



## COMMUNITY DEVELOPMENT DEPARTMENT

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### CITY COUNCIL STAFF REPORT

Meeting: May 02, 2023

#### Subject

Fiscal Year (FY) 2023-24 recommended funding allocations for the Community Development Block Grant (CDBG) Program, the Below Market Rate (BMR) Affordable Housing Fund (AHF), and the General Fund Human Services Grant (HSG).

#### Recommended Action

Authorize the City Manager to execute FY 2023-24 CDBG, BMR AHF, and General Fund HSG funding agreements.

#### Reasons for Recommendation

#### *Background*

On November 07, 2022, the City of Cupertino issued an annual Notice of Funding Availability (NOFA) and a Request for Proposals (RFP) (Attachment A), inviting applicants to apply for eligible public services (two-year funding cycle) and capital housing projects (one-year funding cycle). The funding would be part of the City's Fiscal Year 23-24 adopted budget. The NOFA/RFP submittal deadline was February 07, 2023. The City received a total of ten applications during the submittal period.

At its March 9, 2023 meeting, the Housing Commission reviewed the CDBG, BMR AHF, and General Fund HSG applications and made funding recommendations to the City Council (Attachment C). While the CDBG program is administered through the U.S. Department of Housing and Urban Development (HUD), the City Council has the final approval for the BMR AHF and HSG funding requests. CDBG funding amounts will be reduced or increased proportionately for FY 23-24 based on the final HUD allocations. Given that the final HUD allocation may vary, the Housing Commission adopted Resolution 17-02 (CDBG Contingency Plan, Attachment B), on May 11, 2017 to address whether the City receives more or less CDBG funding from HUD. Public service funding cycles have been determined by the timeframe in the City's 2020-2025 Consolidated Plan. The first cycle covered Fiscal Years 20-21, 21-22, and 22-23, and this current cycle will cover Fiscal Years 23-24 and 24-25.

### ***Housing Commission Recommendation***

The Housing Commission held a public hearing on March 9, 2023, to finalize the initial ratings and rankings of the FY 2032-43 CDBG, BMR AHF, and General Fund HSG funding allocations. The Commission recommended approval of the proposed FY 2023-24 funding allocations.

### ***CDBG Funding***

HUD annually allocates CDBG funding to local jurisdictions for a range of community development activities. Cupertino is one of nine entitlement jurisdictions within Santa Clara County. In order to be classified as an entitlement jurisdiction and receive funds directly from HUD, cities must have a population of 50,000 or more. Entitlement grants are allocated on a formula basis and based on several objective measures of community needs, including the extent of poverty, population, housing overcrowding, age of housing, and the extent of population growth lag in relation to other metropolitan areas. The CDBG Contingency Plan as described in Resolution 17-02 (attachment B) identifies allocation options in the event that the funding either increases or decreases.

On February 27, 2023, HUD released a notice that the City will receive \$358,910 in FY 23-24 CDBG entitlement funding. Additionally, program income in the amount of \$7,944 will be received and allocated from existing CDBG loan payoffs. There is also \$222,032.28 in prior year unexpended CDBG funds. HUD regulations establish the maximum percentages that may be allocated to CDBG administration and public services. Of the total estimated funding, a maximum of 20% may be used for administrative costs to cover salary and benefits of staff who operate the CDBG program, a maximum of 15% may be used for public services, and a minimum of 65% must be used for capital housing projects. As noted earlier, CDBG funding amounts will be reduced or increased proportionately for FY 23-24 based on the final HUD allocations and City Council's approval. The final determination will be available May 15, 2023.

