000 households with housing assistance in FY 2008-2009.

Programmatically, the CDBG program has continued to demonstrate success as indicated in a November 2007 monitoring report. HUD commended the Housing Department on a seamless transition from the City's Parks, Recreation and Neighborhood Services Department to the Housing Department in July 2006, and the process improvements implemented shortly thereafter. HUD issued this report with no findings or concerns.

CITIZEN PARTICIPATION

The United States Department of Housing and Urban Development (HUD) requires that each jurisdiction hold at least two public hearings -- one before the Plan is prepared to gain public comments on the community's needs, and one after the Plan is published for citizen review. A 30-day review period is also required, during which public comments are accepted and written into the Plan.

The following schedule of hearings was published in the San José Mercury News on January 28 and 29, 2009 and in the San José Post Record on January 27 and 28, and in La Oferta (Spanish newspaper) and in Thoi Bao (Vietnamese newspaper) on January 28 and 29. In the course of three months, the City held five public hearings to obtain input. In addition, there was a 30-day public review period, as mandated by HUD, from March 17, 2009 through April 17, 2009.

What?	Who?	Where?	When?
Hearing on "Housing and Community Development Needs."	Housing and Community Development Advisory Commission	San Jose City Hall 200 E. Santa Clara Street City Council Chambers	February 12, 2009 5:45 p.m.
Review and Approval of staff funding recommendations for the Community Development Block Grant Program.	Housing and Community Development Advisory Commission	San Jose City Hall 200 E. Santa Clara Street Room T-1254 (Tower)	March 12, 2009 5:45 p.m.
Draft Consolidated Plan Annual Action Plan 2009-2010 available to the public.	Contact the Housing Department to receive a copy. (408) 975-4418 or (408) 294-9337 (TTY)	City of San Jose - Housing 200 E. Santa Clara St.-12 th Floor, San Jose, CA 95113	March 17, 2009
Public Hearing of the Draft Consolidated Plan Annual Action Plan 2009-2010	San Jose City Council	San Jose City Hall 200 E. Santa Clara Street City Council Chambers	March 24, 2009 1:30 p.m.
Public hearing and approval of the draft Consolidated Plan Annual Action Plan 2009-2010.	Housing and Community Development Advisory Commission	San Jose City Hall 200 E. Santa Clara St. Room W – 118, 119 (Wing)	April 9, 2009 5:45 p.m.
End of 30-Day Public Comment Period			April 17, 2009
Final approval of the Consolidated Plan Annual Action Plan 2009-2010.	San Jose City Council	San Jose City Hall 200 E. Santa Clara Street City Council Chambers	May 5, 2009 1:30 p.m.
Submit Annual Plan to the US Department of Housing and Urban Development.			May 15, 2009

PROGRAM RESOURCES

Federal Resources

Entitlement jurisdictions are those central cities of Metropolitan Statistical Areas (MSAs); other metropolitan cities with populations of at least 50,000; and qualified urban counties with populations of at least 200,000 (excluding the population of entitled cities). These qualifying areas are “entitled” to receive an annual grant from the U.S. Department of Housing and Urban Development (HUD). HUD determines the amount of each entitlement grant by a statutory dual formula which uses several objective measures of community needs, including the extent of poverty, population, housing overcrowding, age of housing and population growth lag in relationship to other metropolitan areas. The City of San José is an entitlement jurisdiction and receives and administers these federal funds from the following programs:

- ◆ HOME Investment Partnership Program (**HOME**)
- ◆ Housing Opportunities for People with HIV/AIDS Program (**HOPWA**)
- ◆ Housing Opportunities for Persons with AIDS competitive Special Project of National Significance (**HOPWA SPNS**)
- ◆ Emergency Shelter Grant Program (**ESG**)
- ◆ American Dream Downpayment Assistance Initiative (**ADDI**)
- ◆ Community Development Block Grant Program (**CDBG**)

The proposed uses of these funds for Fiscal-Year 2009-2010 are described below:

HOME - Of the total \$4,217,383 grant, approximately \$2.3 million will be committed to homeownership programs, rehabilitation programs for owner-occupied housing, to project sponsors for property acquisition in connection with new construction of ownership or rental housing on small development sites, and for the construction of new affordable rental developments through acquisition and rehabilitation of existing properties servicing special needs populations. An additional \$1.5 million is being proposed for use in a shallow subsidy (rental assistance) program in conjunction with a case management program for homeless households. Of the total grant, 15% must be set-aside for Community Housing Development Organizations (CHDOs). An additional 5% may be used to support the operating expenses of CHDOs working on housing development. Up to 10% of the grant (excluding the ADDI allocation of \$25,135) may be used for the City’s administrative costs, including any administrative costs to a subrecipient.

HOPWA - Of the \$767,000 granted to the City in HOPWA funds for FY 2009-2010, it is anticipated that approximately \$743,470 will be distributed to housing and service providers. Approximately 3% of the City’s total HOPWA allocation, or \$23,010, will be used for the City’s administrative costs.

The City anticipates continuing to contract with the Health Trust to administer its HOPWA funds. Additionally, as administrator of the County of San Benito HOPWA Program, the City anticipates allocating approximately \$27,250 in HOPWA funds for the needs of individuals and families living with HIV/AIDS in San Benito County for FY 2009-2010.

HOPWA SPNS - The City's FY 2007-2010 Housing Opportunities for Persons with AIDS (HOPWA) competition for a Special Project of National Significance (SPNS) was renewed in the amount of \$1,226,500 for FY 2007-2010. The City continues to contract with the Health Trust to administer the HOPWA-SPNS grant including allocating \$1,193,050 to the Health Trust to provide long-term rental subsidies in shared housing and supportive services to persons with HIV or AIDS in Santa Clara County. \$33,450 of the HOPWA SPNS funds will be allocated to the City of San Jose Housing Department to cover administrative costs.

ESG - The City anticipates being awarded a total of \$443,313 in ESG funds for FY 2009-2010. These funds are being marketed affirmatively to nonprofit service providers that offer a wide range of services to people who are homeless or at risk of becoming homeless. For this fiscal year, the City has established funding priorities as follows: 1) homeless prevention, 2) essential services, and 3) operating costs. The City's focus is to end chronic homelessness, as defined in its 10-Year Plan, through the provision of housing assistance (e.g. short-term rental, mortgage and utility subsidies) and essential services (e.g. assistance in obtaining benefits, job training, medical, and substance abuse), in an effort to assist clients to maintain or obtain stability and becoming self-sufficient.

Additionally, the City will require that each agency awarded ESG funds be an active user of the Homeless Management Information System (HMIS). Each participant will be required to receive a certification of completion of HMIS training, which is offered by the Community Technology Alliance (CTA), unless an agency demonstrates extenuating circumstances for why they can not legally participate (e.g. their clientele are victims of Domestic Violence or Unaccompanied Youth). The City is funding this technical assistance program through the City's Low Income and Moderate-Income Fund.

The City also anticipates receiving \$4,128,763 in homelessness prevention and re-housing funds as part of the federal government's American Recovery and Reinvestment Act (ARRA). It is anticipated that eligible uses of the funds will be financial assistance and services to prevent individuals and families from becoming homeless and help those who are experiencing homelessness to be quickly re-housed and stabilized.

ADDI - The federal government approved a new source of funding for homeownership called the American Dream Downpayment Assistance Initiative in 2003. A total of \$25,135 will be available in FY 09-10. Funding will be used to carry out Homeownership program activities serving lower-income households. Administrative costs for this grant will be funded through the administrative allowance under the City's HOME entitlement.

CDBG - Total CDBG funding in the amount of \$12,177,000 will be available for Fiscal Year 2009-10, comprised of \$9,900,000 from the City's 2009 CDBG entitlement grant, \$800,000 from projected 2008-2009 program income, and \$1,477,000 from prior year funds. During this one-year period, the City proposes to utilize more than 80% of these funds to serve low- and moderate-income persons. The City will allocate 15% of its entitlement grant to Community Contractual Services (CCS) and 20% toward Fair Housing and General Administration. New applications were solicited for the FY 2009-10 application process for both CCS and Community Development Initiative (CDI) projects. The competitive process required that the proposals fall under at least one of three established funding priorities and show that the project is in alignment with related city efforts. The three priorities are: 1) Basic needs, stabilization and counseling; 2) Assisting the special needs of seniors, disabled and youth; and 3) Self-sufficiency by advancing adult living skills. In addition, the program continued to require a 20% minimum funding match requirement and financial audits were scored utilizing a 10-point audit review scoring system.

On February 12, 2009, President Obama approved an additional \$1 Billion in CDBG formula funding nationwide. Based on formula funding, the City of San Jose has been allocated \$2.7 million. This funding will be in addition to the 2008 allocation received and contains the requirement that priority be given to projects that are bid ready

within 120 days of the date funds are made available to the City. The City has identified several projects that will meet this requirement, while creating additional jobs, including green jobs. It is anticipated that these activities and associated costs will continue into FY 2009-10.

Housing and Economic Recovery Act 2008 (HERA) /Neighborhood Stabilization Program (NSP) – In July 2008, the Housing and Economic Recovery Act 2008 (HERA) was approved by President Bush. A component of the Act was the Neighborhood Stabilization Program (NSP) which was designed to provide assistance to jurisdictions hardest hit by the increase in foreclosures. In September 2008, The City of San Jose was allocated \$5.6 million in NSP funds. In February 2009, the City’s plan was approved, which included two programs; 1) Rental Housing – acquisition and redevelopment of multi-family housing units, and 2) Homebuyer – acquisition, rehabilitation and re-sale of foreclosed single-family residences. Under NSP regulations, it is required that the City set-aside 25% of the funds for housing benefiting individuals and families that fall within the very-low-income category or 50% of the area median income. The City has committed to increase the percentage of funds to the VLI population by focusing its efforts on the acquisition and redevelopment of multi-family housing specifically in areas heavily impacted by foreclosures and that have experienced neighborhood deterioration caused by blight and vandalism. The activities associated with this project will continue into FY 2009-10, with funds committed within the 18 month requirement.

To further support this effort, the City will also submit applications for the State NSP program and the 2009 ARRA stimulus funds allocated to NSP, both of which are competitive.

BEDI/Section 108 – In 2006, the City’s Redevelopment Agency was awarded a \$2,000,000 Brownfields Economic Development Initiative Grant and a \$13,000,000 Section 108 Loan from HUD for the construction of publicly available parking in conjunction with the Downtown Mixed Use Development project.

The Section 108 loan and BEDI funds were drawn down in February 2006. Both the Section 108 loan funds and the BEDI funds have been expended. The Downtown Mixed Use project combines HUD funds with Redevelopment Agency funds and private financing to create a mixed use project on two sites. The construction of a 67-stall public parking facility at the Second and Santa Clara site opened in November 2007 and the construction of a 338-space public parking facility at the Block 3 site is anticipated to be complete in Summer 2009.

Similar to the Downtown Mixed Use project, the Story/King Revitalization project combines HUD funds with Redevelopment Agency funds and private financing to create a new 191,500-square foot retail center on the southeast corner of Story Road and King Road. The center celebrated its grand opening on November 5, 2005 and to date has been a great success. Contracts for the \$18.8 million Section 108 funds and \$2 million BEDI funds have been executed. The funds have been fully drawn down.

The Story/King HUD funds were used to reimburse the Agency for acquisition and relocation expenses. The relocation of 21 tenants on the southeast corner of the property was quite extensive. Of the 21 tenants relocated, the average distance from their original site was 1.86 miles. The Agency made every effort to ensure the smoothest possible transition of the tenants to their new location.

In 1997, a \$5,200,000 HUD Section 108 loan and a \$475,000 EDI grant were used to rehabilitate three historic rehabilitation projects in the Downtown. The funds covered seismic retrofit of the building, historic rehabilitation of the façade, and other building shell improvements. The breakout out of the use funds was as follows:

	Section 108 funds	EDI grant funds
Masson Building	\$ 1,500,000	\$ 200,000
Security Building	\$ 2,350,000	\$ 75,000

Dr. Eu (Bassler-Haynes Bldg.)	\$ 1,350,000	\$ 200,000
Total	\$ 5,200,000	\$ 475,000

All three projects have been completed. The Redevelopment Agency entered into a new Owner Participation Agreement (OPA) with Isis Properties for the rehabilitation of the Bassler-Haynes Building on August 10, 2004. The OPA was subsequently amended on December 14, 2004 and in December 2006. Similar to the Downtown Mixed Use Project, the Isis OPA combines HUD funds with Redevelopment Agency funds and private financing. All HUD funds were expended in 2007. Construction on the project began in April 2005. Work was completed in April 2008, and marketing of the space began at that time.

FMC - Section 108 Loan

San Jose applied for and received \$25.8 million dollar Section 108 loan to purchase 23.23 acres of land from FMC Corporation. The land is directly adjacent to the Mineta San Jose International Airport. The purchase of land was in conjunction with an additional City bond-financed purchase of 52 acres of land also from FMC. The approximately 75 acres of land is a strategic piece of property for the City. The 75 acres is intended, in the long term, to accommodate 1.5 million square feet of high-end R&D and hotel development that will each support the Airport and the City's overall revenue position. Thousands of jobs will be generated by employers on the site. A 13.5 acre portion of the site has been designated for a sports facility and its associated parking. In the short term, the property is critical to the build out of the terminal buildings at the Airport. The Airport is land locked with very little land for lay down, moving and storage of rental cars, and other facilities. The \$25.8 million loan principal was not converted to long-term debt and repayment is anticipated to be made at the completion of the project.

Much progress has been made on the project in the last few years. The City officially closed escrow on the final 23.23 acres in May 2006, after receiving a no further action letter from the Department of Toxic Substance Control. The City has now drawn down the full loan amount to pay for the property. The BEDI grant of \$2 million dollars were used as intended to pay debt service as the City progressed toward the use of the site as described above.

In July 2008, the City entered into a 2-Year Purchase Option Agreement with the Developer. The agreement was written with a contingency requiring a good-faith effort by the City to seek a ruling from HUD on the waiver of the job creation requirement as originally set, if the \$25 million Section 108 loan and the \$2 million BEDI grant were paid in full. It was the opinion of the CPD Director, that the payoff would be a precedent-setting activity and if approved by HUD Headquarters, it can be expected that the City will experience a penalty charge in addition to the principal payoff. Staff is currently in discussions with the local CPD Office on this issue and the job creation requirement as it relates to this loan. The City has proposed to transfer the job creation requirement associated with this loan to the jobs expected to be created with the current Airport Expansion Project and is working with HUD to establish the current job baseline.

In late 2008, the Agreement was opened for re-negotiations due to the decrease in property value. The Option Agreement is providing the funding for the debt service coverage.

Other Federal Funding Sources & Updates

In addition to the federal funds administered by the City listed above, various nonprofit service providers receive money directly or indirectly from the Federal government. Specifically, funds are available to support homeless services or other interim, transitional and permanent housing facilities, supportive services, and homeless prevention programs. Federal funds for the homeless in addition to ESG funds include:

- ◆ Section 811 Program Funds – Supportive Housing for Persons with Disabilities
- ◆ Section 202 Program Funds for the Elderly and Handicapped

The City, acting as the City of San José Housing Authority, entered into an agreement with the Housing Authority of the County of Santa Clara (HACSC), designating it to administer and manage the Section 8 Voucher program and public housing programs within the City of San José. The HACSC receives federal funding to run the programs below:

- ◆ **Housing Choice Voucher Program** - This program provides rental assistance to very low and low-income families, including several special programs outlined below.
- ◆ **Shelter Plus Care** - This is a rental assistance program funded by McKinney Homeless monies for chronically homeless persons with a disability – particularly mental illness, chronic alcohol and/or drug addiction, and HIV/AIDS. Participants receive on-going case management and access to supportive services.
- ◆ **Family Self-Sufficiency Program** - This is a five-year program to assist current Section 8 and Conventional Public Housing participants to improve their employment opportunities in an effort to become economically independent and self-sufficient. As a family’s rent portion increases due to an increase in their earned income, HUD matches that amount in an escrow account in the family’s name. At the end of five years, if the family has met their goals, remained off welfare assistance for the prior 12 months, and sought and maintained employment, the escrow money is awarded to them.
- ◆ **Public Housing** - The HACSC operates several public housing developments within the City of San José. The following web-site link provides a listing of completed public housing developments in the County, including San José: http://www.hacsc.org/completed_projects_overview_B.htm.

The HACSC further plays a direct role in developing affordable housing units. Acting as a nonprofit housing developer, the Housing Authority applies for funds from the City and a variety of State, federal, and private sources for its various development projects.

