



Memorandum

TO: NEIGHBORHOOD SERVICES AND EDUCATION COMMITTEE **FROM:** Leslye Corsiglia

SUBJECT: HOUSING DEPARTMENT GRANT ADMINISTRATION **DATE:** August 22, 2011

Approved

Date

8/29/11

RECOMMENDATION

It is recommended that the Neighborhood Services and Education Committee:

- (1) Accept this report providing an overview of the Housing Department's grant program including its history and allowable uses; and
- (2) Provide input regarding the use and prioritization of the City's Community Development Block Grant (CDBG) funds.

BACKGROUND

In the Mayor's June Budget Message, staff was directed to review the Community Development Block Grant (CDBG) Program and evaluate how the limited CDBG funds can best be directed to City priorities in accordance with federal requirements. The following information responds to this request.

Overview of Grant Programs

The Housing Department administers a number of federal, State, and local grant programs that further its mission of strengthening and revitalizing the community through housing and neighborhood investment. These include federal and State grant funds obtained through entitlement and competitive processes. Details on the Department's grant programs can be found in Attachment A.

In 2010, all grant programs were consolidated into one team, which resulted in efficiencies and consistency with contract management and monitoring and eliminated administrative redundancies for both the Department and Community Based Organizations (CBOs). A two-year funding cycle was implemented, eliminating the annual application submission for ongoing programs. This allowed staff to focus on technical assistance and the CBOs to focus on

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outcomes and performance. This new organization has proven effective, particularly given that the programs are frequently audited and come with significant regulation and oversight.

The Housing Department's grant portfolio has grown significantly in recent years, both in terms of dollars received and grants administered. In FY 2005-06, the Department's grant portfolio totaled \$8 million. When the Department took over the administration of the City's Community Development Block Grant (CDBG) program in FY 2006-2007, the portfolio more than doubled to \$19 million, and then further grew in subsequent years to \$37 million with the addition of federal stimulus programs. During the five-year period FY 2005-2010, the Department administered nearly \$140 million in grant funding. In FY 2011-12, the Department will administer more than \$63 million in federal, State, and local grant funding sources.

Community Development Block Grant Program

Jurisdictions with a population of 50,000 or more are considered "entitlement" jurisdictions, allowing them to receive direct allocations of grant funding from the U.S. Department of Housing and Urban Development (HUD). This funding is allocated on a formula basis based on several factors, including poverty, housing overcrowding, age of housing stock, and population growth. CDBG, one of the longest continuously run programs funded by HUD, is a flexible program that provides communities with funds for affordable housing programs, services for the most vulnerable in our community, and jobs through the creation and expansion of businesses.

Planning for Community Needs

As a condition of receiving CDBG funds, HUD requires jurisdictions to identify and prioritize affordable housing and non-housing community development needs and develop a strategy to address these needs, including both public service and capital projects. One of these requirements is the development of a Five-Year Consolidated Action Plan (Consolidated Plan). The City prepared its FY 2010-2015 Consolidated Plan in cooperation with Santa Clara County and its other local jurisdictions. The Consolidated Plan's needs assessment was based on qualitative and quantitative data from a range of sources including the US Census, local housing elements, the Association of Bay Area Governments (ABAG), and other local and specialized sources.

HUD further requires that jurisdictions develop and implement a Citizen Participation Plan, which details efforts to receive community input on the expenditure of federal funds. Public outreach efforts must encourage the participation of residents of predominately low- and moderate income neighborhoods. In order to meet HUD outreach requirements, the citizen participation process must ensure the representation of low- and moderate-income areas of the City and others served by CDBG on a citywide basis, and must provide citizens an opportunity to attend public hearings, define local needs, review and evaluate the plan and recommend uses of the funds. Citizens can address community development needs and make recommendations through: 1) Community meetings, 2) by written communication, 3) at City Council Public Hearings, and 4) through the Housing and Community Development Advisory Commission (HCDAC).

