



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Leslye Krutko
Jennifer A. Maguire

SUBJECT: SEE BELOW

DATE: April 22, 2009

Approved

Date

4-27-09

COUNCIL DISTRICT: Citywide
SNI AREA: N/A

SUBJECT: AUTHORIZATION FOR THE HOUSING DEPARTMENT TO ACCEPT FEDERAL FUNDS UNDER THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 AND APPROPRIATION OF THOSE FUNDS FOR ELIGIBLE ACTIVITIES

RECOMMENDATION

It is recommended that the City Council adopt a resolution authorizing the approval of a substantial amendment to the Consolidated Plan – Annual Action Plan 2008-2009 for the following purposes:

1. Allowing the Director of Housing to accept federal stimulus funding for the Community Development Block Grant (CDBG) in the amount of \$2,700,463 and a new program, Homeless Prevention and Rapid Re-housing Program (HPRRP), in the amount of \$4,128,763;
2. Authorizing the Director of Housing to negotiate and execute all non-capital agreements and contracts not requiring CEQA/NEPA review and to negotiate all capital project agreements and contracts, including any amendments or modifications, for the expenditure of federal stimulus CDBG funds on behalf of the City;
3. Approval of an amendment to the Neighborhood Stabilization Program (NSP) spending plan originally approved by the City Council on November 18, 2008;
4. Approving a shortened citizen participation comment period of 15 days in accordance with federal guidance related to the acceptance of federal stimulus funding.
5. Adopt the following Appropriation Ordinance and Funding Sources Resolution amendments in the American Recovery and Reinvestment Act Fund (Fund 299) for 2008-2009:
 - a. Establish an estimate for Recovery Act – Federal Revenue – in the amount of \$6,829,226;
 - b. Establish a Recovery Act - Community Development Block Grant Program appropriation to the Housing Department in the amount of \$2,700,463;

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- c. Establish a Recovery Act - Homeless Prevention and Rapid Re-housing Program appropriation to the Housing Department in the amount of \$4,128,763.

OUTCOME

Acceptance of federal CDBG and HPRRP funds under the American Recovery and Reinvestment Act of 2009 (ARRA) will help the City to undertake a wide range of activities intended to create suitable living environments and economic opportunities, primarily for persons of low and moderate income, and provide financial assistance and services to either prevent individuals and families from becoming homeless or help those who are experiencing homelessness to be quickly re-housed and stabilized.

Additionally, by allowing amendments to the previously approved NSP funds, received under the Housing and Economic Recovery Act (HERA) of 2008, the City Council will direct funding for the acquisition, rehabilitation, redevelopment, and resale of foreclosed properties.

BACKGROUND

The ARRA, also known as the federal stimulus package, was signed by the President on February 17, 2009, and provided a large, one-time domestic spending package along with tax relief measures to help stimulate the nation's faltering economy. The legislation provides an extremely tight timeframe for response. To qualify to receive the funds, localities must submit descriptions of their proposed programs to HUD no later than May 18, 2009. This submission takes the form of an amendment to the Consolidated Annual Action Plan 2008-2009. The Annual Action Plan is a document that describes the City's plan for use of all of its HUD funds.

American Recovery and Reinvestment Act Funding of 2009

Under ARRA, San José will receive a one-time allocation of \$4,128,763 for a new program called the Homeless Prevention and Rapid Re-housing Program (HPRRP) and \$2,700,463 for the CDBG program. These funds are distributed through existing formulas established by the U.S. Department of Housing and Urban Development (HUD). The program specifics are highlighted below.

- *Homeless Prevention and Rapid Re-housing Program (HPRRP)* – The Homelessness Prevention Fund is a new program created by HUD. Under the ARRA guidelines, the program seeks to provide 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. The funds under this program are intended to target individuals and families who would be homeless but for this assistance. The funds will provide for a variety of assistance, including: short-term or medium-term rental assistance and housing relocation and stabilization services, including such activities as mediation, credit counseling, security or utility deposits, utility payments, moving cost

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assistance, and case management. The goal of this program is to provide foreclosure assistance and to help with homelessness prevention efforts currently underway through the City's partnership with Destination: Home. HPRRP will allow the City to use these funds specifically for families who are at risk of homelessness or who can be quickly re-housed. The program requires that at least 60% of funds must be spent within two years; all funds must be spent within three years.

- *Community Development Block Grant program (CDBG)* – In accordance with the Act, CDBG funds should be used to undertake a wide range of activities intended to create suitable living environments, provide decent affordable housing, and create economic opportunities, primarily for persons of low and moderate income. Under the Recovery Act, recipients shall give priority to projects that can award contracts based on bids within 120 days of the grant agreements. As of April 20, 2009, official guidelines from HUD on the specifics of this program have yet to be issued. However, the Department has been encouraged by HUD to undertake the substantial amendment to the Annual Action Plan, in tandem with the HPRRP allocation, thus saving time and money. Unfortunately, because there is no specific guidance from HUD, the Housing Department has outlined general guidelines, listed in the "Analysis" section for how it proposes to use the funds.

The Housing and Economic Recovery Act of 2008 (HERA)

HERA, which was signed by the President on July 30, 2008, appropriated \$3.92 billion in funds for the Neighborhood Stabilization Program (NSP). Also known as the Foreclosure Relief Act, HERA addresses the national crisis of skyrocketing home foreclosures. Specifically, NSP is intended to be a blight mitigation program and funds must be used to re-occupy, purchase, and/or rehabilitate vacant, foreclosed homes.

