



COMMUNITY DEVELOPMENT DEPARTMENT  
CITY HALL  
10300 TORRE AVENUE • CUPERTINO, CA 95014-3255  
TELEPHONE: (408) 777-3308 • www.cupertino.org

## CITY COUNCIL STAFF REPORT

Meeting: April 2, 2019

### Subject

Fiscal Year (FY) 2019-20 Community Development Block Grant (CDBG) Program, Below Market Rate (BMR) Affordable Housing Fund (AHF), and General Fund Human Service Grants (HSG) Program funding allocations.

### Recommended Action

Conduct Public Hearing; and

1. Adopt draft resolution approving the FY 2019-20 CDBG, BMR AHF, and HSG funding allocations.
2. Authorize the City Manager to negotiate and execute FY 2019-20 CDBG, BMR AHF, and HSG grant agreements.

### Background

An annual Notice of Funding Availability (NOFA) and Request for Proposals (RFP) (Attachment A) was issued on November 12, 2018 inviting applicants to apply for CDBG and BMR AHF capital housing project funds for the upcoming FY 2019-20 (Attachment B). The NOFA / RFP deadline ended on February 8, 2019. For FY 2019-20, the City is not accepting applications for CDBG public service funds, BMR AHF public service funds, and HSG funds due to a two-year grant funding cycle which began last FY 2018-19 and will continue in FY 2019-20. If the City Council changes BMR AHF and/or HSG funding allocations for FY 2019-20 then each recipient organization's funding will be changed proportionately.

### ***Renewal Applications***

In December 2007, the City of Cupertino City Council approved a two-year grant funding cycle for CDBG, BMR AHF, and HSG public service grants. The current two-year grant funding cycle covers FY 2018-19 and 2019-20. Organizations who were awarded in FY 2018-19 and who remain in good standing will receive a one-year contract amendment for FY 2019-20. CDBG and BMR AHF capital housing project applications will remain on a one-year funding cycle.

## Discussion

### ***CDBG Funding***

The United States Department of Housing and Urban Development (HUD) annually allocates grants such as CDBG, Home Investment Partnerships Program (HOME), Housing Opportunities for People with AIDS (HOPWA), and Emergency Shelter Grants (ESG) to local jurisdictions for community development activities. Cupertino is one of nine entitlement jurisdictions within Santa Clara County. Jurisdictions typically must have a population of 50,000 or more to qualify as an “entitlement jurisdiction” that receives grant funding directly from HUD. Entitlement grants are largely allocated on a formula basis, based on several objective measures of community needs, including the extent of poverty, populations, housing overcrowding, age of housing, and extent of population growth lag in relationship to other metropolitan areas.

Based on information currently being provided by HUD, cities have been notified that the level of CDBG funding will remain the same as last year. As has been the case in earlier years, the City has put into place a CDBG Contingency Plan (Exhibit 1) to allow for increases or decreases to the funding amounts based on the final HUD allocation formula. The City is estimating \$361,597 in funds for FY 2019-20 based on the CDBG entitlement amount of \$361,597 from FY 2018-19. The City intends to reallocate \$7,944 in program income from existing CDBG loan payoffs. Between the estimated FY 2019-20 entitlement grant and program income, the City estimates that it will have a total of approximately \$369,541 of CDBG funds to utilize. CDBG funding amounts will be reduced or increased proportionately for FY 2019-20 based on final HUD allocation formula and City Council approval. Of the estimated \$369,541 (entitlement plus program income) for FY 2019-20, only 20%, or \$73,908.20 may be used for administrative costs to cover salary and benefits of staff who operate the CDBG program. In addition, 15% of \$369,541 or \$55,431.15 may be used to fund eligible public service activities. The remaining 65% of the \$369,541 or \$240,201.65 is proposed to be used for eligible CDBG capital housing project activities for FY 2019-20.

| <b>Est. FY 2019-20<br/>CDBG Budget</b> |                     |
|--|---------------------|
| Entitlement Amount                     | \$361,597.00        |
| Program Income FY 2018-19              | \$7,944.00          |
| <b>Sub-Total</b>                       | <b>\$369,541.00</b> |
| Program Administration (20%)           | \$73,908.20         |
| Public Service (15%)                   | \$55,431.15         |
| Capital/Housing Projects (65%)         | \$240,201.65        |
| <b>Total</b>                           | <b>\$369,541.00</b> |

This is Cupertino's seventeenth year as an entitlement jurisdiction receiving a CDBG grant directly from HUD. HUD regulations require that eligible housing activities selected for funding must benefit very-low and low-income households or eliminate a blighted area or address an urgent (emergency) community need and must also meet a national objective. In addition, only certain types of eligible activities qualify under the CDBG regulations. Examples of eligible activities are:

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

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

The Housing Commission held a public hearing on March 14, 2019 to finalize their initial rating and ranking of the FY 2019-20 CDBG, BMR AHF, and HSG grant applications. The Commission recommended approval of the proposed FY 2019-20 funding allocations. The details of each fund and their recommendation is discussed below.