The Housing and Community Development Advisory Commission is the lead citizen advisory group to the City Council and the Housing Department on matters related to CDBG and affordable housing and homeless programs. The Commission is comprised of nine (9) members, of whom at least three (3) members must be lower income residents, as recommended by the Mayor and City Council. As the lead citizen advisory body, HCDAC holds public hearings, defines local needs, provides recommendations on the use of CDBG funds, reviews subsequent amendments to the program, and reviews program implementation, monitoring, and recommendations regarding program proposals.

Based on the data and input from community stakeholders, the following goals were created. All programs, services and community development projects must meet one of these six goals to receive funding:

1. Assist in the creation and preservation of affordable housing for lower-income and special needs households;
2. Support activities to end homelessness;
3. Support activities that provide basic services, eliminate blight, and/or strengthen neighborhoods;
4. Expand economic opportunities for low-income households;
5. Promote fair housing choice; and
6. Promote environmental sustainability.

Beginning in August, the Department began its annual outreach to the community to identify current needs by convening four community meetings. The Department is also seeking input from the Public Safety, Finance and Strategic Support Committee at its September 15th meeting. The timing is important, as the request for proposals must be released in the fall to meet the federal award timelines

Uses of CDBG Funds

The federal CDBG regulations proscribe how these funds may be used. Activities must meet one of the following statutory objectives,

1. **Benefit Low- and Moderate Income Persons** -- A project or activity meets the objective if the majority of the beneficiaries are low- and moderate income persons. HUD defines low- and moderate income as those individuals or households with gross incomes at or below 80% of the area median income. For example, based on the federally published Income Limits for 2011, in Santa Clara County, a family of four's gross income must be below \$79,350.

By law, the City must allocate at least 70% of its CDBG funds to projects that benefit low- and moderate income persons. The City usually far exceeds this mandate having allocated an average of 80% of its funds to meet this objective since 1984.

2. **Prevention or Elimination of Slums and Blighting Influences** -- If an area is designated by the City as a slum, is a blighted or deteriorating area under State law, and

the City is operating a comprehensive improvement program in that area, then any eligible activity conducted in that area is deemed to prevent slums or blight.

3. **Meet an Urgent (Emergency) Need** -- A project meets this objective if it is designed to alleviate a serious and immediate threat to the health or welfare of the community. The project must be (a) of recent origin, (b) unable to be funded by the City, and (c) unable to be funded from other sources.

In addition to meeting one of the above national statutory objectives, all projects must be eligible under the CDBG federal administrative guidelines. Eligible activities include a broad range of projects. The City currently funds seven eligible activities (see Attachment B for a complete list and description of CDBG activities and funding amounts for 2011-2012 Fiscal Year).

1. **Public services** -- Up to 15% of the annual grant can be used for a variety of public services, including job training, health care and substance abuse services, crime prevention, foreclosure prevention, homeownership counseling and fair housing counseling. The City has historically reserved the entire public services funding for activities provided by nonprofit CBOs. The City currently funds 32 CBOs, representing 46 programs under four funding categories: Basic Needs, Access to Health Care for Seniors and Disabled, Self-Sufficiency, and Legal Services/Fair Housing:

The application process is very competitive and the demand for funding is high for the public service category. During the last funding round, 67 applications were received requesting over twice the amount of available funds. The minimum grant size is \$25,000; the maximum grant award is \$250,000. While efforts have been made to narrow the funding priorities under the public service category, they are still not as targeted as they could be in order to address or show a measurable impact in a specific program area.

2. **Housing Activities** -- Activities include housing rehabilitation and repair. The City funds three programs under this category: (1) two programs that provide assistance to lower income homeowners to make repairs and improvements to their homes who have few, if any, financial alternatives available to them, and (2) an Emergency and Minor Repair Grant program available to lower income homeowners, which offers grants to correct immediate health and safety repairs, such as replacing a non-functioning furnace or water heater.
3. **Code enforcement** -- Code enforcement is eligible only to the extent it is part of a coordinated strategy in deteriorating neighborhoods with at least 51% of the residents of the area are lower- moderate income persons, and that code enforcement together with public improvements, rehabilitation, and services provided are expected to arrest the decline in the area. CDBG funds 13.87 FTE of Code Enforcement staff to work in coordination with Strong Neighborhoods and other low-income areas, to identify code violations and to direct property owners to available resources so that the violations can be corrected.