The Housing Department is seeking to amend to its previously approved Neighborhood Stabilization Program (NSP), which was approved by the City Council on November 18, 2008. These changes will help the Department target NSP funds more effectively to areas hard hit by foreclosure, rather than spending these funds on scattered sites, and to respond to the current economic realities of the market. On February 2, 2009, HUD approved the Housing Department's \$5.6 million NSP plan. Details of the requested amendments are provided below.

ANALYSIS

The Administration is seeking amendments to its 2008-2009 Annual Action Plan in order to reflect allocation of \$6.8 million from the American Recovery and Reinvestment Act (ARRA) of 2009 and to reallocate program funding within the Neighborhood Services Program (NSP) funded by the Housing and Economic Recovery Act (HERA) of 2008. The following highlights the changes being sought to the 2008-2009 Annual Action Plan:

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CDBG - The City will give priority to projects that can award contracts within 120 days, will create jobs, and that will contain a "green" component. The majority of funds will go toward community development improvement projects (i.e., city infrastructure and economic development activities), and if eligible, a small amount will be set aside for administration and public service activities targeted to foreclosure education and prevention.

Homeless Prevention and Rapid Rehousing - These funds may be used to provide financial assistance and services to either prevent individuals and families from becoming homeless or help those who are experiencing homelessness to be quickly re-housed and stabilized. There are four categories of eligible activities: 1) Financial assistance - short- and medium term tenant-based rental assistance; security and utility deposits; utility payments; moving cost assistance; and hotel/motel vouchers; 2) Housing relocation and stabilization - case management, outreach and engagement, housing search and placement, legal services, and credit repair; 3) Data collection and evaluation; and 4) administrative costs (up to 5% of the total amount).

HERA 2008 - Neighborhood Stabilization Program (NSP) - On November 18, 2008, the Mayor and City Council accepted \$5.6 million in federal dollars for the Neighborhood Stabilization Program. (The approved plan can be viewed at <http://www.sjhousing.org/program/hera.html>.)

Upon implementation of the program, staff realized that two changes would be necessary in order to better target those residents most in need of assistance. First, is a change in the activity originally approved by the City Council from a rental acquisition and rehabilitation program to a land banking program that would include acquisition, demolition, and redevelopment of blighted foreclosed structures in the highly impacted Santee neighborhood. A long-term redevelopment plan is being developed. This change requires an increase from the previously approved Rental Housing Development program budget from \$1.4 million to \$3.9 million.

The second proposed change would be in the Homebuyer Acquisition/Rehabilitation program. Staff proposes to revise the budget allocations in this plan by decreasing from \$3.7 million to \$1.2 million.

EVALUATION AND FOLLOW-UP

Program performance will be reported to the Mayor and City Council through the Consolidated Annual Performance Evaluation Report (CAPER), which reports the outcome of all City HUD-funded programs each September.

POLICY ALTERNATIVES

Alternative #1: Do not amend the Annual Action Plan 2008-2009

Pros: Funds are one-time only and thus provide no ongoing assistance to the community. Implementation of the Program will result in increased workload.

Cons: Choosing not to accept the amendments would mean the loss of federal funding to assist low-income and homeless families and individuals.

Reason for not recommending: Although limited and only one-time, some residents of San Jose impacted by the economic and foreclosure crisis will ultimately benefit from a program.

Alternative #2: Do not amend the Neighborhood Stabilization Program (NSP)

Pros: By not making the amendments suggested by staff, the City will target more funding for homebuyer assistance and less on acquisition rehabilitation efforts.

Cons: Through many conversations and meetings with neighborhood representatives and concerns raised by the City Council study session regarding foreclosures on April 13th, it is evident that the need for foreclosure assistance in highly impacted, rental neighborhoods is a priority. The proposed amendment will allow for more targeted efforts to address these critical needs.

Reason for not recommending: Given the limited amount of funding and the extreme need in the Santee neighborhood, an amendment is needed to most effectively utilize these dollars.

PUBLIC OUTREACH/INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

In accordance with the City's Citizen Participation Plan, there will be two public hearings to discuss these amendments. The first public meeting will be held April 22, 2009 before the Housing and Community Development Advisory Commission, and the second public hearing will be on May 12, 2009, when the City Council considers approval of these amendments.

The City sends individual announcements of these public hearings (with translations in Spanish, Vietnamese, and Chinese) to over 375 organizations and individuals concerned about affordable housing and community development issues and places announcements in the San Jose Mercury News and San Jose Post Record for two consecutive days. In addition, these notices were

translated into Spanish, Vietnamese, and Chinese and published in the La Oferta, Thoi Bao, and China Press newspapers.

COORDINATION

This memorandum was coordinated with the Finance Department and City Manager's Office.

COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT: \$6,829,226
2. COST ELEMENTS OF AGREEMENT/CONTRACT:

CDBG	\$ 2,700,463
HRPPR	\$ 4,128,763
Total Costs	\$ 6,829,226

3. SOURCE OF FUNDING: One-time grant from the United States Department of Housing and Urban Development.
4. FISCAL IMPACT: No ongoing fiscal impact.

BUDGET REFERENCE

N/A

CEQA

Not a project.


LESLYE KRUTKO
Director of Housing


JENNIFER A. MAGUIRE
Budget Director

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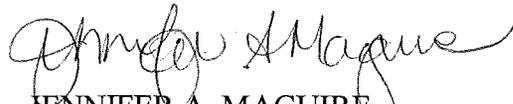
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I hereby certify that there will be available for appropriation in the designated fund and in the amount as listed below in Fiscal Year 2008-2009 moneys in excess of those heretofore appropriated therefrom:

American Recovery and Investment Act Fund

\$6,829,226


JENNIFER A. MAGUIRE
Budget Director

For more information, call LESLYE KRUTKO, DIRECTOR OF HOUSING, at (408) 535-3851.