State and Local Sources

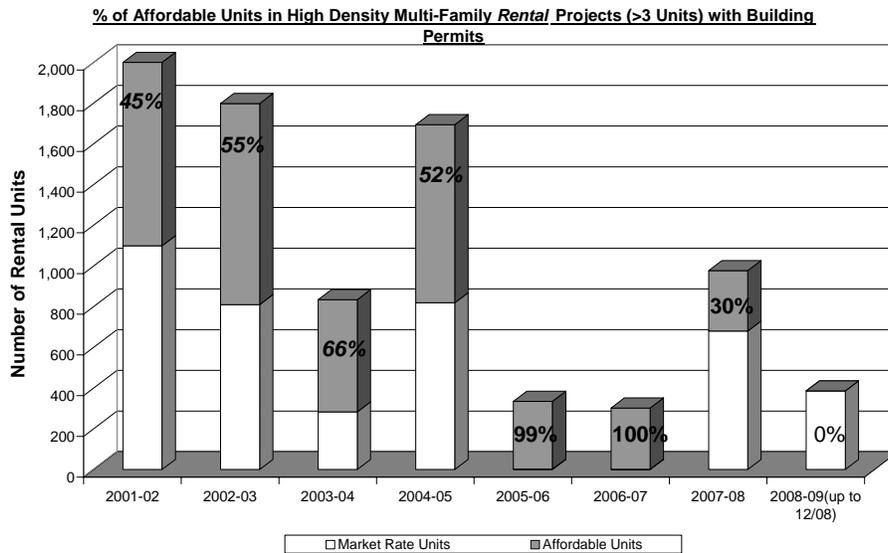
California State Redevelopment Law requires that, where there are local redevelopment areas, the property tax revenues generated by increases in assessed value within these areas, after the adoption of the redevelopment plans, be allocated to the redevelopment agency to carry out its redevelopment programs. State law further requires that at least 20% of this “tax increment” be set aside in a Low- and Moderate-Income Housing Fund, or 20% Housing Fund, to increase, maintain, and preserve the supply of housing affordable to low- and moderate-income households. A local jurisdiction need not limit the use of these 20% Funds to redevelopment areas only, but may use them more broadly within its entire jurisdictional boundaries, provided that it makes a finding that the assistance is of benefit to redevelopment areas.

The City of San José allocates its 20% Funds for affordable housing throughout the City in accordance with its five-year objectives to target at least 85% of its resources to affordable housing for extremely low-income (ELI), very low-income (VLI), and low-income (LI) households, and up to 15% to housing affordable to Moderate-Income (MOD) households.

The primary source for funding affordable housing programs in the City is Low- and Moderate-Income Housing Fund (20% Tax Increment Funds). The 20% Tax Increment funds continued to experience growth in FY 2008-09

with an 8% increase over the prior fiscal year. Future projections are weakening, however, due to the recession and decline in residential property values. The City is actively lobbying and advocating at the State level for the protection of these vital housing dollars. Any impact on redevelopment dollars has the potential for reductions in affordable housing funding.

The units financed by the City of San José’s affordable housing program represent a significant part of the rental housing production taking place in the City. Over the last eight years, about half of all new rental housing developments have been affordable housing developments. The chart below clearly indicates that subsidized rental housing has been a major source of development. Affordable housing rental projects were the only rental developments to obtain permits in both 2005-06 and 2006-07.



Other Resources

Historically, the Housing Department has leveraged every dollar invested in a project with two-and-a-half to three dollars from outside resources. The outside public resources frequently used by developers include Low-Income Housing Tax Credits, tax-exempt mortgage revenue bonds, and programs administered by the California Housing Finance Agency (CalHFA), State Department of Housing and Community Development (HCD), and HUD, among others. In addition, developers utilize funds from a variety of private resources, including conventional loans from commercial banks and nonprofit lenders, forgivable loans from the Affordable Housing Program (AHP) of the Federal Home Loan Bank System, and loans from Housing Trust Fund, a local organization funded by businesses in Silicon Valley.

In addition to State and federal agencies that provide funding resources for affordable housing, the City also uses publicly-owned land and property to meet its housing and community development goals. The Housing Department continues to pursue properties that are surplus to the needs of the City, County, and other State and governmental agencies, and assist in the acquisition of privately-owned vacant parcels. Over the last six years, the Housing Department has purchased 14 surplus properties. The following provides a list of some of the most recent acquisitions.

- The Housing Department acquired a five-acre parcel on Evans Lane from the Valley Transportation Authority in December 2002. This parcel will be combined with an adjacent one-acre City surplus property and will be developed into affordable rental and market rate ownership housing adjacent to a one-acre public

park under an RFQ process. Satellite Housing and CORE Development have been approved by the City Council for the right to exclusively negotiate business terms for the multifamily and single family projects, respectively. Construction on the multifamily project is expected to begin in 2010-2011.

- The Housing Department acquired a 5,500 square-foot lot on Delmas Avenue from the City's General Fund in August 2006, for development of a single very low-income, affordable for-sale unit. It was transferred to Silicon Valley Habitat for Humanity in early 2008 with construction expected to start in 2009-2010.
- The Housing Department acquired a 3.05-acre State surplus property on Ford Road at Monterey Highway from CalTrans in August 2006. Outreach to the community has begun and development of a multifamily affordable housing project targeting special needs clients is expected to be developed by Eden Housing starting in 2010.

Anticipated Resources for Fiscal Year 2009-2010

The table below indicates the anticipated funding amounts expected from all sources for the upcoming Fiscal Year. The City anticipates a total of over \$753 million in resources available from local, state, federal, and private sources over the next year for the development, preservation, or rehabilitation of affordable housing. The City expects to continue receiving, either directly or indirectly through sponsors of affordable housing projects or nonprofit service providers, funding for affordable housing rehabilitation efforts and programs to assist the homeless. The City of San José expects to continue to commit its Low- and Moderate-Income Housing Funds (20% Funds) for new affordable housing projects citywide.

Fiscal Year 2009-2010 Anticipated Funding Source	City of San José Funds	Non-City funds
<i>Formula Programs*</i>		
HOME		4,192,248
HOPWA		767,000
ESG		443,313
CDBG		9,900,000
ADDI		25,135
		15,327,696
<i>American Recovery & Reinvestment Act 2009 & Housing & Economic Recovery Act</i>		
NSP (Neighborhood Stabilization Program) PY 2008		5,628,283
CDBG FY 2009		2,700,463
ESG FY 2009		4,128,763
		12,457,509
Subtotal		27,785,205
<i>Competitive Programs</i>		
Shelter Plus Care		2,427,540
Section 8 - Rental Vouchers – Tenant Based		229,087,067
Section 8 – Project-Based (Fairgrounds Seniors)		6,318,108
HUD 202/811		2,946,482
HOPWA Competitive (SPNS)		408,833
Lead-Based Paint Abatement	75,000	0
Proposition 1C - Multifamily Housing Program (MHP)		62,734,123
Proposition 1C – Transit Oriented Development Funds		5,668,567
Proposition 1C – Infill Housing Incentive Program		23,881,081
Proposition 1C – Homeless Youth Supportive Housing		0
Proposition 1C – Innovation Funds		0
Proposition 1C – Park Funds		0
Proposition 1C – CalHOME program		600,000
Proposition 1C – BEGIN program		13,430,000
Proposition 46 – Workforce Housing Reward Program		700,223
Emergency Housing Shelter Program (EHAP)		1,111,000
Low-Income Housing Tax Credits (9%)		28,595,882
Tax-Exempt Private Activity Bonds		82,647,539
Mortgage Credit Certificates (70% of County Allocation)		3,000,000
Proposition 63 – Mental Health Services Act (MHSA)		3,300,000
NSP PY 2009		10,000,000
Subtotal	75,000	476,856,445
<i>Other Programs</i>		
Tax Increment	39,243,440	
Tax Allocation Bond Proceeds	85,000,000	
Loan Repayments	16,000,000	
Interest/Other Income	800,000	
In Lieu Fees		
Rental Rehab Program (loan repayments)	8,000	
Housing Trust Fund	2,000,000	
80% Redevelopment Funds – Project Alliance	300,000	
80% Redevelopment Funds – Project Development		
CalHFA Mortgage Assistance		48,750,000
CalHFA Multi-family Assistance		0
Low-Income Housing Tax Credit (4%)		137,398,232
SJSU Faculty Program	500,000	500,000
Conventional Construction Financing		39,958,166
Conventional Permanent Financing		9,669,000
Federal Home Loan Bank – Affordable Housing Program		6,268,000
Developer Equity		6,769,485
Private Donations		0
Subtotal	143,851,440	249,312,883
GRAND TOTAL	143,926,440	753,954,533

* Program Year 2009 funding is an estimate based on Program Year 2008 funding levels

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 2009-2010 include 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 79% of this number at the end of 3 years.

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	Actual 2005-2008	1-Year Goal 2009-10
Small Related Renters (0-80%) - 20,974	0-30%MFI (7,470)	H	6125	316	79	63
	31-50%MFI (7,365)	H	5523	700	501	130
	51-80%MFI (6,139)	M	2701	440	609	88
Large Related Renters (0-80%) – 12,968	0-30%MFI (4,600)	H	3956	200	79	40
	31-50%MFI (4,715)	H	2923	600	501	49
	51-80%MFI (3,653)	M	876	330	609	30
Elderly Renters (0-80%) – 8,182	0-30%MFI (5,659)	H	3723	200	13	40
	31-50%MFI (1,685)	H	1078	249	6	49
	51-80%MFI (838)	M	444	150	7	30
Other Renter Households (12,533)	0-30%MFI (4,955)	H	3518	59	171	-
	31-50%MFI (3,454)	H	2798	500	526	80
	51-80%MFI (4,124)	M	2557	90	611	18
Total Owner Households (0-80%) (38,411)	0-30% MFI (10,755)	H	7528	591	345	120
	31-50% MFI (12,489)	H	7118	620	277	122
	51-80%MFI (15,167)	M	8190	719	247	136
Total			59,058	5,764	4,581	995

**2008-09 Goal and 2005-10 Goal are from Five Year Plan submitted to HUD in 2005-06*

MAINTAINING AND EXPANDING THE SUPPLY OF AFFORDABLE RENTAL HOUSING

Development of Affordable Rental Housing

The units financed by the City of San José's affordable housing program represent a very significant part of the housing production taking place in the City. In the past few years, affordable housing construction has constituted most of the total development of multifamily rental units in the City.

It is the policy of the City of San José to provide financial assistance for affordable housing development in the form of low-interest loans. Moreover, the City emphasizes gap financing, rather than primary financing, as a means to leverage its funds; the City requires that project sponsors leverage City funds with funds from non-City sources to maximize the total investment in affordable housing. Grants are provided in very limited circumstances.

Additionally, in February 2004, the San José City Council adopted a **Notice of Funding Availability (NOFA)** process for funding rental housing developments, which allows for a more targeted distribution of limited revenues. The NOFA establishes a point system, or selection process, which seeks to utilize limited sources of funding and to prioritize projects that:

1. Are competitive for other outside funding programs (i.e., tax credits and/or State funding programs)
2. Produce the highest leverage and least city subsidy
3. Provide the deepest level of affordability
4. Serve segments of the population that are a priority
5. Are affordable to Extremely-Low Income (ELI) households (since November 2005, the NOFAs have required that each project make at least 25% of units affordable to ELI households)
6. Provide housing affordable to homeless households and have an ongoing case management plan to serve the newly housed residents
7. Are developed and managed by high-quality partners
8. Are located in areas proximate to transportation and other community amenities
9. Employ sustainable development or green building techniques
10. Promotes public benefit.

This Council-approved scoring system continues to help the Department to prioritize and to best distribute its limited amount of funds.

The tables below identifies City-funded new construction completions, affordable to low-income households and expected for fiscal year 2009-2010, specifying the City Council Districts for each:

Fiscal Year 2009-2010 New Construction and Assisted Rental Housing Project Completions

<i>Project Name</i>	<i>District</i>	<i>Unit Type</i>	<i>Units</i>
Corde Terra Seniors	7	Seniors	68 ELI / 131 VLI
Kings Crossing	3	Family	42 ELI / 50 VLI
TOTAL			291

Fiscal Year 2009-2010 Acquisition/Rehab Rental Housing Project Completions

<i>Project Name</i>	<i>District</i>	<i>Unit Type</i>	<i>Units</i>
Hillsdale Townhouses	9	Family	17 ELI / 31 VLI
TOTAL			48

Fiscal Year 2009-2010 Potential New Commitments

<i>Districts</i>	<i>Special Needs</i>	<i>Large Units</i>	<i>Homeless Shelter Units</i>	<i>Other Units</i>	<i>Total Units</i>
2, 3, 5, 6, 7	274	39	0	563	876
TOTAL	274	39	0	563	876

Note: Special Needs may include units for seniors, developmentally disabled, mentally ill, chronically homeless or other special needs population

Geographic Distribution of Housing and Services Race & Ethnicity Make-Up of San José

The City of San José is one of the most diverse jurisdictions in the nation. According to the 2000 Census, San José's population had a fairly even balance of people from White, Hispanic/Latino, and Asian backgrounds. By 2006, the three ethnic groups became even more evenly balanced, with each group comprising roughly one-third of the City's population. The City works to disperse affordable housing to avoid concentrations of low-income and minority populations by helping ensure services and affordable housing are available throughout the City.

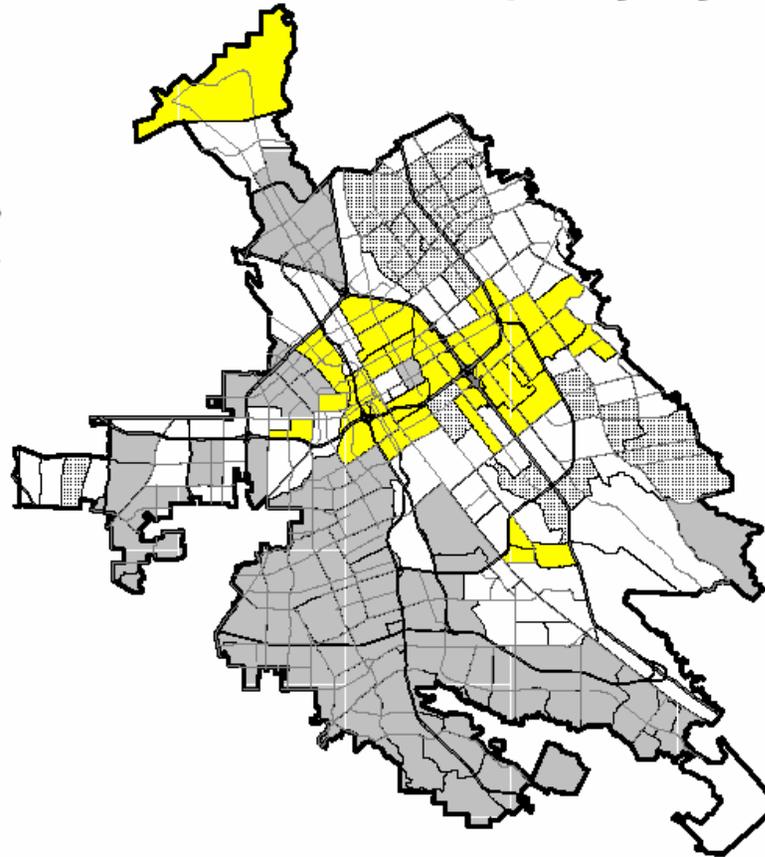
According to the 2000 Census, the non-Hispanic White population declined to 36.0% of the total population. Conversely, strong growth occurred within the Asian population, rising from approximately 150,000 persons in 1990 (18.7% of the City's population) to 238,378 persons in 2000 (26.6% of the City's population). The City has the largest Vietnamese population of any city in the United States as a result of this growth. Numbering just 8,000 persons at the time of the 1980 Census, the Vietnamese population rose to about 40,000 persons in 1990, and then doubled to nearly 80,000 persons in 2000. Thus, the number of Vietnamese persons in San José increased ten-fold over the last twenty years, and now accounts for 8.8% of the City's total population.

The City's Hispanic population experienced tremendous increase throughout the course of the last twenty years, roughly doubling in size from about 140,000 persons in 1980 to nearly 270,000 persons in 2000. As a proportion of the City's total population, the Hispanic population rose steadily from 22.3% in 1980, to 26.6% in 1990, and then to 30.2% in 2000. Of the City's Hispanic population in 2000, 81.9% was of Mexican descent. Hispanics are the most geographically concentrated major race/ethnic group in San José. According to the 2000 Census, Hispanic persons comprised over two-thirds of the population in fifteen census tracts, which tracts are primarily within or near the Downtown area. The highest concentrations of Hispanic persons in the City are found in the Washington and Mayfair neighborhoods, which are 81.0% and 80.1% Hispanic, respectively.

San José currently has a single race/ethnic group majority in six of its ten City Council Districts. Namely, Districts 6, 9, and 10 each contain a non-Hispanic White majority (55.7%, 69.2%, and 58.1%, respectively), Districts 3 and 5 each contain a Hispanic majority (58.1% and 58.0%, respectively), and District 4 contains an Asian majority (52.1%). With no single race/ethnic group majority, the remaining four City Council Districts (1, 2, 7, and 8) thus contain a diverse mix of the aforementioned and other race/ethnic groups. The map below demonstrates the race/ethnic make-up of San José.

City of San Jose Race/Ethnic Group Majority by Census Tract*

The term "majority" used here refers to a population that is more than 50% of the total population of the census tract.



Map Legend

-  Asian majority
-  Hispanic majority
-  White (non-Hispanic) majority
-  No race/ethnic group majority
-  Urban Service Area boundary

The citywide proportion of race/ethnic groups referenced above were as follows:

Asian= 27%
Hispanic= 30%
White (non-Hispanic)= 36%

*NOTE: The geographic boundaries of census tracts shown are inclusive of both incorporated and unincorporated areas. However, data includes only those persons residing in the City of San Jose.