4. **Economic development** -- Activities can include microenterprise assistance, and special economic development activities. Microenterprise assistance is provided to businesses consisting of five or fewer employees, one or more of whom owns the business. The objective of this activity is to provide assistance to low- and moderate-income individuals who owns or is developing a microenterprise. Under the Special Economic Development activity, the objective is to create or retain jobs of which at least 51% of the jobs benefit low- and moderate-income individuals through services that may include small business loans, commercial rehabilitation, and incubator space.

The City funds four projects under the Economic Development activity: (1) the Smart Start Family Childcare program supports the incubation of childcare businesses by providing small businesses assistance and training for individuals interested in owning and operating childcare facilities, (2) the Microcredit Program provides financial and technical assistance, business strategy training and guidance regarding their credit needs to micro-enterprise businesses in San Jose, (3) the Small Business Incubator Program provides a variety of business services including low rent office space, entrepreneurial training, one-on-one business consulting, technical assistance and administrative assistance, and (4) Assets for New Americans: Virtual Business Incubator provides micro-business development and training.

The Department is closing out a small business loan program that was funded with CDBG and Economic Development Initiative funds.

5. **Grant Administration** -- Up to 20% of the annual grant can be used to administer the program, including current year and past year projects. The majority of the funds are used to fund grant administration, however, a small portion is used to fund fair housing service providers.
6. **Section 108 Loan Guarantee Program (Section 108)** -- Section 108 is the loan guarantee provision of the CDBG program and provides low-cost financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. Since 1995, the Redevelopment Agency has received three Section 108 loans totaling \$36.2 million, with current outstanding balances of \$31.7 million. Beginning this year, funds have been set aside to meet the RDA's debt obligation. In 2005, the City received a \$25 million Section 108 loan for the acquisition of the former FMC site to be developed for Airport service expansion.

In addition, to the activities listed above, CDBG can be used to fund:

7. **Other real property activities** -- Acquisition and rehabilitation of commercial or industrial buildings;
8. **Public facilities improvements** -- Public improvements (streets, sidewalks, parks), public facilities (neighborhood/community facilities, homeless shelters, group homes); and

9. **Planning activities** -- Development of comprehensive community development plans, such as the Consolidated Plan, neighborhood plans, environmental reviews, and policy planning. Implementation costs of the development plan are not eligible.

CDBG guidelines outline ineligible activities. These include providing funds for buildings for the general conduct of government; general government expenses, and financing for political activities. Ongoing income payments to an individual or family and construction of new housing are also generally considered ineligible.

CDBG 2012-13 and Beyond

After five years of significant growth in grant funds, the Housing Department is now bracing for funding reductions. This year, the City saw a 16% decrease in CDBG funding, an 11% decrease in HOME, and a slight decrease in HOPWA. It is anticipated that additional decreases in federal entitlement funds will take place in the upcoming year as Congress and the President seek to deal with the federal budget crisis. Cuts are rumored to be anywhere between 10-25% for CDBG and the total elimination of the HOME program. In addition, three of the stimulus programs -- the CDBG-Recovery Program, the Homeless Prevention and Rapid ReHousing Program, and the Neighborhood Stabilization Program (NSP)-Phase I are ramping down.

Taking a conservative approach, staff is planning for a 25% reduction in CDBG, and with the continuation of Section 108 debt service, it is projected that reductions will be necessary in both the CDBG community development and public service categories. The table below reflects the FY 2012-13 CDBG budget with the 25% reduction.