<b>FY 23-24 CDBG Budget (est.)</b>	
Entitlement Amount (EN)	\$358,910.00
Program Income (FY 23-24)	\$7,944.00
Unexpended Funds (FY 21-22)	\$35,439.62
Unexpended Funds (FY 22-23)	\$186,592.66
<b>Sub-Total</b>	<b>\$588,886.28</b>
Program Administration (20% EN)	\$73,370.80
Public Service (15% EN)	\$55,028.10
Capital/Housing Projects (65% EN + Unexpended Funds)	\$460,487.38
<b>Total</b>	<b>\$588,886.28</b>

HUD regulations require that eligible activities selected for funding must benefit very low and low-income households, eliminate a blighted area, or address an urgent (emergency) community need, and must also meet a HUD national objective. In addition, only certain types of eligible activities qualify under the CDBG regulations. Examples of eligible activities are:

- Public improvements
- Public service activities
- Affordable housing developments
- Property acquisition for affordable housing
- Rehabilitation of affordable units

***2023-24 CDBG Program Administration Funds***

An estimated total of \$73,370.80 will be used for CDBG program administration. The City will use these funds for administrative costs to cover partial salary and benefits of the City's Housing Division staff who operate the CDBG program.

***2023-24 CDBG Capital Housing Project Funds (One-Year Funding Cycle)***

An estimated total of \$460,487.38 is available to be used for eligible CDBG capital housing projects. This consists of FY 23-24 funding and unexpended funding from prior years. City staff conducted extensive outreach and the NOFA/RFP was sent to over 250 contacts in the affordable housing community. In addition, staff provided technical assistance to six affordable housing developers and non-profits during this time, resulting in the receipt of one application in this category, totaling \$92,536.00. The City did not receive applications for the excess \$367,951.38 in funds and is, therefore, still actively seeking eligible opportunities to expend the excess funding. When an appropriate activity is identified, the City will complete a Substantial Amendment to the FY 22-23 and FY 23-24 Annual Action Plans to allocate the funding. Funding recommendations are listed in the table below.

1	CDBG Capital Housing Projects				
	FY 23-24 Application Summary	Funds Available	Funding Requests	Funding Recommendations	FY 22-23 Funding Allocations
a	Rebuilding Together Silicon Valley- Homeowner Repair and Rehabilitation Program		\$92,536.00	\$92,536.00	\$88,966.00
	Sub-Total	\$460,487.38	\$92,536.00	\$92,536.00	\$88,966.00

### ***2023-24 CDBG Public Service Funds (Two-Year Funding Cycle)***

An estimated total of \$55,028.10 is available to be used for eligible CDBG public service activities. These activities include youth, senior and homeless services as well as other services that benefit low- and moderate-income persons and households. The City received three applications in this category, totaling \$121,536.00, one of which was not eligible, for the reasons stated, below. The two eligible applications totaled \$63,536, resulting in a shortfall of \$8,507.90. Funding was decreased proportionally based on the City's Contingency Plan. Funding recommendations are listed in the table below.

The God's Promise – Community Hub application was deemed ineligible for the following reasons: 1) the application doesn't leverage any other funding sources; 2) the proposal doesn't serve at least 51% low-moderate income (LMI) persons; 3) the project description and milestones were not clearly defined; 4) inadequate organizational capacity and lack of past performance measures; 5) the majority of the project budget goes to administrative costs rather than direct service costs; and 6) the proposal doesn't fall within an eligible CDBG category.

City staff will make themselves available to God's Promise to provide technical assistance on future applications. The applications for Live Oak Adult Day Services and West Valley Community Service's CARE program are qualified for funding because they meet the CDBG eligibility criteria that's established by HUD, and they scored well on the evaluation criteria that the Housing Commission uses to assess the applications.

2	CDBG Public Services				
	FY 23-24 Application Summary	Funds Available	Funding Requests	Funding Recommendations	FY 22-23 Funding Allocations
a	Live Oak Adult Day Services		\$22,000.00	\$19,054.05	\$21,405.76
b	West Valley Community Services (WVCS) – Community Access to Resources and Education Program (CARE)		\$41,536.00	\$35,974.05	\$38,054.69
c	God's Promise – Community Hub		\$58,000.00	<i>Not eligible</i>	N/A
Sub-Total		\$55,028.10	\$121,536.00	\$55,028.10	\$59,460.45

### ***2023-24 BMR AHF Public Services (Two-Year Funding Cycle)***

The BMR AHF receives its revenue from the payment of housing mitigation fees from both non-residential (commercial, retail, hotel, research and development (R&D) and industrial) and residential development projects. Formal agreements and monitoring are

required for this program, but the requirements are less stringent than federal funding. A total of \$50,000 is available to be used for eligible BMR AHF public services. The City received one application in this category totaling \$50,000.00. Funding recommendations are listed in the table below.