Scale: 1 inch= 2.5 miles



Map Prepared by: City of San Jose, Planning Services Division, June 2004

Source: U.S. Census Bureau, Census 2000

San José's Dispersion Policy

The City's Housing Dispersion Policy is a positive statement of encouraging affordable housing development throughout the City. Pursuant to this policy, the Council's approvals of City-financed affordable housing development are made in the context of the goal to balance and promote economic integration.

No area of the City is arbitrarily precluded from consideration as a site for affordable housing. However, the City recognizes that certain census tracts contain a disproportionate number of lower-income households. The Dispersion Policy is meant to track affordable housing by impacted census tracts. Impacted census tracts are defined as those census tracts in which over 50% of residents are low-income. In November 2004, the Housing Department revised the list of impacted census tracts, based on a special Census 2000 tabulation request obtained from the Census Bureau. As a result of that study, 22 tracts were identified as impacted. These tracts were located in Council Districts 3 (13 tracts), 7 (4 tracts), 5 (2 tracts), 6 (2 tracts) and 2 (1 tract).

Based on a recent review, 22% of newly constructed low-income affordable units were located in impacted areas. The remaining 78% were built outside of "impacted Census tracts". The chart below shows the distribution of the City's low-income affordable housing developments over the past 20 years (1988-89 through 2008-09), by the impacted census tracts.

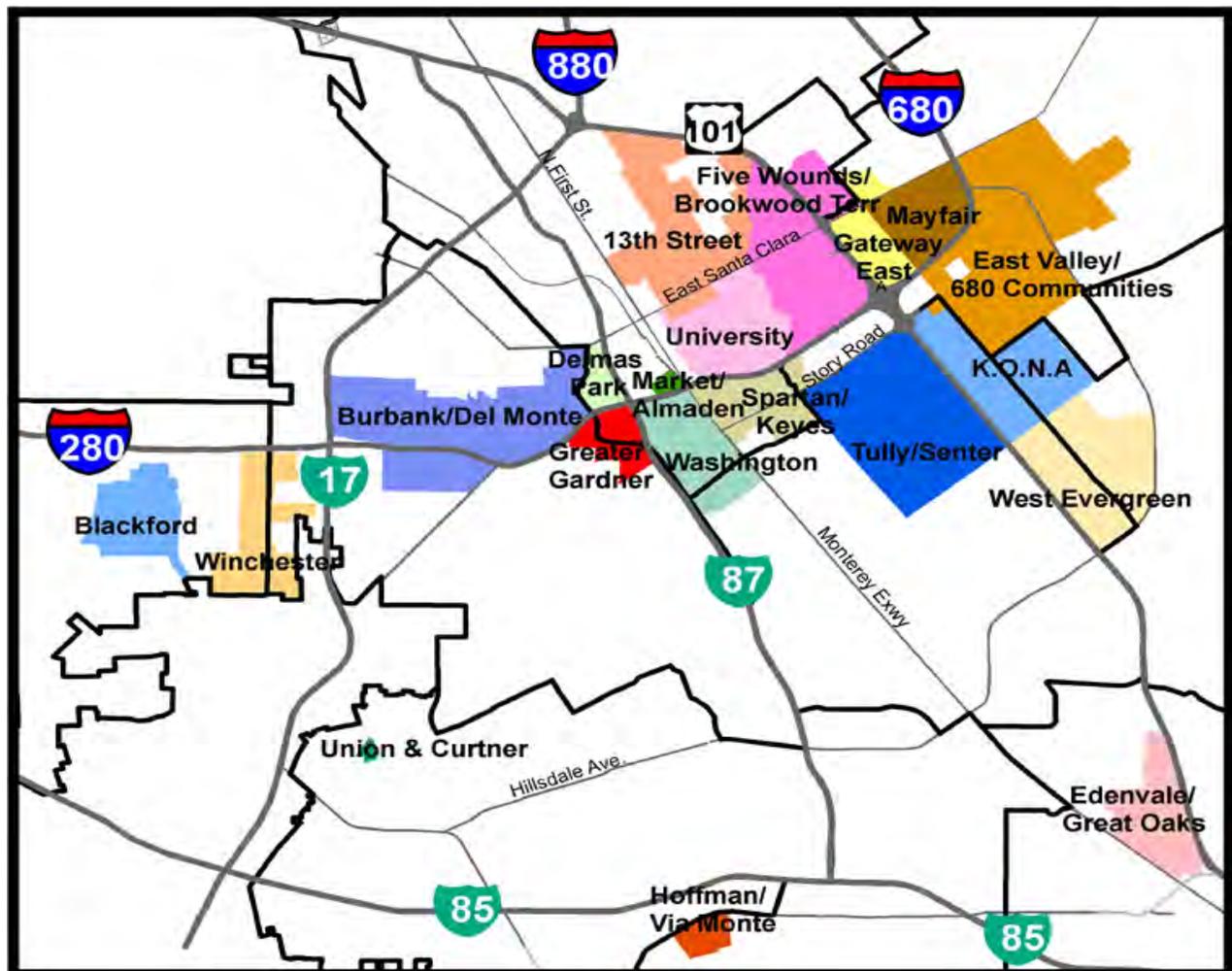
Citywide Dispersion of Affordable Housing – Tracked by Developments (1988-89 to 2008-09 under Construction)

Impacted Census Tracts in San Jose	Council District	Total Low-Income Units (Including Beds)
5120.18	2	188
5001.00	3	75
5009.02	3	63
5010.00	3	9
5014.00	3	80
5015.01	3	0
5015.02	3	0
5016.00	3	113
5031.12	3	422
5031.13	3	66
5036.01	3	46
5037.09	3	0
5008.00	3,6	231
5017.00	3,6	30
5037.02	5	258
5037.06	5	54
5019.00	6	228
5020.02	6	0
5031.05	7	199
5031.10	7	129
5032.13	7	0
5032.14	7	199
Total Units Developed in Impacted Census Tracts in San Jose		2,390
Total Units Developed in Non-impacted Census Tracts in San Jose		8,344
Total Units in All Census Tracts in San Jose		10,734
% Units in Impacted Tracts		22%

Targeting to Low and Moderate Income Populations with the Strong Neighborhoods Initiative (SNI)

The City of San José provides funds and services to low-and moderate-income participants, households, or areas throughout the City, but also specifically targets locations such as the Strong Neighborhoods Initiative (SNI) areas that have been identified as needing critical services because they have a lack of resources, are typically low-income areas, and lack adequate resources. Officially established in 2000, SNI has helped to foster the development of citizen-leaders throughout San José's low-income neighborhoods. SNI is a publicly-funded program to improve services, economic opportunities, and quality of life in 19 neighborhoods throughout the city. The SNI neighborhoods cover about a tenth of the city's land, quarter of its population and contains about 230,000 residents. The SNI neighborhoods tend to be the older, inner-city neighborhoods with older infrastructure with a high proportion of low-income residents. The SNI is funded primarily using San José Redevelopment funds but is also supported by various other programs which receive State and federal funds. A map of San José is provided below, which highlights the City's SNI areas.

Strong Neighborhoods Initiative Areas



Rental Housing Subsidies – SECTION 8

The Housing Authority's Section 8 Program will administer 6,429 vouchers in the City of San José in fiscal year 2009-2010. This number represents the City's Section 8 Housing Choice Voucher allocation, but there are an additional 10,170 Vouchers (which include 92 replacement vouchers) allocated to the County of Santa Clara, for a total of 16,507 Vouchers countywide. The Housing Authority of the County of Santa Clara administers the Section 8 program on the behalf of the City of San José's Housing Authority. Additionally, the City anticipates that, of these vouchers, approximately 444 will turn over in Fiscal Year 2009-2010. This will represent about 444 new low-income households that can be assisted in the coming year. These Vouchers will serve extremely-low income and very-low income families and seniors.

In April 2006, the Section 8 waiting list was opened for the first time in seven years and over 58,000 individuals signed up. Currently, there are **55,080** families on the Section 8 waiting list for the **Housing Choice Voucher Program** for Santa Clara County. This program serves low-income households, including disabled persons (**Mainstream Voucher Program**) and families working towards economic independence (**Family Self-Sufficiency Programs**). In April 2006, the Mayor and City Council, acting as the San José Housing Authority, also designated 100 Section 8 vouchers annually for the chronically homeless. As of January 2009, 96 chronically homeless persons have been housed.

Of the applicants who initially signed up for the Section 8 waiting list, 36,048 were from the City of San José. As the table below shows, 35.8% of the applicants are Hispanic, followed by 35.5% who identified themselves as Asian. Also 61% of the applicants were female. The table below shows additional demographic information.

**Section 8 Wait List Sign-ups
Demographic Data**

Race & Ethnicity	Quantity	Percentage
Hispanic	12,895	35.8%
Non-Hispanic	21,529	59.7%
Unknown	1,624	4.5%
Sub-total	36,048	
American Indian/Alaskan Native	1,480	4.0%
Black	4,526	12.2%
Hawaiian/Pacific Islander	3,622	9.7%
White	12,114	32.5%
Asian	13,199	35.5%
Unknown	2,279	6.1%
Sub-total	37,220	
Sex		
Male	14,031	38.9%
Female	21,902	60.8%
Unknown	115	0.3%
Sub-total	36,048	
Total from San Jose 36,048		

In January 2008, the HACSC was designated as a “Moving to Work” agency through June 30, 2018. The goal of the MTW program is to increase cost effectiveness, promote self-sufficiency, and expand housing options for low-income families. A Moving to Work plan was adopted by the HACSC Board of Commissioners in the spring of 2008. As part of this plan, the HACSC Board designated an initial 200 vouchers for the chronically homeless. The MTW designation will provide more flexibility in use of funding sources and will support the transition to creating more efficient programs.

In 2001, the Housing Authority’s **Family Self-Sufficiency (FSS) Program** was recognized by HUD’s “*Best Practices Award*” and is being used as a national model. This program currently serves more than 81 families under the City allocation (regardless of where they live) and 79 families under the County allocation living in San Jose that follow personal action plans, including job training and educational plans, to help reach the goal of self-sufficiency. These self-motivated participants have generated over \$979,000 in escrow funds, an amount provided by HUD to match the increase in participants’ earnings, since the beginning of the program. Each participant can use their share of the escrow funds when graduating from the program and no longer receiving government aid. To date, 91 of the program graduates have used their money to help purchase a home.

Other programs include the Shelter Plus Care Program, which provides a minimum of 200 housing units to serve homeless individuals with long-term disabilities; the Moderate Rehabilitation Program, which consists of 111 units serving families (this is an estimate since 95 of the units are still pending approval for replacement as regular Section 8 tenant vouchers) in privately owned residences with project-based subsidies; and the **Project-Based Assistance Program**, which serves families in 694 privately-owned existing, rehabilitated or newly constructed units with project-based subsidies.

HOME Program

For Fiscal Year 2009-2010, a total of \$4,192,248 of HOME Program funds will be available for a variety of affordable housing activities. In accordance with HUD's requirements, the City of San José will provide a **25% match** for these funds, primarily in the form of project bond proceeds, property tax exemptions, and other construction tax and fee waivers. In previous years, the City targeted its HOME funds primarily to new construction of rental housing for lower-income households and in the last several years has elected to fund homebuyer assistance loans primarily and grants to homeowners for owner-occupied rehabilitation as well. In FY 2009-2010, the City intends to use HOME funds for various eligible activities including gap financing for new rental developments serving very-low income households and special needs populations, gap financing for the acquisition and rehabilitation of existing housing for lower-income populations, homebuyer assistance loans, grants and loans to low-income homeowners for housing repairs, and a new tenant based rental assistance program. Other program uses may consist of acquisition of small infill sites for the new construction of ownership or rental housing.

The following are the anticipated uses for these funds for the upcoming year:

- ◆ **New Construction (Rental)** - The City proposes to use HOME funds for property acquisition and construction of rental units for ELI/VLI/LI households as well as for special needs populations, such as single parents, seniors, disabled persons, people living with HIV/AIDS, emancipated youth, and other people at risk of homelessness. Participation in the HOME Program will enhance the City's funding sources for new construction, while at the same time providing flexibility in the use of funds for an overall gap-financing program.
- ◆ **Homeownership** - Consistent with the City's goal to assist lower-income households in becoming homebuyers, the City proposes to use HOME funds for downpayment assistance under the City's Homebuyer programs. In FY 2009-2010, approximately \$1.5 million will be used to provide deferred payment acquisition financing for lower-income households.
- ◆ **Tenant-Based Rental Assistance (TBRA)** - In concurrence with the countywide effort to end homelessness, up to \$1.5 million in HOME funds is being proposed for use in a shallow subsidies program in conjunction with an ongoing case management program for homeless households.
- ◆ **Rehabilitation** - Consistent with the City's goals of improving neighborhoods and preserving the housing stock, which includes the rehabilitation of ownership housing, the City may use HOME funds for grants and deferred loans to lower income households for repairs and improvements in the City's Housing Rehabilitation programs.
- ◆ **New Construction Small Infill Sites (Ownership)** - While consistent with the City's goals of producing new housing for lower-income households, the City has no plans to use HOME funds in FY 2009-2010 to acquire smaller sites for the development of future ownership housing typically carried out by organizations such as **Silicon Valley Habitat for Humanity** and the **San Jose Conservation Corps' Youthbuild Program**. These organizations specialize in the new construction of ownership housing affordable to lower-income households.
- ◆ **Community Housing Development Organizations (CHDOs) Support** - In compliance with HOME regulations, the City of San José sets aside a minimum of 15% of HOME program funds for CHDOs to carry out HOME-eligible activities. Up to an additional 5% may be made available to support operating expenses of CHDOs if necessary for the developer to proceed with plans for affordable housing. Most of the nonprofit housing developers with whom the City has worked in the past do not meet the federal

definition of a CHDO. Specifically, most nonprofit organizations do not satisfy the requirements of maintaining accountability to low-income residents and having the necessary board composition. The City currently has four certified CHDOs: Charities Housing Development Corporation (CHDC), Community Housing Developers (CHD), the Mexican American Community Services Agency (MACSA), and Neighborhood Housing Services Silicon Valley (NHSSV).

- ◆ **Acquisition/Rehabilitation** – Consistent with the City’s goals of providing long-term affordable housing for lower income households and special needs populations, the City will continue to support the development of the Bill Wilson Center project in the City of Santa Clara that will house lower-income youth who are aging out of foster care or are otherwise homeless or at risk of homelessness, in a 28-unit complex of studio apartments and one-, two- and three bedroom units. The City’s total funding commitment for the acquisition and rehabilitation of this project is approximately \$1.92 million.

- ◆ **Planning and Administration** - Up to 10% of the total HOME funding allocation will be used for reasonable planning and administrative costs associated with the activities supported by HOME and ADDI.

Other Funding Sources for Rental Housing Development

The City of San José leverages its Low-and Moderate-Income Housing Funds (**20% Funds**) revenue by issuing long-term tax allocation bonds and securing a short-term line of credit to provide short-term gap financing. In addition, the City assists developers with their applications to other agencies to further leverage City resources, by applying to the **California Debt Limit Allocation Committee (CDLAC)** for tax-exempt bond allocations (which are accompanied by four percent Low-Income Housing Tax Credits). Other sources of outside leverage funding include nine-percent Tax Credits from the **Tax Credit Allocation Committee (TCAC)**, Multifamily Housing Program (MHP) loans and Prop 1C funds from the **California Department of Housing and Community Development (HCD)**, Mental Health Services Act (MHSA) funding from the **California Department of Mental Health**, Affordable Housing Program (AHP) funds from the **Federal Home Loan Bank**, and loans from the **County of Santa Clara’s Office of Affordable Housing** and the **Housing Trust of Santa Clara County**. A large portion of the \$39.24 million of the City’s estimated 20% Funds for the upcoming Fiscal Year 2009-2010 will be targeted to help pay debt service on bonds (\$19.5 million) used for the construction of new affordable rental housing. The Department does anticipate issuing bonds in FY 09-10.

MAINTAINING AND EXPANDING HOMEOWNERSHIP SUPPLY & OPPORTUNITIES

The City of San José uses a variety of funds including: HOME, 20% Low- and Moderate-Income Housing Funds, Proposition 46 funds, and others to assist low – and moderate income households purchase homes. The City works with various partner first-time homebuyer agencies to administer these homebuyer programs.

New Construction

The City has been able to leverage additional funds for downpayment assistance for the purchasers of affordable units created through the City’s Inclusionary Housing Program. The following lists the completions anticipated for FY 2009-2010.

For-Sale Affordable Housing – 2009-2010 Completions

Project Name	District	Unit Type	Units
<i>New Construction</i>			
San Carlos Bowl	6	For-Sale	16 Mod
Subtotal			16
<i>Inclusionary</i>			
Modern Ice	3	For-Sale	13 Mod
Monte Vista at Cannery Square	6	For-Sale	76 Mod
Village Square	7	For-Sale	19 Mod
Subtotal			108
GRAND TOTAL			124

Downpayment Assistance Programs

The City continues to partner with **Neighborhood Housing Services Silicon Valley (NHSSV)** in its efforts to expand the **HomeOwnership Center** and to establish itself as one of the prime resources for first-time, low-income homebuyers. Through its classes, counseling, and additional financial resources created through the HomeVenture and CalHOME Programs, the Homeownership Center produces a steady stream of successful first-time homebuyers. The organization increases the capacity of low-income residents to compete in Silicon Valley’s competitive and high-priced real estate market. In FY 2009-2010, the City will make up to \$730,000 in downpayment assistance available to low- and moderate-income first-time homebuyers in NHSSV’s Villa Almendra townhome style condominium development.