**2012-13 CDBG Budget
25% Reduction**

<u>Sources</u>	
HUD Award	\$6,863,276
Program Income	\$700,000
Section 108 Developer Payment	\$339,501
Total Available Sources	\$7,902,777

<u>Uses</u>	
Administration	\$1,512,655
Section 108 Debt Service	\$2,300,000
Total	\$3,812,655
 Available Funds for Discretionary Programs	 \$4,090,122
Total Uses	\$7,902,777

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Staff is seeking input from this Committee on the use and prioritization of CDBG funds that support the goals outlined in the 2010-15 Consolidated Plan. These goals are to:

1. Assist in the creation and preservation of affordable housing for lower-income and special needs households;
2. Support activities to end homelessness;
3. Support activities that provide basic services, eliminate blight, and/or strengthen neighborhoods;
4. Expand economic opportunities for low-income households;
5. Promote fair housing choice; and
6. Promote environmental sustainability.

Given these goals, staff would like to open discussion and obtain Committee input on the following three questions:

- Where does the Committee think limited CDBG funding should be allocated?
- Should 15% of the funds (the public service category) continue to be set aside for CBOs?
- Should the funded categories in public service be narrowed to provide greater impact in specific areas?

SUMMARY

Housing Department grant administration has grown significantly over the course of the last five years. This growth has further supported the Department's mission of strengthening and revitalizing our community through housing and neighborhood investment through a variety of public service, community development and affordable housing programs, in terms of both funding and technical assistance. Given the projected decline in federal funds, it will be even more critical that the City's grant funds be used in a way that provides the greatest impact to the community.

As we start the FY 2012-13 public input process, the Department looks forward to the Committee's input on the establishment of the funding priorities.

/s/

LESLYE CORSIGLIA
Director of Housing

Attachment A
2011-12 Grant Budgets

Grant	Type	2011 – 2012 Funding	Uses
Community Development Block Grant (CDBG)	Federal Entitlement	\$14,780,211	Public services, housing rehabilitation, code enforcement, economic development
HOME	Federal Entitlement	\$13,274,859	New housing development, housing rehabilitation, homebuyer down payment assistance, rental subsidies
HOPWA	Federal Entitlement	\$861,520	Rent subsidies and case management for people with HIV/AIDS
HOPWA – SPNS	Federal Competitive	\$409,360	Rent subsidies and case management for people with HIV/AIDS
Economic Development Administration (EDA)	Federal Competitive	\$0.00	Small business loan program. This program is no longer available, however requires ongoing servicing
Emergency Shelter Grant (ESG)	Federal Entitlement	\$554,109	Homeless and homeless prevention services including case management, provider operating subsidies, and emergency financial assistance
CDBG-R	Federal Stimulus (Entitlement)	\$416,198	Street improvements, economic development, job readiness and placement, street light conversion. Terminates September 2012
Homeless Prevention and Rapid Re-Housing (HPRP)	Federal Stimulus (Entitlement)	\$1,303,936	Homeless prevention services including case management, housing search and placement, and emergency financial assistance. Terminates August 2012
Neighborhood Stabilization Program 1 (NSP 1)	Federal Stimulus (Entitlement)	\$1,500,000	Acquisition, rehabilitation and re-sale of foreclosed or abandoned residences in hard hit areas. Program will end in Fall 2011.
Neighborhood Stabilization Program 2 (NSP 2)	Federal Stimulus Competitive	\$21,090,000	Same as NSP 1. Program will end in February 2013.
CalHome Program	State Competitive	\$1,300,000	Down payment assistance and housing rehabilitation
BEGIN Program	State Competitive	\$1,500,000	Down payment assistance
Housing Trust Fund	Local	\$1,405,510	Homeless and homeless prevention programs and emergency funding.
Other Federal and State Grants	Competitive	\$4,821,240	Examples of grant projects include the medical respite center, job readiness and training, hazard mitigation
Total		\$63,216,943	