3	BMR AHF Public Services				
	FY 23-24 Application Summary	Funds Available	Funding Requests	Funding Recommendations	FY 22-23 Funding Allocations
a	Project Sentinel – Fair Housing Activities		\$50,000.00	\$50,000.00	\$50,000.00
	<b>Sub-Total</b>	<b>\$50,000.00</b>	<b>\$50,000.00</b>	<b>\$50,000.00</b>	<b>\$50,000.00</b>

### ***2023-24 BMR AHF Capital Housing Project Funds (One-Year Funding Cycle)***

The City estimates up to \$4,900,000.00 will be available to fund eligible BMR AHF capital housing projects for FY 23-24 after accounting for administrative and other expenses. Over the course of the year, staff met with multiple developers and non-profits to provide technical assistance in order to generate affordable housing. The City did not receive any applications for FY 23-24 BMR AHF Capital Housing Projects due to barriers such as the high cost of land and lack of adequate funding available to leverage the development of affordable housing. However, staff will continue to provide outreach and technical assistance to interested affordable housing developers and non-profits throughout the year.

### ***2023-24 General Fund HSG Public Services (Two-Year Funding Cycle)***

The General Fund HSG program is funded by the City's General Fund. Formal agreements and monitoring are required for this program, but the requirements are less stringent than the requirements for federal funding. A total of \$125,000 is available to be used for eligible General Fund HSG public service activities. Eligible public service activities are similar to those under the CDBG program and include services that benefit seniors, homeless persons and other low- and moderate-income persons and households. The City received five applications in this category totaling \$251,500, one of which was not eligible. The four eligible applications totaled \$126,500, resulting in a slight shortfall of \$1,500. Funding was decreased proportionally based on the City's Contingency Plan. Funding recommendations are listed in the table below.

As with the CDBG Public Service funds, The God's Promise – Homeless Services application was deemed ineligible for the following reasons: 1) the application doesn't leverage any other funding sources; 2) the project description and milestones are not clearly defined; 3) inadequate organizational capacity and lack of past performance measures; and 4) the majority of the project budget goes to administrative costs rather than direct service costs.

4	General Fund HSG Public Services				
	FY 23-24 Application Summary	Funds Available	Funding Requests	Funding Recommendations	FY 22-23 Funding Allocations
a	Catholic Charities of Santa Clara County – Long Term Care Ombudsman Program		\$10,000.00	\$10,000	\$10,000.00
b	Maitri – MTH-Direct Client Services		\$25,000.00	\$24,678.11	\$25,000.00
c	Senior Adults Legal Assistance (SALA) – Legal Assistance to Cupertino Elders		\$16,500.00	\$16,287.55	\$15,000.00
d	West Valley Community Services – Haven to Home		\$75,000.00	\$74,034.34	\$65,780.00
e	God’s Promise – Homeless Services		\$125,000.00	<i>Not eligible</i>	N/A
<b>Sub-Total</b>		<b>\$125,000.00</b>	<b>\$251,500.00</b>	<b>\$125,000.00</b>	<b>\$115,780.00</b>

#### Sustainability Impact

Authorization of the housing funding agreements will not result in a sustainability impact.

#### Fiscal Impact

CDBG programs and projects are funded by HUD grant funds. BMR AHF public services and projects are funded by housing mitigation fees collected from residential and non-residential development projects. General Fund HSG activities are funded through the City’s General Fund. Budget allocations for approved funding allocations will be included for City Council’s approval as part of the proposed and final budget.

#### California Environmental Quality Act

Authorization of the housing funding agreements is not a project subject to the California Environmental Quality Act (CEQA).

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Attachments:

- A - FY 2023-24 NOFA/RFP
- B - Housing Commission Resolution 17-02 (CDBG Contingency Plan)
- C - FY 2023-24 CDBG, BMR AHF, and HSG Funding Application Summary