In 2009-2010, approximately 1,000 prospective homebuyers will enroll in NHSSV’s HUD certified pre-purchase homebuyer education classes. In addition, NHSSV will assist approximately 100 low- and moderate-income households obtain first mortgage financing, with an average loan amount of \$250,000. In FY 2009-2010 NHSSV expects to be awarded \$1 million through the States CalHOME program. CalHOME funds will be used to provide low- interest deferred payment loans to lower-income first-time homebuyers and NHSSV anticipates providing forty new homebuyers with deferred payment loans from the HomeVenture fund. NHSSV will also assist approximately 25 households with a deferred payment *closing costs* loan, funded by the Housing Trust of Santa Clara County (HTSCC). On average, each NHSSV assisted homebuyer obtains downpayment assistance from four additional sources.

Targeted Outreach

On an ongoing basis, the City of San José, in partnership with other groups, provides information on homeownership assistance programs that are already available to low-and moderate-income households. The City will augment this ongoing effort by conducting a targeted outreach program directed to two groups:

1. Households who receive Section 8 rental assistance from the Housing Authority of the County of Santa Clara (HACSC) and are participating in **HACSC's Family Self-Sufficiency Program** or plan to participate in the Section 8 homeownership program. The outreach would be an integral part of the ongoing homebuyer education and counseling program being conducted for these groups.
2. Households that are interested in purchasing a mobilehome or manufactured home in San José. The City, in cooperation with neighborhood groups and **Neighborhood Housing Services Silicon Valley (NHSSV)**, provides information on ADDI and other homebuyer assistance programs. Additionally, the City also actively encourages residents to participate in a homebuyer education and counseling program before they begin shopping for a home.

Homebuyer Education and Counseling

The City recognizes the value of a comprehensive homebuyer education program that includes both pre- and post-purchase counseling. Neighborhood Housing Services of Silicon Valley (NHSSV) conducts such a program. Additional HUD approved homebuyer counseling courses are offered through Project Sentinel, Consumer Credit Counseling Services (CCCS) and ACORN Housing. The City will continue to require that all first-time homebuyers complete a pre-purchase homebuyer education course prior to receiving City assistance.

San José State University Faculty Homebuyer Program

In 2009-2010 the City of San José, in a unique partnership with San José State University (SJSU), will continue to administer the **SJSU Faculty Homebuyer Program**. The SJSU Faculty Homebuyer Program, in its third year, is designed to assist approximately twenty full-time tenure track faculty or support staff members with downpayment assistance to be used towards the purchase of a home. In FY 2009-2010, the Program will have a budget of \$1 million, jointly funded by both the City and the University.

The SJSU Faculty Homebuyer Program is modeled after the existing City of San José Teacher Homebuyer Program (THP), but is now available to both full-time faculty and University support staff. Low- and moderate-income faculty or staff members are able to borrow up to \$50,000 to be used as downpayment assistance towards the purchase of a new home. All loans are subject to a deed restriction requiring that the units be affordable for a period of 45 years. If the unit is sold or transferred, the owner must sell the unit to another income eligible homebuyer or repay the loan plus a pro-rata equity-share amount from the proceeds of the sale.

WelcomeHOME Program

In August 2008, the City implemented a pilot program that provides 30-year second mortgages of up to \$25,000 for lower -income homebuyers in the form of a deferred repayment loan. The pilot program was initially funded with \$500,000 in Prop 1C money and then later, in September 2008, the budget was supplemented with \$1 million in Federal HOME funds.

In 2009-2010, the City of San José will continue to administer the program which is designed to assist forty-four low- income homebuyer's purchase new or re-sale homes. In FY 2009-2010, the Program will have a budget of

approximately \$2.5 million, jointly funded by Proposition 1C money and up to \$2 million of Federal HOME funds.

This loan may be layered with other forms of downpayment assistance to help homebuyers purchase homes within San Jose's municipal boundaries.

New Construction of Homeownership Projects

During FY 2009-10, the Housing Department will spend a small amount of additional resources to support the development of ownership projects that are targeted to very low-, low- and moderate-income families. The Department's efforts will include the following:

- If approved by City Council, the transfer of land to Barry Swenson Builder and oversight of construction of Sycamore Terrace, a 32-unit townhome project that will include at least 10 units affordable to moderate-income buyers.

Foreclosure Prevention

During FY 2009-10, the Housing Department will continue to monitor the foreclosure situation in San Jose by tracking the number of homes in the foreclosure process and where they are located geographically in the City. The use of the \$5.6 million in NSP funds will be concentrated in the areas identified as hardest hit by the foreclosure crisis. In January 2009, the Housing Department convened a foreclosure prevention task force, which includes members from local non-profit housing agencies and real estate and mortgage representatives. From this, the ForeclosureHELP Program was created and designed to be a single repository of information, referral and counseling services to individuals and families impacted by foreclosure. A neighborhood-based effort is being implemented to assess the impacted communities' needs, and to match resources available such as those identified through HERA and the Financial Stability Program of 2009. ForeclosureHELP will direct its efforts towards foreclosure prevention counselors, outreach and education materials, emergency short-term financial assistance, or foreclosure prevention fairs. The ForeclosureHELP program is designed to provide those individuals and families affected by foreclosure with prevention and intervention assistance in addition to providing family re-stabilization services such as housing search and rental assistance for those individuals and families unable to preserve homeownership. Housing Department staff will also continue to monitor and advocate for legislative efforts that seek to mitigate the impacts of foreclosures.

Targeted Resources

The City of San José has the goal of ending chronic homelessness within its boundaries while preventing additional people from becoming homeless. To accomplish this goal, in 2003, the City adopted a 10-Year Homeless Strategy. In 2007, in order to bring the issues of homelessness and the goal of ending chronic homelessness to the forefront of policymakers, funders, and the community at large, the City, in coordination with the County spearheaded a Blue Ribbon Commission (BRC) on Homelessness and Affordable Housing. The BRC, co-chaired by San Jose Mayor Chuck Reed and Santa Clara County Supervisor Don Gage and comprised of representatives of local nonprofits, businesses, and government agencies, was charged with getting the political will, resources, and community backing to make ending chronic homelessness a reality. In early 2008, the recommendations of the Blue Ribbon Commission were initiated; these combined efforts are now known as "Destination: Home." Destination: Home brings together government and private sector partners to end homelessness and address the affordable housing crisis in our community. It does not intend to duplicate the existing social service delivery system, but instead is attempting to create a best practice model that will provide operational efficiencies that allow for more effective service delivery and foster the reduction and eventually elimination of homelessness.

Housing Trust Fund

In June 2003, the City established a **Housing Trust Fund (HTF)**, which is administered by the Director of Housing. The purpose of the Housing Trust Fund (originally the Housing and Homeless Fund) is to ensure ongoing funding for affordable housing programs by creating a vehicle eligible to complete for funding sources. The Housing Trust Fund also provides a source of funds available to agencies for short-term emergency services and to assist homeless persons and those at-risk of becoming homeless. Funds will be awarded to agencies throughout Fiscal Year 2009-2010, based on program applicability based on fund availability.

HOPWA

The City will continue to work with the **County of San Benito's Health and Human Service Agency and the Health Trust**, and other applicable agencies to identify effective service strategies and determine the appropriate allocation of funding to meet the housing and support service needs of individuals and families living with HIV/AIDS.

In order to solicit proposals for its FY 2009-2010 HOPWA entitlement funds, the City posted a Notice of Funding Availability (NOFA) on October 2008. For FY 2009-2010, the City of San José anticipates awarding \$716,220 in HOPWA (entitlement) funds to the Health Trust. The City anticipates that an additional \$27,250 will be awarded to the County of San Benito Health and Human Services HOPWA Program (as of FY 2004, San Benito County was incorporated into the San Jose Metropolitan Statistical Area). \$23,010 will be used by the City to administer its HOPWA program.

HOPWA SPNS

For FY 2009-2010, the City will continue to administer the **Shared Housing Assistance Placement and Support Services Program (SHAPSS)** in partnership with the Health Trust. This three-year (FY 2007- 2010) program will provide affordable housing opportunities and supportive services to very low- and low-income Santa Clara County residents disabled by HIV/AIDS. The funds are being allocated in three equal amounts for each program year.

ESG

In order to allocate its FY 2009-2010 ESG funds, in February 2009, the Housing Department convened an application evaluation panel comprised of staff from the City of San Jose Housing Department, the Santa Clara Office of the County Executive, the City of Santa Clara, Destination: Home, and Loaves and Fishes. In order to ensure that all homeless residents are able to receive safe and adequate shelter during the cold and rainy season, the City decided to make cold weather shelters its first priority in determining its ESG funding allocations. The City's other ESG funding priorities for FY 2009-2010 are as follows:

- ◆ **Homeless Prevention** – Programs or activities designed to prevent the incidence of homelessness, including short-term subsidies to defray rent and utility arrearages for families that have received eviction or utility termination notices; security deposits or first month's rent to permit a homeless family to move into permanent housing; payments to prevent foreclosure on a home; legal services programs for the representation of indigent tenants in eviction proceedings, mediation programs for landlord-tenant disputes; and other innovative programs and activities designed to prevent the incidence of homelessness.
- ◆ **Essential Services** - Counseling services concerned with health, substance abuse, education, employment, assistance in obtaining permanent housing, obtaining federal, State, and local assistance, including Veteran's benefits, supplemental Social Security Income, TANF, and Food Stamps. In line with the City's 10-year plan to end homelessness, priority in this category was placed on more aggressive job counseling, education and outreach efforts.
- ◆ **Operating costs** - Reimbursement of costs associated with the operation of shelters, which may include utilities, food, maintenance, repair, security, insurance, equipment and furnishings, and up to 10% for the cost of operations staff.

The following chart illustrates the ESG funding requests and recommendations for FY 2009-2010 based on the City's anticipated allocation of \$443,313. The funding recommendations must be approved by both the Housing and Community Development Advisory Commission and the City Council prior to being adopted.

Agency	Activity*	Proposed Funding
AACI	Provide safe, confidential shelter and comprehensive services to battered women and their children.	\$60,292
Bill Wilson Center Runaway and Homeless Youth Shelter	Provide shelter, meals and counseling for youth ages 11 to 17.	\$61,344
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.	\$25,000
EHC LifeBuilders	Provide emergency shelter, meals and transportation to homeless families and individuals during the cold weather months.	\$80,000
Family Supportive Housing	Provide emergency shelter and supportive services to homeless families.	\$50,000
InnVision, Commercial Street Inn	Provide emergency night shelter, meals, and transportation to homeless women and children, and assistance in obtaining permanent housing.	\$35,000
InnVision, Georgia Travis Day Center	Provide emergency daytime shelter, which includes 2 meals per day, showers, laundry and childcare, to homeless women and their children.	\$40,000
InnVision, Montgomery Street Inn	Provide transportation, meals and emergency night shelter to homeless men and support services including job counseling and placement, and case management.	\$41,000
Next Door: Solutions to Domestic Violence	Provide shelter beds in safe housing for up to 6 weeks, and 3 nutritious meals per day, and case management services to victims of domestic violence.	\$27,000
West Valley Community Services	Provide emergency rental/utility assistance, food pantry services and case management to low income at risk clients	\$23,677
Total		\$443,313

*The narrative provided in the “Activity” column reflects what each agency described as its objective in its application for funds. However, the objectives will need to be revised to reflect the actual final award amount approved by the City Council.

Homeless Prevention Activities

In 2003, the federal government adopted a goal to eliminate chronic homelessness within ten years and called upon the nation’s cities to adopt plans to make this goal a reality. The National Alliance to End Homelessness, the federal government, the U. S. Interagency Council on Homelessness, and the U.S. Conference of Mayors have all embraced this objective.

On September 23, 2003, the San José City Council adopted a resolution approving a **Homeless Strategy** for the City of San José. In approving the Plan, the City joined dozens of other communities throughout the nation seeking to revise the current approach to addressing homelessness. The Homeless Strategy, adopted by the Mayor and City Council, outlines the extent of the homeless problem in San José, describes the many programs and policies the City has adopted over the years, and lays out a series of policies and actions designed to eliminate chronic homelessness in San José within ten years. More recently, the City in coordination with Santa Clara County, and representatives from local nonprofits and businesses, established a Blue Ribbon Commission (BRC) on homelessness and affordable housing to gain the political and community will and resources to make the homeless strategy a reality. The implementation of the BRC’s recommendations is occurring under the name of Destination: Home. The major areas of focus for both efforts are as follows:

- ♦ **Prevention** - Emphasize programs that seek to prevent homelessness, such as one-time rent to prevent eviction, a rental guarantee program, and an emphasis on the development of permanent supportive housing. In addition, the City is working with government and nonprofit agencies throughout the county to develop a discharge planning program to prevent persons being released from institutional settings from becoming homeless.

- ◆ **Rapid Rehousing (Housing First)** - Continue to support existing homeless and transitional shelters, but change the focus to moving people quickly into permanent housing with supportive services as seen in the successful **Housing First** approach. The City is working with the County and local nonprofits to match ongoing intensive case management services with permanent affordable housing to ensure that homeless individuals that move into permanent housing have the support system they need to stay in the housing. These case management services will be matched with new affordable housing opportunities including the provision of 200 new Section 8 Vouchers annually for chronically homeless residents and a tenant based rental assistance program to help homeless residents afford to pay rent while they wait for a Section 8 Voucher or other affordable housing opportunity. Other efforts will include creating mutually beneficial partnerships with property owners and managers to remove the stigma of renting to extremely low-income and formerly homeless people, and increasing the number of units of permanent housing available to chronically un-housed people linked with supportive wraparound services.

The City is also working with its Destination: Home partners on an outreach and engagement team that will proactively work with local homeless residents living on the streets to gain their trust and assess their needs, with the ultimate goal of providing them with long-term case management services and permanent housing.

- ◆ **Wraparound Services** – In the fall of 2008, Destination: Home opened a respite center for homeless individuals who have recovered enough to be released from a hospital setting. This respite program will provide these individuals with a safe place to recover from their illness and receive light medical attention, while getting the services needed for them to become permanently housed.

In September 2008, the City Council approved the selection of EHC LifeBuilders as the administrator for the Housing Services Partnership (HSP), a program which provides services to homeless and at-risk residents on behalf of the City. HSP offers one-time financial assistance to people who are at risk of becoming homeless and deposit assistance for individuals and families who are currently homeless but have developed the resources needed to become self-sufficient. The HSP program also provides homeless prevention counseling, budgeting assistance, informational and referrals to other programs, and permanent housing placement.

In the fall of 2008, Destination: Home opened two one stop homelessness prevention centers. These one stop centers provide, at one location, a variety of the services needed by homeless and at risk residents to address issues and ultimate access permanent affordable housing. Over the coming year, Destination: Home will continue to develop partnerships in order to provide additional services at the one stop centers.

- ◆ **Proactive Efforts** – Create a discharge plan that proactively anticipates and meets the needs of individuals who are being released or have recently been released from an institutional setting including mental institutions, hospitals, and the criminal justice system. The goal of the discharge plan is to get these individuals with the assistance and resources they need to prevent them from ever becoming homeless.

The City is also working to ensure that data systems collect the information needed to determine the needs of the homeless and the success of program efforts. The City funds and works collaboratively with Community Technology Alliance, the County's HMIS administrator to ensure that all federal and City funded agencies are active participants of HMIS. The City will continue to work with its government, nonprofit, and business partners to bring new resources into the community to cover the costs associated with the services, including monitoring and advocating for legislation at the state and federal level.

In addition to these strategies, the following activities will be pursued to address the housing needs of the homeless and special needs populations in the coming year:

- ◆ The City plans to explore the development of an **Eviction Prevention Program**, which would work directly with the legal system to diminish the high court costs to the tenant. This program is intended to assist eligible tenants become aware of available financial assistance programs and is further along in the court process. This program could prevent judgment filings, which can have an impact on their credit report and their ability to secure permanent housing in the future.
- ◆ The City will assist homeless households to become permanently housed, gain stability, and maximize their self-sufficiency through an ongoing case management program matched with temporary shallow subsidies. As part of Destination: Home, the City is working with its government and community-based partners to develop an ongoing case management program to ensure that homeless households get the support and guidance they need to obtain and maintain permanent housing. In order to house those households receiving case management services while they wait for a Section 8 Voucher, an affordable permanent housing unit, income from employment or government benefits, or other housing situation, the City is developing a shallow rental subsidy program. The program will provide shallow rental subsidies for up to two years (with a possible two year renewal) while the household works towards established goals and a more permanent form of housing.
- ◆ The Housing Department will continue working with the City's work2future program on the implementation of Project Hope – a two-year job training and employment preparation program for 70 individuals who are homeless or at-risk of becoming homeless including non-violent ex-offenders, victims of domestic violence, and youth emancipated from the foster care system.
- ◆ The City is coordinating with the Santa Clara County Housing Authority to provide 200 chronic homeless individuals and families with Section 8 housing choice vouchers annually. The City will also work closely with local nonprofits and the Housing Authority to ensure that the recipients of these Section 8 Vouchers get the assistance they need to stay in their home, including providing Voucher recipients with individualized case management. This project implements the Housing First methodology, which has been proven to be effective in ending chronic homelessness for individuals and families with special needs.
- ◆ The City is working with Social Serve, a nonprofit housing location database provider, to develop a database specific to the region.