Attachment B
CDBG 2011-12 Projects

AGENCY NAME	PROJECT NAME	2011-12 CONPLAN AMOUNT
CDBG PROGRAM		
ASIAN AMERICAN FOR COMMUNITY INVOLVEMENT (AACI)	Center for Survivors of Torture (CST)	\$20,996.00
ASIAN AMERICAN FOR COMMUNITY INVOLVEMENT (AACI)	Asian Women's Home (AWH)	\$28,554.00
ASIAN AMERICAN FOR COMMUNITY INVOLVEMENT (AACI)	Senior Nutrition Program	\$20,996.00
BILL WILSON CENTER (BWC)	2 nd Street One-Stop Drop-In Center (DIC)	\$20,996.00
BILL WILSON CENTER (BWC)	Bill Wilson House Runaway & Homeless Youth Shelter	\$30,260.00
CATHOLIC CHARITIES OF SANTA CLARA COUNTY	Day Break – Senior Resilience & Empowerment Project (SREP)	\$46,641.00
CATHOLIC CHARITIES OF SANTA CLARA COUNTY	Long Term Care Ombudsman Program	\$23,024.00
COMMUNITY PARTNERS FOR YOUTH, INC.	Step-Up to Brighter Futures	\$82,614.00
COMMUNITY TECHNOLOGY ALLIANCE (CTA)	TechSCC – Tools for Ending Chronic Homelessness in Santa Clara County	\$62,953.00
EMERGENCY HOUSING CONSORTIUM (EHC)	San Jose HOMES – Homeless Shelter	\$42,266.00
ETHIOPIAN COMMUNITY SERVICES, INC.	Azawount Services – Translation and Transportation services to access healthcare	\$20,996.00
ETHIOPIAN COMMUNITY SERVICES, INC.	Rasin Machal – New/recent immigrant services to adapt to their community	\$25,529.00
FAMILY SUPPORTIVE HOUSING, INC.	Case Management for Homeless Families	\$25,183.00
FRESH LIFELINES FOR YOUTH, INC.("FLY")	Legal Eagle – Assist at-risk youth become self-sufficient and turn from delinquency to being positive community leaders	\$32,617.00
FRESH LIFELINES FOR YOUTH, INC.("FLY")	Juvenile Drug Treatment Court Mentor Program	\$28,289.00

AGENCY NAME	PROJECT NAME	2011-12 CONPLAN AMOUNT
FRESH LIFELINES FOR YOUTH, INC. ("FLY")	GOLD – Case Management for middle school students to avoid drop-out and delinquency	\$20,996.00
CATHOLIC CHARITIES OF SANTA CLARA COUNTY	Housing Search & Stabilization Program	\$55,230.00
INDIAN HEALTH CENTER OF SANTA CLARA VALLEY	Diabetes Prevention Program (DPP)	\$20,996.00
INNVISION THE WAY HOME	Cecil White Center- Homeless Day Services	\$34,304.00
INNVISION THE WAY HOME	Montgomery Street Inn – Homeless Shelter for Men	\$21,793.00
INNVISION THE WAY HOME	Julian Street Inn – Homeless Shelter for mentally disabled	\$25,721.00
INTERNATIONAL CHILDREN ASSISTANCE NETWORK (ICAN)	Happy 5 Vietnamese Parenting Workshop	\$20,996.00
LAW FOUNDATION OF SILICON VALLEY	Mental Health Advocacy Project	\$21,070.00
LAW FOUNDATION OF SILICON VALLEY, (FAIR HOUSING CONSORTIUM)	Fair Housing Investigation and Enforcement Services	\$218,355.00
LIVE OAK ADULT DAY SERVICES	Senior Adult Day Care/Respite	\$24,416.00
MAITRI	Transitional House – Emergency Shelter for victims of domestic violence	\$20,996.00
NEXT DOOR SOLUTIONS TO DOMESTIC VIOLENCE	The Shelter Next Door-Emergency Shelter for victims of domestic violence	\$63,639.00
OUTREACH & ESCORT INC. (OUTREACH)	Senior Transportation and Resources (STAR) Program	\$33,753.00
PORTUGUESE ORGANIZATION FOR SOCIAL SERVICES & OPPORTUNITIES (POSSO)	Portuguese Community Center Senior Health Support Program	\$20,996.00
PORTUGUESE ORGANIZATION FOR SOCIAL SERVICES & OPPORTUNITIES (POSSO)	Portuguese Community Center Senior Nutrition Services	\$32,411.00
RESPITE AND RESEARCH FOR ALZHEIMER'S DISEASE	Alzheimer's Activity Center Senior Day Program	\$24,756.00
RESPITE AND RESEARCH FOR ALZHEIMER'S DISEASE	Alzheimer's Activity Center Food and Nutrition Program	\$20,996.00
SACRED HEART COMMUNITY SERVICE	Heart BEAT (Benefits Assistance and Training)	\$20,996.00
SANTA CLARA COUNTY ASIAN LAW ALLIANCE	Asian Law Alliance – Multilingual and culturally sensitive legal counseling and preventative education	\$37,284.00