### ***2019-20 CDBG Capital Housing Project Funds (One-Year Funding Cycle, FY 2019-20)***

As noted earlier, a total of \$240,201.65 is proposed to be used for eligible CDBG capital housing projects. The City received four applications in this category totaling \$668,185, an excess of \$427,983.35. At the March 14<sup>th</sup> Housing Commission meeting, West Valley Community Services (WVCS) reduced their request for the Vista Village Renovation Project from \$170,000 to \$38,326.65 and revised the project scope accordingly. Funding allocations are recommended as noted in the table below.

| 2 | CDBG Capital Housing Project Applications                                     |                      |                     |   |                                |
|---|---|----------------------|---------------------|---|--------------------------------|
|   | FY 2019-20 Grant Application Summary  | Est. Funds Available | Funding Requests    | Funding Recommendations                       | FY 2018-19 Funding Allocations |
| a | Maitri- Anjali Transitional House   |                      | \$120,000.00        | \$120,000.00                                  | n/a                            |
| b | Rebuilding Together Silicon Valley- Housing Repair and Rehabilitation Project |                      | \$81,875.00         | \$81,875.00                                   | \$64,000.00                    |
| c | Stevens Creek Village Inc.  |                      | \$296,310.00        | Not recommended                               | n/a                            |
| d | WVCS - Vista Village Renovation Project                                       |                      | \$170,000.00        | \$38,326.65 (Withdrawn request for \$170,000) | \$176,201.65                   |
|   | <b>Sub-Total</b>  | <b>\$240,201.65</b>  | <b>\$668,185.00</b> | <b>\$240,201.65</b>                           | <b>\$240,201.65</b>            |

**2019-20 CDBG Public Service Renewal Applications  
(Two-Year Funding Cycle, FY 2018-19 & 2019-20)**

As noted earlier, a total of \$55,431.15 is proposed to be used for eligible public service activities which must benefit very low- and low-income households. All organizations who were awarded in FY 2018-19 remain in good standing and will receive a one-year contract amendment for FY 2019-20. Funding allocations are recommended as noted in the table below.

| 4 | CDBG Public Service Renewal Applications                               |                      |                    |                         |                                |
|---|--|----------------------|--------------------|-------------------------|--------------------------------|
|   | FY 2019-20 Grant Application Summary                                   | Est. Funds Available | Funding Requests   | Funding Recommendations | FY 2018-19 Funding Allocations |
| a | Live Oak Adult Day Services- Senior Adult Day Care / Caregiver Respite |                      | \$20,431.15        | \$20,431.15             | \$20,431.15                    |
| b | WVCS- Community Access to Resource and Education                       |                      | \$35,000.00        | \$35,000.00             | \$35,000.00                    |
|   | <b>Sub-Total</b>   | <b>\$55,431.15</b>   | <b>\$55,431.15</b> | <b>\$55,431.15</b>      | <b>\$55,431.15</b>             |

**Below Market Rate (BMR) Affordable Housing Fund (AHF)**

The BMR AHF receives its revenue from the payment of housing mitigation fees from non-residential (commercial, retail, hotel, research and development (R&D) and industrial) and residential development. Formal agreements and monitoring are required for this program, but the requirements are less stringent than federal funding.

**2019-20 BMR AHF Capital Housing Project Funds  
(One-Year Funding Cycle, FY 2019-20)**

The City estimates up to \$6,000,000 will be available to fund eligible BMR AHF capital housing projects for FY 2019-20 after accounting for administrative and other expenses. The City originally received one application from WVCS in this category totaling \$170,000. WVCS submitted a duplicate application for CDBG capital housing project funds. Prior to the March 14<sup>th</sup> Housing Commission meeting, WVCS withdrew their application for BMR AHF capital housing project loan funds and continued with their application for CDBG capital housing project grant funds. WVCS does not want to incur any additional debt from a loan fund on the Vista Village property and so decided to pursue grant funding only for this project.

| 3 BMR AHF Capital Housing Project Applications |   |                      |                                    |                         |                                |
|--|---|----------------------|------------------------------------|-------------------------|--------------------------------|
|  | FY 2019-20 Grant Application Summary    | Est. Funds Available | Funding Requests                   | Funding Recommendations | FY 2018-19 Funding Allocations |
| a  | WVCS - Vista Village Renovation Project | \$6,000,000.00       | Withdrew Application for \$170,000 | n/a                     | Received CDBG funds            |

The City aimed to leverage larger projects with our BMR AHF funds and notified over 150 contacts in the affordable housing development community of the opportunity. Over the course of the year, the City met with over twenty developers and non-profits to review potential projects and received feedback that the high cost of land coupled with allowed densities makes projects economically infeasible. The City will continue to explore strategies to invite more applicants.