Transitional and Permanent Housing Assistance

The City of San José has financially supported construction and rehabilitation projects, which, over the past 20 years, have resulted in over 1500 transitional and permanent housing units for homeless and special needs individuals. In 1997, Markham Terrace opened ninety-five Single Room Occupancy (SRO) units for homeless, senior, veteran, and disabled individuals. This development will be torn down and rebuilt with 102 replacement units. In November 2007, the 14-unit Edenvale Special Needs development was completed providing housing to the developmentally disabled. Sobrato House, with 10 shelter beds and 9 units for transitional housing for homeless at-risk youth was completed in February 2008..

In August of 2006, the City Council approved Disposition and Development Agreement between the City and First Community Housing and the John Stewart Company for the development of Casa Feliz, a 60 unit project containing 21 units set aside for developmentally disabled persons. Of the total 59 rental units, 52 are available to

extremely-low income households. Casa Feliz was completed in February 2009. On December 4, 2007, the City Council approved the issuance of tax-exempt multifamily revenue bonds for the acquisition and rehabilitation of the 179 unit Curtner Studios. 27 units are set aside for the mentally disabled and currently all units are rented to individuals whose income does not exceed 30% AMI. The project was completed in January 2009 adding substantial green features to the building.

In addition to funding construction and rehabilitation projects, the City uses CDBG funds to supplement programs that provide stabilization services such as shelter, food, clothing, and counseling services, and services specifically addressing the needs of seniors, disabled, youth and children to emphasize a continuum of care to prevent “at-risk” individuals and families from becoming homeless and to assist employable individuals and families who have become homeless. Detailed information about these programs is included in the “*Community Development Block Grant Programs*” section of this Plan. The following identifies the specific programs targeted to homeless and special needs populations:

- ◆ **Emergency Domestic Violence Shelter Programs** - CDBG supports two domestic violence shelter programs (Shelter Next Door and HomeSafe Solutions).
- ◆ **Homeless Support Services** - CDBG funds two programs providing support services for homeless populations (Tech SCC Tools for Ending Chronic Homelessness and San José H.O.M.E.S).
- ◆ **Homeless Prevention Services** - CDBG supports one program to prevent homelessness (Family Self-Sufficiency Program)

CDBG funds are also targeted to services for persons with disabilities, including support for affordable housing. Funding priority is given to services that stabilize individuals and families and enhance independence, education, advocacy, recreation, transportation and community accessibility.

Senior services addressing the most critical needs include respite/day care, information/referral, language services, and legal assistance. Urgent services targeted for seniors include case management, care coordination, senior centers, recreation/socialization services and transportation. San José’s CDBG funds support seven projects addressing these needs.

The City currently has **over 800 beds of emergency shelter, over 700 beds of transitional housing, and over 700 beds of permanent housing**, which serve homeless individuals, families with children, women with children, youth, and victims of domestic violence. In line with its goal of ending chronic homelessness, the City plans to start shifting its funding away from programs that provide emergency shelter or transitional housing. Instead, the City will target its funding towards the provision of permanent housing, affordable to extremely low-income households, combined with a comprehensive system of services that will foster the ability of homeless households from gaining and maintaining self-sufficiency.

As mentioned earlier, the City is an active participant in work2future (formerly SVWIN), which consists of representatives from area employers, educators, and economic development and community service organizations. Work2future works to link job training programs and local employers. These linkages are critical to ensuring that residents have the skills and training needed to enter or return to the job market. In FY 2008-2010, the Housing Department will collaborate with Work2fFuture on Project Hope – a job training and employment program for homeless individuals and those at risk of becoming homeless, including victims of domestic violence, youth transitioning out of foster care, and persons recently released from the criminal justice system on nonviolent charges. The \$600,000 in Housing Trust Funds the City has allocated for the Project Hope program will be enhanced with a federal appropriation of over \$300,000 from the Department of Labor.

ASSISTING SPECIAL NEEDS POPULATIONS

As described in the City Consolidated Plan 2005-2010, individuals and families with special needs include: seniors, the physically and mentally disabled, the frail elderly, and those with AIDS/HIV. The following is an overview of the services and goals the City will undertake in the coming year to meet the needs of these vulnerable populations.

Housing Development for Special Needs

Special needs projects that the City will be working on during FY 2009-10 are Second Street Studios, a 134-unit development containing 47 special needs units, the North Fourth Street project, a 100-unit project with 35 units reserved for special needs households, 90 Archer Street, a 42 rental development with six Special Needs units, Willow Glen Woods – Satellite a 89 unit development for deaf families, Ford and Monterey, a 95 unit development with 14 special needs units, and Kings Crossing, a 94 unit development with 10 units reserved for formerly homeless families. The New San Jose Family Shelter will begin construction and will replace the current homeless shelter with 35 units. The City will work with its development partners to begin construction on Belovida at Newbury Park, a 180-unit project which will contain 63 special needs units.

Housing Rehabilitation

Through the Housing Department’s owner occupied, and mobilehome Rehabilitation Programs, hundreds of special need households are assisted with repairs to their homes. The Housing Department will continue to make funds available for minor accessibility repairs as well as major rehabilitation to correct health and safety related deficiencies for the special need population. Over the next year the Department will continue to fund projects that serve special needs households including the disabled, seniors, and female heads of household. The following estimates are based on previous service levels compared with the projected program budget.

Special Need	2008-2009 Funding	Number of Households
Disabled	\$917,507	66
Senior	\$1,619,130	117
Female Head of Household	\$1,079,420	78
Other Low Income	\$1,781,043	129
TOTAL	\$5,397,100	390

Based on Program changes adopted by the City Council in 2003, the Housing Rehabilitation Program continues to target the neediest of San Jose property owners – low-income households with incomes below 80% of AMI. For the past four years, over 75% of all program funding has gone to households in the very low- and extremely low-income categories. The program provides assistance to and is targeted to households that have few, if any, financial alternatives available to them to repair or rehabilitate their homes. If not for the availability of this program, residents may be faced with living in unsafe and unhealthy conditions or selling their homes and moving out of San Jose to a lower cost area elsewhere.

Mobilehome Repair Program

The Mobilehome Repair Program provides grants and loans to lower-income, owner occupied households to remedy immediate health and safety related deficiencies. Eligible homeowners may receive up to \$15,000 grant for the repairs. San Jose has the largest number of mobilehomes in the state with 10,649 units in 58 parks. In the 2009-2010 Fiscal Year, the Housing Department is budgeting \$1,000,000 to assist approximately 75 mobilehome units. Historically, through the mobilehome repair program, the City has assisted a significant number of special needs households.

FAIR HOUSING STRATEGY

Affirmatively Furthering Fair Housing

The City of San José is committed to preventing impediments to Fair Housing choice. In September 2003, the San José City Council approved the *Analysis of Impediments to Fair Housing Choice (AI)* report. Listed below are the new and continued actions for fiscal year 2009-2010 to affirmatively further Fair Housing in San José.

Fair Housing Services

Educate Landlords and Managers on Fair Housing Compliance

- ◆ The City of San José will continue to coordinate with local Fair Housing service providers and the Tri-County Apartment Association on workshops for apartment owners and managers.
- ◆ The City will continue to send out information on Fair Housing laws to San José apartment and mobilehome park owners. When possible, the mailings will be coordinated with the City's Rental Rights and Referral program mailings to defer costs.
- ◆ The City will continue to work with the Tri-County Apartment Association and local Fair Housing service providers to develop new approaches to educating San José apartment owners and managers.
- ◆ The City will continue to research other jurisdictions' Fair Housing programs in order to identify innovative and successful outreach and education methods to reach new owners, owners with a history of Fair Housing violations, and those who may not speak the same language as their tenants, as well as the tenants themselves.

Prevent Sexual Harassment

- ◆ As part of its Fair Housing mailings, the City will include information specifically on how the Fair Housing laws apply to sexual harassment.

Outreach to Homeowner Associations

- ◆ The City of San José will continue to work with the Santa Clara County Association of Realtors, the California Mortgage Brokers Association, and local fair housing service providers to identify homeowner and condominium associations within San José. The City will send identified associations educational materials on their rights and responsibilities under Fair Housing laws. The City will also work with these associations to identify additional methods to engage and educate their members on the Fair Housing laws including newsletter articles and targeted workshops.

Educate Immigrant Groups and Residents with Limited English Language Skills

- ◆ The Housing Department will implement a Language Access Plan (LAP) to assist those who need access to housing programs and services but who have limited English proficiency. The assistance will include both oral and written translation services. Additionally, the Housing Department will work with community-based organizations that receive federal funding via the Department to develop their own LAPs.

- ◆ The City will continue to distribute fair housing materials in multiple languages at local fairs and other community events that cater to a diversity of residents.

Educate on Issues Related to “Special Needs” Residents

- ◆ The City will continue to coordinate with organizations that work with and advocate for seniors and persons with disabilities, including senior centers and the Council on Aging Silicon Valley, to provide outreach and education on their rights under the Fair Housing laws.
- ◆ The Housing Department will update its website, as needed, with information on reasonable accommodation and modification, as well as accessibility requirements for new housing developments.

Coordination of Fair Housing Services

- ◆ Along with other entitlement jurisdictions and local nonprofits, the City of San José Housing Department will continue its active participation in the **Santa Clara Countywide Fair Housing Task Force**. The goals of the Task Force are to increase coordination on a countywide level, improve Fair Housing services, develop new sources of funding, measure the occurrences of discrimination and the effectiveness of current enforcement activities, and improve public education.
- ◆ The Housing Department will continue to facilitate communication between the Rental Rights and Referrals Program, Tri-County Apartment Association, and local nonprofits to coordinate Fair Housing activities and discuss recent trends.
- ◆ The City will continue to seek funding for a comprehensive records system to enable Fair Housing service providers and City staff to more effectively monitor Fair Housing complaints and trends.
- ◆ The Housing Department will collect and compile information from the Fair Housing service providers on complaints and their resulting outcome, outreach and education efforts, and any other pertinent information. Based on this report, the City will alter its outreach and education plan, and advocate for policy changes, in order to better address residents’ needs.

Lending Practices

Access to Financing

- ◆ The City will continue to offer home improvement assistance and affordable homeownership opportunities to qualified households through its Teacher Housing Program and partnership with NHSSV.
- ◆ The City will continue to coordinate with members of the local mortgage brokers association regarding their current consumer education activities, including those in conjunction with the **Don’t Borrow Trouble Silicon Valley** anti-predatory lending campaign.

Predatory Lending Practices

- ◆ The City of San José Housing Department will continue to coordinate the local anti-predatory lending group, **Don’t Borrow Trouble Silicon Valley**, and refine its outreach, education and counseling program to better assist residents in protecting themselves from abusive lending practices.

- ◆ The Housing Department has provided funding to NHSSV for a homebuyer education program and a foreclosure counselor. It will also continue to provide funding for a revolving loan fund to Fair Housing Law Project and Project Sentinel. The fund assists homeowners who are in litigation over predatory lending suits by paying their mortgage payments until the lawsuit is completed.
- ◆ The Housing Department will continue to update the information on its website regarding fair lending and predatory lending practices, as well as contacts for assistance.
- ◆ The City will continue to advocate for measures that both protect residents from abusive lending practices and promote the distribution of beneficial home loans.
- ◆ The Housing Department will continue to work with mortgage broker and real estate associations, other local government agencies, and nonprofits, to identify abusive lending practices and develop new methods to curtail these activities.
- ◆ The City will continue to monitor and evaluate anti-predatory lending legislation on the local, State and federal levels.
- ◆ The Housing Department will coordinate with **Don't Borrow Trouble Silicon Valley**, to better assist residents with resources pertaining to foreclosures.

Affordable Ownership Housing

- ◆ The City will advocate for and support measures that encourage the production of condominiums and other types of more affordable ownership housing. The City is also taking a proactive role in protecting homeowners by working with partners throughout Santa Clara County to prevent foreclosures.

HOUSING SUPPORT ACTIVITIES / REMOVING BARRIERS TO AFFORDABLE HOUSING

Public Policies

In addition to housing production objectives, the City is strongly committed to improving the affordable housing delivery system.

The City's Department of Housing developed a new Five-Year Housing Investment Plan for 2007-2012. This Plan summarizes the City's housing policies and creates a map for future affordable housing development. The Plan was developed with the input of community organizations, neighborhoods, and public citizens. A task force made up of 21 experts in the areas of housing, neighborhood development, government agencies, business, and non-profit agencies, helped guide the policy development and recommendations of the Five-Year Plan. The following highlights some of the recommended policy actions taken to promote and encourage affordable housing development in San Jose.

- ◆ City's "85/15 Policy" stipulates that the City is committed to assisting those most in need by targeting 85% of the funding for development and rehabilitation assistance to benefit lower-income households. The Housing Department has moved to further strengthen and deepen affordability in its projects by requiring that developers provide, under the City's Project Development NOFA, at least 25% of units affordable to ELI households. Additionally, the City's Five-Year Plan Task Force has recommended changing the City's "85/15 Policy" to include deeper affordability levels within the 85% as follows: 30% (ELI), 30% (VLI), and 25% (LI). The Plan also recommends adopting a strategic policy that would emphasize the City's affirmative efforts to target housing for those most in need including extremely low-income households. This policy memorializes the City's goal of targeting ELI individuals and families by using the following principles: 1) partnering with service providers to better target and provide needed services to ELI households; 2) integrating ELI units with various different types and income levels within projects; 3) seeking to appropriately leverage all funds to receive the greatest number of ELI units; and 4) maximizing other, outside, funding resources in order to deepen affordability. (*Department of Housing*)
- ◆ Actively seek opportunities to access local, state and federal funding resources for the development of housing affordable to extremely low-income households and, when feasible, apply. (*Department of Housing*)
- ◆ Actively seek opportunities to access local, state and federal funding resources for the acquisition, rehabilitation and preservation of housing affordable to low- and moderate-income households and, when feasible, apply. (*Department of Housing*)
- ◆ Include language in the City's Mixed Income Housing Policy to state that to the extent feasible, the City encourages ELI units mixed effectively among other low-income and market rate units. (*Department of Housing.*)
- ◆ Continue to analyze and make recommendations/improvements, if necessary, regarding the City's recently adopted secondary unit program. (*Department of Planning, Building and Code Enforcement and Department of Housing*)
- ◆ In 2008, the City concluded a study and public process to consider adoption of a citywide inclusionary housing ordinance. The San Jose City Council approved a policy in late 2008, with a request to bring

back an ordinance for its consideration in 2009. City staff will be bringing forward an ordinance in the Spring 2009. (*Department of Housing, Department of Planning, Building and Code Enforcement, and the San Jose Redevelopment Agency*).