AGENCY NAME	PROJECT NAME	2011-12 CONPLAN AMOUNT
SECOND HARVEST FOOD BANK OF SANTA CLARA AND SAN MATEO COUNTIES	Brown Bag Program -- Weekly delivery of nutrition food to seniors and people with disabilities	\$21,793.00
SENIOR ADULTS LEGAL ASSISTANCE (SALA)	Legal Assistance to San Jose Elders	\$60,976.00
SILICON VALLEY INDEPENDENT LIVING CENTER	Independent Living Skills Project -- Assist people with disabilities obtain independent living skills	\$21,070.00
THE HEALTH TRUST	Chronic Disease Self Management Program	\$20,996.00
THE HEALTH TRUST	Meals On Wheels -- Provide homebound individuals	\$21,793.00
VIETNAMESE VOLUNTARY FOUNDATION (VIVO)	Vietnamese Senior Services	\$41,574.00
YWCA	Domestic Violence Services to the City of San Jose- Self Sufficiency	\$20,996.00
	PUBLIC SERVICES TOTAL ALLOCATION	\$1,460,816.00
ANEWAMERICA COMMUNITY CORP.	Assets for New Americans: Virtual Business Incubator	\$222,765.00
SANTA CLARA COUNTY BLACK CHAMBER OF COMMERCE	Small Business Incubator Program (SBIP)	\$126,039.00
OPPORTUNITY FUND OF NORTHERN CALIFORNIA	MicroCredit San José	\$217,244.00
CITY OF SAN JOSE DEPARTMENT OF LIBRARY	San Jose Smart Start Family ChildCare	\$456,491.00
	ECONOMIC DEVELOPMENT TOTAL ALLOCATION	\$1,022,539.00
CITY OF SAN JOSE DEPARTMENT OF HOUSING	Housing Rehabilitation Program	\$2,369,879.00
CITY OF SAN JOSE DEPARTMENT OF HOUSING	Minor Repair Program	\$500,000.00
CITY OF SAN JOSE DEPARTMENT OF PLANNING, BUILDING AND CODE ENFORCEMENT	Proactive Code Enforcement Program	\$2,226,914.00
REBUILDING TOGETHER SILICON VALLEY	Rebuilding Housing Repair	\$254,692.00

	HOUSING REHABILITATION / CODE ENFORCEMENT	\$5,351,485.00
LEGAL AID SOCIETY OF SANTA CLARA COUNTY	Legal Aid Society Fair Housing Counseling Project	\$125,974.00
AGENCY NAME	PROJECT NAME	2011-12 CONPLAN AMOUNT
CITY OF SAN JOSE DEPARTMENT OF HOUSING/ ATTORNEY OFFICE/ PBCE / FINANCE	General Administration (Accounting/ Planning/ Attorney/ Environmental Review Services)	\$1,844,194.00
	HOUSING REHABILITATION / CODE ENFORCEMENT	\$1,970,168.00
CITY OF SAN JOSE DEPARTMENT OF HOUSING	Section 108 Debt Service	\$2,017,719.00
	HOUSING REHABILITATION / CODE ENFORCEMENT	\$2,017,719.00
TOTAL 2011-2012 CDBG ALLOCATION		\$11,822,727.00