**2019-20 BMR AHF Public Service Funding Allocations  
(Two-Year Funding Cycle, FY 2018-19 & 2019-20)**

On April 17, 2018, City Council set an annual limit of \$50,000 for the BMR AHF public service funds starting in FY 2018-19. The organization who was awarded in FY 2018-19 remains in good standing and will receive a one-year contract amendment for FY 2019-20. Funding allocations are recommended as noted in the table below.

| 5 BMR AHF Public Service Renewal Applications |  |                      |                  |                         |                                |
|---|--|----------------------|------------------|-------------------------|--------------------------------|
|   | FY 2019-20 Grant Application Summary   | Est. Funds Available | Funding Requests | Funding Recommendations | FY 2018-19 Funding Allocations |
| a   | Project Sentinel - Fair Housing and Tenant-Landlord Counseling and Dispute Resolution Services |                      | \$43,000.00      | \$43,000.00             | \$43,000.00                    |
|   | <b>Sub-Total</b>   | \$50,000             | \$43,000.00      | \$43,000.00             | \$43,000.00                    |

**2019-20 General Fund Human Service Grants (HSG) Program  
(Two-Year Funding Cycle, FY 2018-19 & 2019-20)**

On April 17, 2018, City Council set an annual limit of \$100,000 for the HSG program starting in FY 2018-19. Formal agreements and monitoring are required for this program, but the requirements are less stringent than for federal funding. All organizations who were awarded in FY 2018-19 remain in good standing and will receive a one-year contract amendment for FY 2019-20. Funding allocations are recommended as noted in the table below.

| <b>6 General Fund HSG Renewal Applications</b> |  |                             |                         |                                |                                       |
|--|--|-----------------------------|-------------------------|--------------------------------|---------------------------------------|
|  | <b>FY 2019-20 Grant Application Summary</b>                        | <b>Est. Funds Available</b> | <b>Funding Requests</b> | <b>Funding Recommendations</b> | <b>FY 2018-19 Funding Allocations</b> |
| a  | Catholic Charities of Santa Clara County- Long-Term Care Ombudsman |                             | \$8,000.00              | \$8,000.00                     | \$8,000.00                            |
| b  | Maitri- MTH Direct Client Services                                 |                             | \$25,000.00             | \$25,000.00                    | \$25,000.00                           |
| c  | SALA- Legal Assistance to Elders                                   |                             | \$10,600.00             | \$10,600.00                    | \$10,600.00                           |
| d  | WVCS- Haven to Home  |                             | \$40,000.00             | \$40,000.00                    | \$40,000                              |
|  | <b>Sub-Total</b>   | <b>\$100,000</b>            | <b>\$83,600.00</b>      | <b>\$83,600.00</b>             | <b>\$83,600.00</b>                    |

Analysis

Attachment C provides the CDBG, BMR AHF, and HSG grant application descriptions. After the City Council public hearing, the FY 2019-20 CDBG, BMR AHF, and HSG grant agreements will be fully executed. Attachments E, F, G, and H provide sample grant agreements as amended from time to time.

Process

This is the second of two public hearings required by HUD for CDBG. The first public hearing was conducted by the Housing Commission at a meeting held on March 14, 2019. All required HUD notices are published in the Cupertino Courier newspaper in advance.

CEQA Review

**Capital Housing Projects- CDBG and BMR AHF Funds (exempt)**

For grants that are being used to repair, maintain, or renovate existing facilities without expanding the existing use, the issuing of the grant is categorically exempt from CEQA under Guidelines Section 15301. No exceptions to the exemption as listed in CEQA Guidelines 15300.2 exist.

***Public Services- CDBG, BMR AHF, and HSG Funds (exempt)***

For funding of programmatic activity that doesn't involve the physical design, development, or construction of residential or nonresidential structures or any modifications to land, no physical change to the environment would result. Therefore, the activities are exempt pursuant to CEQA Guidelines Section 15061(b)(3), because it can be seen with certainty that there is no possibility that the grant may have a significant effect on the environment.

Fiscal Impact

Sufficient funding will be available and budgeted for all FY 2019-20 CDBG, BMR AHF, and HSG funding allocations. CDBG programs and projects are funded by HUD grant funds. BMR AHF programs and projects are funded by housing mitigation fees collected from residential and non-residential development projects. HSG programs are funded through the General Fund.

---

Prepared by: Kerri Heusler, Senior Housing Planner

Reviewed by: Benjamin Fu, Interim Director of Community Development

Approved for Submission by: Timm Borden, Interim City Manager

Attachments:

- A - Draft Resolution
- B - FY 2019-20 NOFA / RFP
- C - FY 2019-20 CDBG, BMR AHF, and HSG Grant Application Descriptions
- D - Housing Commission Resolution No. 19-01
- E - Sample CDBG Capital Housing Grant Agreement
- F - Sample CDBG Public Services Grant Agreement
- G - Sample BMR AHF Public Services Grant Agreement
- H - Sample HSG Grant Agreement