- ◆ Re-evaluate the City's current inclusionary policy in redevelopment areas to align with the City's adoption of a citywide ordinance. Also, in accordance with the City's Five-Year Housing Investment Plan, review of the current policy should also include evaluation to ensure the policy : (1) Provides flexibility to developers to pay in-lieu or transfer land to non-profit developers to fulfill inclusionary requirements; (2) adjust current in-lieu fees to better reflect the actual costs of providing affordable units; (3) deepen the required affordability levels under the inclusionary housing policy for rental developers; (4) institute a program to entice developers in the Downtown Core Area to build high-rise housing (*Department of Housing and San Jose Redevelopment Agency*).
- ◆ Continue a community education effort for affordable housing by implementing an "Anti-NIMBY" campaign. (*Department of Housing*)
- ◆ In 2008, the Housing Department identified developable parcels for residential development in priority development areas, including, transit-oriented, infill, downtown, and redevelopment sites. These sites will be listed in the City's Housing Element Update upon HCD certification of the document in 2009. Continue to identify developable sites suitable for higher density and/or mixed-use development in order to maximize opportunities for development of both affordable and market-rate housing. (*Department of Housing, Department of Planning, Building, and Code Enforcement*)
- ◆ Continue to plan for the intensification of North San José along transit corridors. This will provide an additional opportunity for 32,000 units of new housing. (*Office of Economic Development, Department of Planning, Building and Code Enforcement, Department of Transportation, and Department of Housing*)
- ◆ Continue to provide education and outreach services to tenants and landlords covered by the Rent Control ordinance. (*Department of Housing*)
- ◆ Continue to implement a Renters' Insurance education and campaign to inform the City's renters of the importance of having renters' insurance. (*Department of Housing*).
- ◆ Work to ensure that the City can adequately access funding for parks associated with affordable housing developments under Proposition 1C. (*Department of Parks, Recreation and Neighborhood Services, San Jose Redevelopment Agency, and Department of Housing*)
- ◆ Aggressively seek Proposition 1C dollars, when they become available given the statewide freeze on bond funds. These funding sources include the **Infill Infrastructure Funds, Local and Regional Parks Funds, CalHome, BEGIN, Transit-Oriented Development Funds, Innovations Funds, and Multi-Family Housing Program (MHP)**. (*California State Legislature, Department of Housing and individual developers*)
- ◆ Continue to advocate for reasonable development fees. (*Department of Housing and Department of Planning, Building and Code Enforcement*)
- ◆ Support State and federal legislation to increase local government housing opportunities by offering a permanent dedicated source of funding for affordable housing, housing trust fund, or housing bonds. (*Housing Department and State of California*)

- ◆ Evaluate the feasibility, as recommended in the the Five Year Housing Investment Plan establish a leveraging goal, rather than the current leveraging policy that is established at 3:1. In recent years, given the deep subsidy needed to make affordable housing work, the City's leveraging has been closer to 2.60:1. If the City continues to deeply subsidize extremely low-income units, the City should consider having a leveraging goal, rather than a policy. The leveraging goal should be changed to 2.5:1. *(Department of Housing)*
- ◆ As part of the City Council's approval of an inclusionary housing policy, the Housing Department is also examining its Dispersion Policy in order to ensure that Smart Growth and sustainable community building can be achieved throughout the City of San José. This will include identifying sites of affordable housing, transit corridors and future development opportunity sites to better strategize and plan for affordable development. *(Department of Housing)*
- ◆ For **persons with disabilities**, continue to seek developments that provide group housing opportunities and provide residents with their own bedrooms. *(Department of Housing)*.
- ◆ Continue to work with **Housing Choices Coalition**, the **Silicon Valley Independent Living Center**, and other agencies, to meet the needs of people with disabilities in finding and maintaining affordable housing. *(Department of Housing)*
- ◆ Continue to collaborate with for-profit and nonprofit housing developers to find ways to finance housing developments such as Markham Plaza that will provide permanent housing affordable to **ELI households**. *(Department of Housing)*

Based on the findings of the 2007 Santa Clara County Homeless Survey, and as envisioned in the adopted 10-Year Homeless Strategy and the Blue Ribbon Commission on Ending Homelessness and Solving the Affordable Housing Crisis,, the following policy actions by the City of San José are proposed:

- ◆ In March 2007, a "**Blue Ribbon Commission** on Ending Homelessness and Solving the Affordable Housing Crisis" (BRC) was convened in Santa Clara County. This Commission was co-chaired by County Board of Supervisor Don Gage, and San José Mayor Chuck Reed. The purpose of the Commission was to help raise awareness and implement actions to ensure that the goals adopted in the City and County's 10-Year Plan to End Chronic Homelessness and the recently released Local Initiative Support Corporation report on the need for affordable housing in Santa Clara County, titled *Housing Silicon Valley: A 20 Year Plan to End the Affordable Housing Crisis*, are met. At the end of 2007, the Commission approved a series of recommendations to help end homelessness and provide sufficient affordable housing. At the start of 2008 Destination: Home, consisting of representatives from the City of San José Department of Housing, the County of Santa Clara, the United Way, and other appropriate partners, began implementing the recommendations as follows:
 - **Improve Access to Services by Creating Outreach and Benefit Teams** – The Street Outreach program will provide a consistent and dependable presence on the streets, reach out to unhoused persons, gain their trust, and ultimately get them connected to ongoing services and housing.
 - **Institutional Outreach and Discharge Planning** – Persons discharged from institutions, such as health care or corrections facilities, often do not have housing facilities available to them. The Institutional Outreach and Discharge strategy will address this problem by increasing the existing intensive case management capacity; initiating immediate housing and case management services for persons leaving the health care, criminal justice, and foster care systems; and creating

a method to divert homeless persons arrested for public inebriation and nuisance violations away from the criminal justice system.

- **Implement a Medical Respite Facility** – The Medical Respite Facility will provide homeless individuals who have recovered sufficiently to be discharged from a hospital or emergency room with a safe, clean place to recuperate while linking them to services, including permanent housing.
- **Establish a “One-Stop” Homelessness Prevention Center** – The multi-service center will provide, at one location, all of the services needed by homeless persons to address issues and ultimately access permanent housing.
- **Shift to Housing First: Provide Permanent Housing with Services** – The Housing First model is based on the principle that chronically homeless individuals will achieve stability in permanent housing if that housing is good quality, affordable, and service enriched. The model is also grounded in the principle that people should be placed in permanent housing as quickly as possible because that is the most cost effective approach with the greatest chance for success.
- Implement a **shallow rent subsidy program** to house homeless residents while they receive ongoing intensive case management services and obtain permanent affordable housing and/or increase their income. (*Department of Housing*).
- Work with the Housing Authority to set aside 200 of the City’s **Section 8 Housing Choice Vouchers** for the chronically homeless. (*Department of Housing, Housing Authority of the County of Santa Clara*)

In the upcoming year, the following new and continued policy actions will be undertaken to eliminate identified gaps in the institutional structure:

- ◆ Continue to apply for federal and State funds to maintain and increase funding for affordable housing projects; including lobbying the State to protect Low- and Moderate- Income Housing Funds. (20% Funds) (*Department of Housing, City Manager’s Office, Mayor and City Council*)
- ◆ Support increases in the Community Development Block Grant (CDBG) Program and ensure adequate funding for other important federal programs such as Emergency Shelter Grant (ESG), Housing Opportunities for Persons with AIDS (HOPWA), HOME Partnerships, Section 8 Housing Choice Vouchers, Section 202 and Section 811 programs. (*Department of Housing, Housing Authority of the County of Santa Clara*)
- ◆ The Department is in the process of updating the Housing Element – one of seven components or “elements” of a city’s General Plan – for the 2009-2014 Housing Element planning cycle. State law requires that the Element be updated at least once every five years. For the 2009-2014 cycle, the State must certify San José’s updated Element by June 30, 2009. The purpose of the Element is for each locality to assess its housing needs for different populations and to identify strategies to meet those needs. Additionally, the Association of Bay Area Governments (ABAG) allocates regional housing needs to the counties and cities in the nine-county Bay Area. San José’s most recent allocation is over 34,000 total housing units, nearly 60 percent of which must be affordable to lower-income households. The Housing Element must identify strategies to plan for this ABAG housing allocation. The Department will collaborate with the Planning Department to complete the Housing Element update.

(Department of Planning, Building and Code Enforcement, Department of Transportation and the Department of Housing)

- ◆ Advocate at the State level to reform the State's housing element certification process. *(Department of Housing and Department of Planning, Building, and Code Enforcement)*
- ◆ Monitor, investigate, and make recommendations on State and federal legislation related to predatory lending. *(Department of Housing)*
- ◆ Advocate that redevelopment reform or eminent domain reform will not diminish the effectiveness of the City's affordable housing programs. *(San Jose Redevelopment Agency, Department of Housing)*
- ◆ Advocate changes in federal laws to improve San José's position in receiving entitlement grants and in applying for scarce public dollars. *(Department of Housing and City Manager's Office)*
- ◆ Advocate change to the federal poverty line to a standard that recognizes high-cost areas. *(Department of Housing)*
- ◆ Examine the City's policy which gives a set-aside of 10% of new affordable units to Section 8 participants and ensure that developments are not exceeding this percentage by more than 15%, unless supportive services are provided. *(Department of Housing)*
- ◆ Track and monitor foreclosures in the City. Analyze foreclosure rates and geographic concentration, and produce maps of foreclosures. *(Department of Housing)*
- ◆ Coordinate with Department and Code Enforcement and Strong Neighborhood Initiative staff to monitor neglected, vacant, foreclosed homes and to abate related blight and safety conditions. *(Department of Housing and Department of Planning, Building, and Code Enforcement, Strong Neighborhood Initiative)*
- ◆ Utilize the newly formed ForeclosureHELP Program to assess needs, to develop programs to help families and communities impacted by foreclosures, and to implement those programs. *(Department of Housing, Strong Neighborhoods Initiative)*

LEAD-BASED PAINT STRATEGY

The Department of Housing continues to provide lead testing and assessment services on all dwellings receiving rehabilitation that were built prior to 1978. The Housing Department continues to contract with an outside environmental consultant to provide these testing and assessment services. This is in addition to the trained and lead certified Housing Department staff. These services are being provided in part to comply with Federal regulations 1012 and 1013 of Title X. Additionally, these services are being provided to ensure a safer environment for those we serve. Despite the fact that less than 40% of Program funding is derived from federal funds, 100% of eligible conventional homes built prior to 1978 are tested for lead. Regardless of the funding source, those properties testing positive for this hazard are mitigated in conjunction with rehabilitation.

Over the past three years, the Housing Department has tested over 380 properties for the presence of lead-based paint. Over the next five years, it is anticipated that, on average, 200 properties built prior to 1978 will be rehabilitated per year. Data over the past three years suggests that approximately 40% of the housing stock tested, tested positive for lead-based paint at levels over HUDs acceptable limits. Based on these results, an estimated 80 properties per year will potentially receive some level of lead remediation.

Exterior Paint Program

The Department of Housing has set aside \$1,000,000 in the 2009-2010 Fiscal Year to reopen the Exterior Paint Program. The new program will provide grants to low-income households within the City's Targeted neighborhoods. The objective of the new program is to provide owners of single-family homes with the opportunity to improve the appearance of their homes and contribute to the overall neighborhood improvement goals for those neighborhoods. Of the 200 estimated paint projects, 40% will likely test positive for lead-based paint and therefore a contingency has been included for lead remediation (see Lead-Based Paint Strategy above). This program is consistent with the City of San José's commitment to maintain the supply and quality of affordable housing in San Jose.

Project Alliance

The Housing Department is responsible for implementing exterior improvements and other visual and functional enhancements in specific multi-family neighborhoods identified as a "Top Ten" priority in the Neighborhood Improvement Plan. Such improvements include landscaping, exterior painting, roof replacement, window retrofit, fencing, and walkways. In collaboration with other City Departments, the Redevelopment Agency, property owners and tenants, Project Alliance strives to improve the livability of neighborhoods and create both physical; and social change. The goal of creating a sustainable community connected to available resources is a secondary goal of Project Alliance. For 2009-2010, six projects, encompassing 24 units are anticipated for completion.

ANTI-POVERTY AND COMMUNITY DEVELOPMENT STRATEGY

"Though our income averages are impressive, we all know that averages don't tell the whole story. The portion of residents unable to afford median-level housing is increasing, and foreclosures are spiking upward. Too many are unprepared to compete in today's economy. Growing less than one percent, real per capita income held in the region while growing by three percent in the U.S. Twenty-two percent of all households in the Valley earned less than \$35,000 in 2005 falling two percent from 2004."

-2007 Index of Silicon Valley. Joint Venture: Silicon Valley Network

"The Strong Neighborhoods Initiative (SNI), officially established in 2000, specifically targets areas that have been identified as needing critical services because they have a lack of resources, are typically low-income areas, and lack adequate resources."

-Building Strong Neighborhoods Business Plan, 2007

San Jose's CDBG program has sought to respond to challenges faced by the City's low-income residents by developing funding priority strategies that meet the needs of our residents. As stated above, the \$12,177,000 in CDBG funding available for the 2009-10 fiscal year includes the 2009 CDBG award of \$9,900,000, anticipated program income of \$800,000 generated through the repayment of CDBG housing rehabilitation and revolving loan fund loans, and a fund balance of approximately \$1,477,000 from recaptured funds from previous years cancelled programs.

During the 2009-10 planning phase, the CDBG Ad-Hoc Committee, a sub-committee of the Housing and Community Development Advisory Commission, held a retreat to identify community needs and create a funding priority strategy that would meet the most critical community needs. These needs were identified in published documents, including the 2007 San Jose Homeless Census and Survey and the 2005 United Way Silicon Valley Trends and Needs Report, along with other City efforts, such as the 10-year plan to end homelessness. Housing Department staff also was an active participant in the 2007 Community Information Profile and Community Needs Assessment coordinated by the State Community Services and Development Department. This effort sought to identify the needs of poverty-stricken communities located within the County, and will be used as part of the State decision process for distributing federal Community Services Block Grant (CSBG) anti-poverty funds in Santa Clara County.

To provide additional support to these efforts, CDBG established funding priorities, which include:

- Stabilization and Counseling Services, which include emergency needs, transitional counseling and support, and access to healthcare;
- Services to Special Needs Populations, which include Senior and caretaker support services, recreation, fitness, nutrition, and transportation; and,
- Self-Sufficiency Services, which include enhancing adult living skills, employment services and ESL.

FY 2009-10 represents the second year of a two-year funding cycle. Twenty-six (26) of the thirty (30) public service projects funded in FY 2008-09 are eligible for second year funding. An additional five (5) public service projects received funding in FY 2009-10. In total, 38% of the FY 2009-10 public service applicants received CDBG funding. In addition, twelve projects that were transferred by CDBG in FY 2008-09 to other funding sources are also eligible for second year funding in FY 2009-10.

The Housing Department, in partnership with the City's Strong Neighborhood Initiative identified community development projects that were identified as one of the Top 10 neighborhood priorities and would create the most

impact within a neighborhood. These include rehabilitation of public service centers, street improvements and code enforcement activities.

The following chart shows the proposed budget for FY09-10.

2009 Entitlement	\$9,900,000
Program Income	\$800,000
Subtotal	\$10,700,000
Public Service (15%)	\$1,605,000
Administration, Fair Housing, Planning (20%)	\$2,140,000
Subtotal Remaining	\$6,955,000
Fund Balance (Reserve)	\$1,477,000
CDI	\$8,432,000
Total Budget	\$12,177,000

Community Contractual Services

As part of the City’s Anti-Poverty Strategy, CDBG funds are utilized for provision of services that assist low-income individuals, households and communities with a variety of services including fulfillment of basic needs such as food, clothing, shelter; assisting our special needs populations; and enhancing adult living skills to improve self-sufficiency.

Agency	Activity	Award
Asian Law Alliance	The project provides multilingual and culturally sensitive legal counseling, citizenship assistance and community education workshops to low-income residents of San Jose, especially to limited English speaking Asian and Pacific Islanders.	\$44,395
Catholic Charities of Santa Clara County, Day Break Caregiver Support Services	The project provides comprehensive services to meet the needs of dependent seniors and their family caregivers. The program's goal is to reduce caregiver stress and burden, and depression and isolation among seniors through center-based and in-home respite care, support groups, community education, escorted transportation, and comprehensive case management.	\$55,537
Catholic Charities of Santa Clara County, Housing Search and Stabilization Program	The program services works to help extremely low-income/low-income/homeless individuals and families find and maintain safe, stable and affordable housing.	\$67,940
Catholic Charities of Santa Clara County, Long Term Ombudsman Program	The project provides advocacy, complaint investigation (including elder abuse), and problem resolution services for primarily elderly residents in San José’s long term care facilities.	\$27,409
Catholic Charities of Santa Clara County, Young Women’s	The project provides comprehensive and integrated case management services and support groups targeting gang-prone female youth.	\$45,942

Empowerment Project		
Community Partners for Youth, Inc., Step-up to Brighter Futures	The project will provide a safe after-school program to train and mentor teenagers with the life-skills needed to develop a sense of purpose in their life and graduate from high school with a plan for higher education or career preparation.	\$98,370
Community Technology Alliance – Tech SCC Tools for Ending Chronic Homelessness	The project provides communication tools as support services to homeless and “at-risk” individuals and families seeking shelter, permanent housing, employment, and community voice-mail.	\$105,518
Deaf Counseling, Advocacy & Referral Agency (DCARA), Deaf for Self-Sufficiency Program	The project will provide stabilization and self-sufficiency services to Deaf/Hard of Hearing people who are a significantly underserved and an at-risk population	\$27,686
Emergency Housing Consortium, San Jose HOMES at Boccardo Reception Center	The project provides extensive housing location assistance, life-skills training, employment services and informational resources to homeless persons in San José to help homeless individuals gain and maintain permanent housing and stability	\$50,327
Ethiopian Community Services, Ethiopian Community Center	The project provides translation/interpretation, outreach, referral, and counseling services to low income individuals/families, predominantly of Ethiopian descent, residing in the City of San José.	\$30,398
Fresh Lifelines for Youth, Juvenile Drug Treatment Court Mentor Program	The project recruits, screens, trains, and matches adult volunteers with low-income youth in Juvenile Treatment Court for crimes related to drug addiction. Mentors work 1:1 with youth for one year to improve their performance in school, reduce drug use, and decrease delinquent behavior.	\$33,684
Fresh Lifelines for Youth, Legal Eagle	The project provides a course in law-related education, peer leadership, mentoring, and career coaching. Legal Eagle will work with under-served at-risk youth and their families, and collaborate with community members.	\$38,838
Housing Authority County of the County of Santa Clara, Family Self Sufficiency	The project assists families in developing and improving their employability and life skills so that they can work their way off housing and welfare assistance.	\$65,764
Law Foundation of Silicon Valley Mental Health Advocacy Project, Residential Care Ombudsman Program	The project assists individuals with mental disabilities in resolving legal problems in residential care housing and independent living issues.	\$25,089
Live Oak Adult Day Services, Senior Adult Day Care/Respite	The project will provide recreational, social, adult day care and meal services. In addition, caregivers will receive respite support services as needed.	\$29,073
Mexican American Community Services Agency, Inc. (MACSA), MACSA Adult Day Health Care Center	The project will provide rehabilitative, therapeutic and recreational services to frail, elderly and severely disabled adults to enhance their physical, cognitive and perception skills and to delay or prevent early institutionalization.	\$26,919
Mexican American	The project provides a summer day camp, after school program, computer	\$99,734

Community Services Agency, Youth Center Services	literacy training, mental health & health services, sports and recreational services, gang prevention/intervention, child care, and theater arts/cultural dance classes for youth.	
Mexican American Community , Services Agency, Youth Opportunities Unlimited	The project provides after school homework assistance; a summer day camp; and art, recreation and social development activities for low/moderate-income students.	\$102,747
Next Door Solutions to Domestic Violence, HomeSafe Solutions	The project provides transitional housing for very-low and low-income families who are homeless because of domestic violence. The twenty-four unit complex offers rent according to income and wrap around services including assistance locating permanent housing and employment.	\$32,307
Next Door Solutions to Domestic Violence, Shelter Next Door	The project provides up to 30 days of safe, emergency housing for victims of domestic violence and their children, along with case management, counseling, support groups and legal services and referrals.	\$75,776
Outreach & Escort , Senior Transportation Program	The project provides subsidized medical/health care transportation services for low- and very-low income San José seniors. Program will target at-risk populations - homebound, limited-English speaking individuals who do not have access to other effective transportation options.	\$40,190
Portuguese Organization for Social Services and Opportunities, Portuguese Community Center Senior Project	The project provides for the needs of seniors in the areas of nutrition, socialization, and health through a senior nutrition and food distribution program, a socialization/recreation program, and transportation and language assistance in accessing and utilizing critically needed services.	\$24,428
Respite & Research Alzheimer's Disease, Alzheimer Activity Center	The project provides therapeutic and daily living activities for extremely low- and moderate-income persons suffering from Alzheimer's disease and related illnesses. The program encourages physical mobility and use of cognitive skills, and provides assistance in the areas of nutrition, personal hygiene and stability.	\$29,478
Santa Clara University, Katharine & George Alexander Comm. Law Center	This project provides low-income participants with free service in the areas of workers' compensation, workers' rights, consumer and immigration law.	\$26,625
Santa Clara Valley Blind Center, Blind Rehab & Therapeutic Services	The project will provide rehabilitative and therapeutic training to blind and visually impaired individuals.	\$62,628
Senior Adults Legal Assistance – Legal Assistance to Elders	The project provides a full range of free legal services, including immigration, wills and Fair Housing, to elderly clients at twelve San José senior centers.	\$72,605
Silicon Valley Independent Living Center, Housing Program for Persons with Disabilities	The project provides a housing referral, advocacy, and placement services related to the special housing needs of persons with disabilities.	\$25,089
Vietnamese Voluntary Foundation (VIVO), Vietnamese Employment Services	The project will assist low income individuals who are limited English speaking moving from welfare and unemployment to economic self-sufficiency so that they will reduce their dependence on public assistance, and enhance their potential for becoming fully active participating and	\$41,381

	contributing members of society.	
Vietnamese Voluntary Foundation (VIVO), Vietnamese Senior Services	The project will enhance the quality of life for elderly Vietnamese and other American adults of limited English proficiency by assisting them adjust to their new life and help reassure that they are valuable members of the community.	\$49,503
Yu-Ai Kai, Senior/Youth Wellness Project	The project provides culturally competent wellness center activities for low/moderate income Asian-American and Pacific Island seniors to delay or prevent their placement into a skilled nursing institution. In addition, intergenerational and intercultural joint activities with Hispanic youth in the Boys and Girls Club of Silicon Valley to enhance the quality of life for both groups that will contribute to a strong neighborhood environment.	\$50,000
YWCA Silicon Valley, YWCA ChildCare Consortium	The project offers subsidized childcare to children, ages (6 weeks to 12 years) of low income families at twelve centers located in San José. Services include counseling, child assessment, short-term intervention, parent workshops, and information and referral services.	\$99,620
	Total	\$1,605,000

Fair Housing, Administration and Planning

Under the 20% Administration category, \$260,000 has been awarded to fair housing service providers. Program administration includes general administration in addition to consulting services for ADA accessibility evaluations and nonprofit financial and programmatic reviews as the program deems necessary.

Agency/Department	Activity	Award
Law Foundation of Silicon Valley	The project provides fair housing services of counseling, consultations, investigations, and legal representations by conducting an intensive multi-lingual outreach campaign and by partnering with a wide spectrum of social service providers.	\$260,000
City of San José Department of Finance-Accounting Services	The project provides financial administration and record keeping for the CDBG program.	\$219,053
City of San José Department of Planning, Building and Code Enforcement – Environmental Review Services	The project provides professional services of Planning Department for CEQA and NEPA review of CDBG projects.	\$30,000
Auditing Services Contract	The project will provide financial and programmatic reviews of grantees as the CDBG program deems necessary.	\$50,000
City of San José Housing Department - CDBG Program Administration and Monitoring	The project provides program development/evaluation, project monitoring, and overall program/project reporting to HUD, San José City Council and the Housing and Community Development Commission	\$1,580,947
	Total	\$2,140,000

Community Development Improvements

The City's Economic Development Strategy, a vision for San José's economic future that seeks to improve economic opportunity and quality of life for residents, was adopted by the San José City Council in November 2003. Among the fifteen Strategic Initiatives specifically relevant to the development of jobs are:

- Support Start-Up and Growth of Local Businesses, Small and Large, in Tech as well as Non-tech Fields.
- Diversify San Jose's Economic Base and Preserve/Create Middle-Income Jobs
- Prepare Residents to Participate in the Region's Economic Opportunity, from K-12 to Lifelong Learning

The goal of the strategy is to ensure that every aspect of the community prospers, and the components of this strategy span every aspect of the City's policy, programming and budgetary decisions. This not only enhances the City's Anti-Poverty Strategy, it also contributes to our overall Community Development Strategy.

Projects that directly assist in maintaining the quality and livability of neighborhoods and affordable housing include:

Agency/Department	Activity	Award
City of San José Department of Housing - Housing Rehabilitation Program	The project provides low-interest and deferred loans and grants to low-income borrowers and loans to rental property owners to improve properties occupied by low-income households in the City of San José.	\$1,700,000
City of San José Department of Planning, Building and Code Enforcement – Housing Inspections	The project consists of preserving and improving the quality of existing affordable housing units, in low-income areas through code enforcement and inspection services.	\$2,165,975
City of San José Department of Planning, Building and Code Enforcement – Vehicles/Vacant Lots	The project provides enforcement services to remove abandoned vehicles and improperly stored inoperable vehicles from private property in low and moderate-income neighborhoods. The project also targets code enforcement services to remove blight, weeds and dangerous conditions from vacant lots within low and moderate-income areas.	\$348,073
City of San José Department of Planning, Building and Code Enforcement – Business Inspections	The project targets commercial parcels that dangerous or blighted conditions, such as garbage accumulations, hazardous materials, unpermitted construction, illegal dumping, graffiti, lack of adequate lighting or other unsafe conditions.	\$579,211
Rebuilding Together Silicon Valley- Rebuilding Housing Repair Program	The project will repair, rehabilitate and upgrade housing units for extremely low-income residents of San José.	\$303,268
	Total	\$5,096,527

Supporting the formation of small businesses is an important part of the City's overall Community Development Strategy. Some of the CDBG-funded projects assisting with this are:

Agency/Department	Activity	Award
City of San José Library – San José Smart Start Family Childcare	The project supports the incubation of childcare businesses by providing small business assistance and training for individuals interested in owning and operating childcare facilities.	\$433,920
Opportunity Fund –	The project provides financial and technical assistance, business strategy	\$258,677

Micro-Credit San Jose	training, and guidance regarding their credits needs to micro-enterprise businesses in San Jose, in close collaboration with the City's Office of Economic Development.	
Santa Clara County Black Chamber of Commerce-Small Business Incubator Program	The project provides a wide variety of business services including low rent office space, entrepreneurial training, one-on-one business consulting, technical assistance and administrative assistance.	\$179,533
	Total	\$872,130

Three construction projects for community-based organizations that support the special needs populations and the City's priorities include:

Agency/Department	Activity	Award
Indian Health Center of Santa Clara Valley, Meridian Facility Rehabilitation	The project will expand and improve the intake/waiting room and the front office of its Medical Department, upgrade fixtures in exam rooms, rehabilitate the front façade and install a new roof on the 44-year old facility. The goal of the rehabilitation is to serve more low/moderate income, uninsured people.	\$1,200,000
St. Elizabeth's Day Home, Preschool Renovation	The project will renovate two rooms to add 24 additional preschool spaces, renovate 3 children and 1 adult bathroom for both safety and ADA-compliance, and add a specialized ADA-compliant play area and development area for children with special needs and their friends.	\$113,012
Korean-American Community Services, KACS Community Center Renovation Project	The project will renovate the kitchen, replace all electrical wiring, update plumbing and install ADA improvements at low-income senior center.	\$100,000
	Total	\$1,413,012

Throughout FY 2008-09 several projects noted in previous Consolidated Plans have been cancelled or excess funds liquidated. These include:

Agency/Department	Activity	Amendment	Amount of Amendment
Office of Economic Development – Shopping Center Improvement Pilot Program	This pilot program will improve the condition of neighborhood shopping centers in an effort to create economic opportunities for low and moderate-income individuals, while improving conditions within blighted neighborhoods.	The department has determined that the project is no longer feasible. As a result, the CDBG program will liquidate the funds and add it to the fund balance.	\$400,000
City of San José Office of Economic Development - Revolving Loan Fund Expansion	The project provides and administers a revolving loan fund for small businesses. Funds are leveraged with Economic Development Administration (EDA) funds and private funding sources in the Title IX area, as well as leveraged private funding sources outside the Title IX area. It also provides technical assistance to small business owners applying for business	The CDBG program has determined that it will no longer fund the revolving loan fund program. As a result, the program will liquidate the funds and add it to the fund balance.	\$800,000

	loans, start-up and stay-up business management training, and counseling to small business owners and entrepreneurs. The project will result in the creation of new jobs, which will be filled primarily by low income San José residents.		
City of San José Department of Public Works – Remediation of Disability Access Barriers	The project will help provide remediation of barriers to full access of disabled persons to facilities funded through the CDBG program.	The program overestimated the funds necessary to complete the work. The CDBG program will liquidate the additional funds and add it to the fund balance.	\$162,000
San Jose Conservation Corps and Charter School – Cafeteria and Nutrition Center	The project will rehabilitate existing facility into a full service cafeteria to serve over 200 low-income students attending the charter school and their 80 children from the Daycare facility.	The San Jose Conservation Corps and Charter School cafeteria and nutrition center was awarded in FY 08-09. It has been determined that seismic retrofit work is necessary before the rehabilitation project can take place. CDBG will transfer funds from the cafeteria and nutrition center rehabilitation project to the cafeteria and nutrition center seismic retrofit project	\$203,855
	Total		\$1,565,855

Monitoring CDBG, HOME, HOPWA AND ESG

The City continues to follow the grantee monitoring requirements as outlined by HUD for the use of federal funds. The City has also standardized policies and procedures for use city-wide, which incorporate many of the HUD requirements.

In 2006, the City-wide Grant Management Working Group and the NonProfit Strategic Engagement Committee (formerly the Grant Management Oversight Committee) were formed to respond to the 2005 audit. In 2008, the City of San Jose Auditor performed a follow-up review of the 2005 City-Wide Grants Management Audit which included recommendations to 1) establish citywide consistent policies and procedures; 2) establish specific training requirements for staff involved in grants management and monitoring; 3) establish criteria when audited financial statements are obtained and reviewed; 4) establish risk-based criteria..., and help ensure grantee compliance with grant requirements. The Grants Management Working Group continues to meet regularly and has met several of the recommendations made by the City Auditor. These accomplishments include the completion of the City-Wide Grant Management Handbook, which provides consistent overarching guidance to the departments that award federal, State or local funding. The handbook provides guidance on grants management and monitoring, establishes minimum criteria for the review of financial statements and reporting. A staff training plan has also been developed to ensure contract managers have the skills necessary to ensure grantee contract compliance. To further aid staff in contract management, the individual department grant applications and agreements are being reviewed for consistency and duplication. After lengthy negotiations with the approved vendor, the City-wide Grant Management database began its business analysis phase and expects full implementation within 12 months.

The 2008 follow-up audit provided for additional recommendations such as incorporating procedures to address fraud, waste and mismanagement, and conflict of interest. These and other recommendations have been incorporated.

In addition to the monitoring requirements implemented for the use of HUD funds, the Department of Housing tracks the City's progress in implementing the strategies related to housing production and rehabilitation outlined in the **City of San José 2005-2010 Consolidated Plan**. Managing the Department's loan portfolio, including loan administration and servicing functions, are handled by its Loan Management Section. Loans are monitored for compliance with their regulatory agreement requirements, such as long-term affordability restrictions, occupancy and rent requirements, property maintenance, loan repayments, insurance coverage, and real estate taxes.

The monitoring process also includes the following major elements:

- ◆ **Public Review** - Input is solicited from the **Housing and Community Development Advisory Commission (HCDC)** on the Consolidated Plan and the associated Performance Report. The HCDC provides recommendations to the City Council on housing policy matters. Each **Annual Action Plan** for the five-year Consolidated Plan is also subject to extensive public review and comment prior to submission to HUD.
- ◆ **Tracking** - The Department of Housing maintains various housing databases to track projects from concept to completion. The Department is currently setting up a database to consolidate the existing tracking systems to allow better data access and more complete information.
- ◆ **Reporting** - The Department provides quarterly reports to the Housing and Community Development Advisory Commission and the City Council detailing rehabilitation and project development activities.

For CDBG, ESG and HOPWA programs, service providers are required to submit monthly or quarterly **Reimbursement Requests** and **Reconciliation Reports** to document expenses and ensure that both line item budgets and total project budgets are not over-expended, and allows for review of project status. Additionally, service providers are required to submit quarterly performance reports and a cumulative annual report. Review of these reports allows staff to determine whether corrective measures are necessary. Staff also performs mid-year monitoring visits, which include financial management system review, program client file reviews (if applicable), and HMIS compliance review to determine compliance with federal and City regulations.

Under the HOME Program, projects are monitored annually by the City of San José and in compliance with all HOME regulations. Housing Department staff monitors the rent levels of the HOME assisted units and perform annual on-site inspections of HOME-assisted rental units to determine compliance with applicable property standards. Housing Department staff also verifies the information maintained by property owners concerning leases, tenant incomes, rent levels, maximum utility allowances, and verifies compliance with the provisions of other applicable written agreements.

In addition to the monitoring previously stipulated, the CDBG program has both programmatic and financial components to its monitoring process. The grant agreement and the City's **Policies and Procedures Manual for Sub-Recipients** provide the basis for program monitoring. The City provides each sub-recipient with a copy of the City's Policies and Procedures Manual for Sub-Recipients. This manual contains the policies and procedures for sub-recipients of CDBG funds and outlines requirements for program and financial record keeping, the monitoring process, report requirements, and the project evaluation process. While the first objective is to ensure compliance, it is also oriented towards resolving problems, offering technical assistance, and promoting timely implementation of projects.

Initial steps in the monitoring process include providing training sessions to sub-recipients to review the grant requirements as outlined in the agreement and the manual. Attendance in a minimum of one training session each year is required of all sub-recipients. CDBG staff conducts at least one on-site visit of projects to review program and fiscal records, and may conduct additional site visits and field verification. Monitoring also involves the submission of quarterly reports on the activities of the project by the sub-recipients and yearly audits. As a result of review of the audit, reports and on-site visits, discussions may be held with project directors to provide technical assistance and/or to review project performance that does not appear to be sufficient to meet quarterly goals and the requirements for receipt of funds. Additional on-site visits are performed as necessary to ensure sub-recipients are in compliance regulations and performance objectives. If a significant problem develops during the year, City staff meets with project staff to discuss and resolve any issues. Examples of such problems include:

- ◆ Services are not documented
- ◆ Goals are not being met
- ◆ Project files are not in order
- ◆ Complaints are received from clients
- ◆ Required reports are not being submitted in a timely manner
- ◆ Expense reporting does not adhere to regulations or policies
- ◆ Lack of fiscal controls and/or documentation

The City is committed to assisting sub-recipient agencies that appear to be facing financial difficulties. In addition to staff resources, the City has contracted with an independent financial auditor to review agency's financial and program records, procedures and management. The goal of such reviews is to assist agencies in identifying areas of weakness and developing processes and strategies to address these weaknesses, thereby restoring the agencies to fiscal soundness and enabling them to continue providing valuable services to the community.

Sub-recipients are required to submit quarterly activity reports that contain information on the activities performed by the project, the number of unduplicated participants in the program for the quarter and demographics on the participants. These reports outline whether projects have met or exceeded their goals, substantially met their goals, or not met them. If a project does not meet its goals, appropriate corrective actions are identified.

The sub-recipients are required to establish and maintain a system of accounts that is in conformance with generally accepted principles of accounting for budgeted funds. This system of accounts is subject to review and approval by the City. In addition, sub-recipients are required to submit an annual agency audit. Financial monitoring is based on the program budget that is incorporated in the grant agreement between the City and the sub-recipient. Sub-recipients are required to submit to the City the name of a fiscal agent, if any, who is responsible for the financial and accounting activities of the project, including the receipt and disbursement of project funds.

As an additional strategy for ensuring the strength and effectiveness of the CDBG program, the City of San Jose has become a leader in regional CDBG Coordinators group, which consists of CDBG program managers from local jurisdictions. This group addresses areas of concern and shares information about funded programs with a goal of identifying potential problems and avoiding double-funding programs.

The City annually reviews monitoring practices with a goal of strengthening them.

Performance Measures – Objectives and Outcomes

HOME

The City of San José has been an entitlement jurisdiction under the HOME Investment Partnership Program since 1992. The use of these funds in past years has expanded from primarily financing multi-family rental developments to include funding for homebuyer programs and ownership rehabilitation. More recently, the creation of a tenant-based rental assistance program for chronically homeless/extremely low-income households has been included as a priority in the HOME Program. The City will continue to keep several programs as options under the HOME Program and be prepared to reallocate funding when necessary to maximize the City's resources. The City's objectives under the HOME program are as follows and grantees are measured by completion:

1. Improve the Quality of Owner Housing
2. Increase the Availability of Owner Housing
3. Improve Access to Affordable Owner Housing
4. Increase the Supply of Affordable Rental Housing; and
5. Improve Access to Affordable Rental Housing
6. Improve affordability through the creation of a tenant based rental assistance program

Additionally, the City reviews the HOME project sponsor's marketing plan and checks for compliance with affirmative marketing requirements and procedures. Announcements are mailed to nonprofits and advertisements are placed in the local newspaper. The review is performed prior to the initial lease-up of the property. Typically, the sponsors receive more than enough eligible applicants to fully occupy the property. The remainder of the eligible applicants are kept on a waiting list that is maintained indefinitely. As new applicants learn of the existing properties and contact the property management companies, they are added to the waiting lists. The Housing Department produces an **Affordable Housing Referral List** of the majority of affordable

housing properties assisted with City financing. The list is updated quarterly and its wide distribution has become an important outreach tool.

ESG

Historically the City's ESG funding priority has been shelter operating costs. The City's objectives and outcomes for the FY 2009-2010 are:

- 1. Homeless Prevention:** Objective - Increase homeless prevention funds in order to provide assistance to additional homeless and at-risk residents. Outcome – Allow individuals and families at risk of homelessness to maintain their housing and avoid disruption to their lives.
- 2. Essential Services:** Objective – Provide funding for services that will assist homeless individuals and families obtain or maintain housing. Applicable services include health and substance abuse counseling; education and job training; assistance in obtaining permanent housing and federal, State and local assistance, including Veteran's benefits, supplemental Social Security Income, TANF, Food Stamps; and other related activities. Outcome – Homeless and at-risk households are able to increase their resources and maintain or move towards self-sufficiency.
- 3. Shelter Operations:** Objective - Provide funding for emergency housing services, including food and mass shelter for homeless individuals and families. Outcome – Provide basic human needs to the homeless and provide counseling opportunities to assist homeless individuals develop a plan to exit homelessness.

HOPWA

For FY 2009-2010 the HOPWA objectives include the provision of tenant-based rental assistance and supportive services to San José residents living with HIV/AIDS.

Objectives for the program include:

- Supportive Services - health, mental health, assessment, case management and housing advocacy, drug and alcohol abuse treatment, adult and child day care, personal assistance, nutritional services
- Tenant-Based rental assistance - rent payment subsidies
- Housing Information Services- housing counseling, housing advocacy, information and referral services, fair housing information, housing search and assistance
- Resources Identification- outreach, relationship building with landlords, identify affordable housing vacancies

CDBG

The scope of services contained in the grant agreement is developed directly from the project proposal. It describes project activities that are to be accomplished each quarter and the level of service anticipated for each activity. Goals and objectives are very specific. See Table 2C below for specific objectives of the program related to public facilities, infrastructure, public services, economic development and other community development priorities.

MBE/WBE & Section 3 Reporting Requirements

The City adopted policy guidelines in November 2006 on the federal reporting requirements and has informed all grantees of its requirement collect Section 3 and MBE/WBE materials. These will be reporting annually in the City's Consolidated Annual Performance Evaluation Report (CAPER).

Performance Objectives 2009-2010 Table 2C - (Table 2A/2B Continuation Sheet)

Summary of Specific Housing & Community Development Objectives

OBJ #	SPECIFIC OBJECTIVES	Performance Measure	Expected Units
	RENTAL HOUSING OBJECTIVES		
	Production of LI/VLI/ELI Newly Affordable Rental Housing	Units	450
	Project Alliance (One-Time Rental Rehab)	Units	24
	OWNER HOUSING OBJECTIVES		
	Rehabilitation for ELI/VLI/LI Homeowner Households to address Substandard Units and deteriorating housing stock (including Emergency/Minor Repair).	Units	390
	# of total homebuyers assisted through new construction, inclusionary production and downpayment assistance (LI/MOD homebuyers).	Households	6 VLI 223 MOD
	ASSISTING SPECIAL NEEDS		
	Assisting low-income disabled or senior with Accessibility Grants and Rehabilitation of existing housing.	Individuals/ Families	183
	Newly Affordable ELI/VLI/LI Units	Units	*
	ENDING CHRONIC HOMELESSNESS		
	# of unduplicated clients receiving direct or indirect assistance from Community-based agencies assisted by City funds	Individuals	5,000
	Providing permanent, transitional and shelter to ELI households	Units/Beds	*
	PUBLIC FACILITY OBJECTIVES		
	Rehabilitation of Medical Clinic	Facilities	1
	Rehabilitation of Preschool	Facilities	1
	Rehabilitation of Community Center	Facilities	1
	INFRASTRUCTURE OBJECTIVES		
	PUBLIC SERVICE OBJECTIVES		
	Provide nutritional, transportation and social services for seniors	Individuals	17,206
	Provide increased access to housing and other public services for disabled individuals	Individuals	1,055
	Provide gang and drug intervention services for youth	Individuals	1,726
	Provide shelter and social services for domestic violence victims	Individuals / Families	1,103
	Provide subsidized childcare for low-moderate income families	Families	500
	Provide subsidized legal services for low-moderate income individuals/families	Individuals/families	2,988
	Provide case management and miscellaneous supportive services for low-moderate income individuals/families	Individuals/families	33,360
	ECONOMIC DEVELOPMENT OBJECTIVES		
	Create jobs primarily filled by low-moderate income individuals	Jobs	15
	Provide technical assistance to entrepreneurs / microenterprises	Entrepreneurs/ Businesses	240
	Provide loans to microenterprises	Entrepreneurs/ Businesses	32
	OTHER COMMUNITY DEVELOPMENT OBJECTIVES		
	Conduct housing, business and vacant lot code enforcement inspections in low-moderate service areas	Inspections	2,220
	Rehabilitation of low-moderate income occupied homes	Units	135

A. GAP ANALYSIS – HOMELESS

B. COMMUNITY INPUT AND PUBLIC TESTIMONY

C. HOME/ADDI HOMEBUYER PROGRAM GUIDELINES

D. APPLICATIONS FOR FEDERAL ASSISTANCE (SF 424)

E. CERTIFICATIONS

Appendix A

Table 1A
Homeless and Special Needs Populations in Santa Clara County

Continuum of Care: Housing Gap Analysis Chart

		Current Inventory	Under Development	Unmet Need/ Gap
Individuals				
Beds	Emergency Shelter	443	27	0
	Transitional Housing	372	19	38
	Permanent Supportive Housing	491	296	999
	Total	1,306	332	1,037
Persons in Families with Children				
Beds	Emergency Shelter	288	0	0
	Transitional Housing	788	24	263
	Permanent Supportive Housing	971	342	437
	Total	2,047	366	700

Source: 2008 Exhibit 1: San Jose / Santa Clara City & County Continuum of Care Application

Continuum of Care: Homeless Population and Subpopulations Chart

Part 1: Homeless Population	Sheltered			
	Emergency	Transitional		
1. Homeless Individuals	759	346	4,840	5,945
2. Homeless Families with Children	76	221	69	366
2a. Persons in Homeless Families with Children	240	756	261	1,257
Total (lines 1 + 2a)	999	1,102	5,101	7,202
Part 2: Homeless Subpopulations	Sheltered		Unsheltered	
1. Chronically Homeless	223		1,534	1,757
2. Seriously Mentally Ill	553			
3. Chronic Substance Abuse	92			
4. Veterans	237			
5. Persons with HIV/AIDS	34			
6. Victims of Domestic Violence	95			
7. Youth	48			

Source: 2008 Exhibit 1: San Jose / Santa Clara City & County Continuum of Care Application

Appendix B

COMMUNITY INPUT AND PUBLIC TESTIMONY – Consolidated Plan Annual Action Plan 2009-2010

The Housing and Community Development Advisory Commission Meeting – February 12, 2009

Public Comment	City Response
Jan Chacon from the Indian Health Center of Santa Clara Valley stated that they are the only agency that specifically serves Native Americans and accepts Medi-cal and the un-insured. She explained that their program is aimed at diabetes awareness, education, and prevention.	
Ramin Naderi from the Indian Health Center of Santa Clara Valley stated that although the program is small, it has a large impact on the community.	
Saul Wachter from the Affordable Housing Network stated that the City should be lobbying the federal government for funding and resources to solve the affordable housing shortage.	

The Housing and Community Development Advisory Commission Meeting – March 12, 2009

Public Comment	City Response
Ann Marquart from Project Sentinel asked if more funding from the construction category could be used for fair housing contracts.	Leslye Krutko replied that because fair housing activities come out of the City's administrative funding and you cannot transfer money from the construction funding pot to administration pot, it just wouldn't be feasible to make that change.
Commissioner Vincent Cantore asked why some scores were higher than the 85 maximum score listed on the memorandum.	Daniel Murillo explained that 85 is the maximum score for the application; when combined with the audit score, the maximum would be 95.
Commissioner Vincent Cantore asked what Community Development Block Grant (CDBG) staff takes into consideration when evaluating the applications.	Daniel Murillo explained that staff looks at a number of items, such as the amount of leverage funding, financial statements and audits, whether the project is viable and would be able to start from contract inception.
Commissioner Tamon Norimoto commented that he appreciated CDBG staff's work and took the time to contact the agencies that were not funded.	

City Council Meeting– March 24, 2009

Public Comment	City Response

The Housing and Community Development Advisory Commission Meeting – April 9, 2009

Public Comment	City Response

City Council Meeting– May 5, 2009

Public Comment	City Response

Other Comments Received During Public Comment Period – March 17, 2009 – April 17, 2009

Public Comment

APPENDIX C

HOME/ADDI HOMEBUYER PROGRAM GUIDELINES

a. Overview

All homes purchased with HOME or ADDI funds, are subject to the requirements as set forth in 24 CFR 91 and 92 of the HOME regulations. For the most part, the American Dream Downpayment Initiative Program (ADDI) is covered by HOME regulations 24 CFR, Parts 91 and 92 as amended April 29, 2004. Beginning with the Allocations of 2003, the City of San Jose uses the ADDI funds to provide interest bearing loans to qualified homebuyers.

The HOME Program, including its American Dream Downpayment Initiative (ADDI), will be offering significant assistance for low-income first time homebuyers who want to buy a home in San Jose. For FY 2004-09, HOME non ADDI funds will be used to assist low-income teacher households that meet the requirements of the City of San Jose's Teacher Homebuyer Program. Both HOME and ADDI funds will be used to assist lower- income first-time homebuyers in accordance with 24 CFR Sections 92.203.

These Homebuyer Guidelines have been developed in accordance with the U.S. Department of Housing and Urban Development (HUD) requirements for both programs and City policies indicated in its *Consolidated Plan*. The Guidelines are generally the same for both HOME and ADDI, with a few exceptions as outlined below.

b. Eligible Use of Funds

HOME funds will be used for the purchase of new or existing home that is located within the city limits of the City of San Jose. City of San Jose HOME and ADDI funds will be used for downpayment and/or closing cost assistance, in accordance with Section 92.602(b)(3) and 92.205(b)(1). The City of San Jose will use HOME and ADDI funds for downpayment assistance to acquire real property. The City does not intend to use ADDI funds for home rehabilitation costs.

c. Loan Program Details

The City's Federal HOME funds will be used to assist in the purchase of a single-family housing. All HOME non-ADDI program funding used for homeownership assistance will be structured in the form of a 0% interest deferred repayment loan program.

All City loans will be a recorded lien on the assisted unit. HOME, non-ADDI, funded loans will be a maximum of \$75,000, and a maximum term of forty-five years. All downpayment assistance loans will contain an equity-share provision, in which both the loan principal and a pro-rata share of accrued equity in the property will be repaid to the City upon the earliest of sale, transfer, or full repayment of the City loan. The City loan will also become immediately due and payable if the property ceases to be used by the borrower as their primary residence, in accordance with 24 CFR Section 92.254.

The City will require that all homebuyers assisted with Federal HOME dollars sign an affordability restriction in addition to a promissory note and deed of trust. The Affordability restrictions will run as a covenant running with the unit, but will be reconveyed by the City in the event of a sale or

transfer of the assisted unit. In certain circumstances, the City may permit the assisted homebuyer to sell the assisted unit at a restricted resale price to another income-eligible borrower, who is willing and able to assume the City loan and affordability restrictions. In these rare instances, the City will not require the full repayment of the initial HOME subsidy. The HOME subsidy would be transferred to the new buyer in the form of a deferred repayment downpayment assistance loan. All other HOME assisted buyers will sell their homes at fair market value and the City exercises the recapture option as outlined and in accordance with CFR Section 92.254(5)(ii)(A). The City will recapture the entire amount of the HOME investment from the borrower provided there are net proceeds sufficient to repay the City loan.

City of San Jose Federal ADDI funds can be used to assist qualified low-income households purchase single-family housing. Single-family housing includes detached homes, townhouses, condominium units, cooperative units, combination manufactured housing and lot, or a manufactured housing unit.

All City ADDI loans will be structured in the form of a balloon payment deferred loan. ADDI loan terms will accrue interest at a rate of three percent simple interest and be due upon sale, transfer, or when the property ceases to be used as the borrower's primary residence. ADDI loan amounts will be restricted to either 6% of the purchase price, or \$10,000, whichever is greater. Homebuyer loans must be a minimum of \$1,000. All City loans will be approved and underwritten by City staff on a first-come, first-serve basis, with the exception of HOME funds that are reserved to assist qualified homebuyers in new construction projects that are not yet complete.

The City of San Jose intends to exercise the Recapture Provisions, as well as implement HUD recommended options described under HUD Regulations 24 CFR 92.254(a)(5)(ii)(A) for loans funded by the City's ADDI grant. Any recaptured funds will be used to carry out only future HOME-eligible activities.

Federal HOME funds are made available to households whose incomes are less than or equal to 80% of Area Median Income, adjusted for family size. ADDI funds will also be limited to lower-income households who qualify as first-time homebuyers as defined in CFR Section 92.2. The maximum purchase price of the home may not exceed 95% of the Average Median Purchase Price (AMPP) for Santa Clara County, as approved by HUD. The City of San Jose, in cooperation with the County of Santa Clara, conducts a one-month study, and determines if a need to re-examine the maximum AMPP sales price limit is warranted. If necessary, the County will request approval from HUD for a revised maximum purchase price threshold not to exceed 95% of the Average Median Purchase Price for the City of San Jose in accordance with HUD Regulations 24 CFR 92.254(1)(iii).

The City of San Jose realizes that all recipients of HOME and ADDI Federal funds will need to finance the majority of their mortgages through a private lender, including the California Housing Finance Agency (CalHFA). In an effort to provide lower-income homebuyers the greatest opportunities for loan subsidies, the City submits all of its downpayment programs to the State for review and approval as a qualified Affordable Housing Partnership Program (AHPP). City of San Jose downpayment assistance programs (including ADDI) can be combined with any of CalHFA's first mortgage, below market interest rate programs. The City has also successfully combined its downpayment program with many private lenders such as Wells Fargo Bank, Bank of America, and Countrywide, etc. All private lenders who work in cooperation with the City are required to comply with HOME Program Regulations, if the City assisted units are funded with Federal HOME funds. The City of San Jose maintains a list of active lenders and makes this list available to all prospective homebuyers and interested persons. The City requires that all City assisted first-homebuyers attend a pre-purchase homeownership education course. Downpayment assistance is not dispersed for an

individual loan until a certificate of completion of an approved homebuyer education course is submitted to the City in the initial loan application package.

On an ongoing basis, the City of San Jose, in partnership with other groups, provides information on homeownership assistance programs that are already available to low-and moderate-income households. The City will augment this ongoing effort by conducting a targeted outreach program directed to two groups: Section 8 housing participants and participants in the Housing Authority's Family Self Sufficiency Program.

The City also recognizes the value of a Neighborhood Housing Services of Silicon Valley's (NHSSV) comprehensive homebuyer counseling and education programs. NHSSV, with City support, will continue to provide City loan applicants with pre and post-purchase counseling. The City will continue to encourage all prospective homebuyers to enroll in these programs prior to beginning the home purchase process. The City's approval of ADDI funded downpayment assistance loans are conditional upon the borrower participating in an approved pre-purchase homeownership education program.

Lastly, the City of San Jose continues to work cooperatively with Neighborhood Services of Silicon Valley (NHSSV) to conduct targeted outreach to families assisted by other public housing agencies. Through NHSSV, prospective homebuyers learn about the City's HOME and ADDI funds. In collaboration with City Homebuyer Program staff, Neighborhood Housing Services conducts targeted outreach to residents of Strong Neighborhood Initiative (SNI) Areas. The City of San Jose also maintains a comprehensive Homebuyer Reference Guide and Internet Website with details on any new for-sale affordable housing projects being developed.

APPENDIX D
APPLICATIONS FOR FEDERAL ASSISTANCE (SF - 424)

APPENDIX E
CERTIFICATIONS