

Housing Commission Meeting

March 14, 2024

Supplemental Report

Item 3

Fiscal Year (FY) 2024-25 Community
Development Block Grant (CDBG) Program and
Below Market Rate Affordable Housing Fund
(BMR AHF) funding allocations

Redline Staff Report



HOUSING DIVISION

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HOUSING COMMISSION STAFF REPORT

Meeting: March 14, 2024

Subject

Fiscal Year (FY) 2024-25 Community Development Block Grant (CDBG) Program and Below Market Rate Affordable Housing Fund (BMR AHF) funding allocations.

Recommended Action

1. Consider the FY 2024-25 CDBG and BMR AHF funding applications and make recommendations to City Council for final approval.

Reason for Recommendation

An annual Notice of Funding Availability (NOFA) and Request for Proposals (RFP) (Attachment A) was issued on November 06, 2023, inviting applicants to apply for eligible capital housing projects (one-year funding cycle) for the upcoming FY 2024-25. The NOFA/RFP deadline ended on February 06, 2024. Housing Commission reviews CDBG and BMR AHF applications and makes funding recommendations to the City Council. BMR AHF funding amounts for FY 2024-25 are subject to City Council approval. CDBG funding amounts will be reduced or increased proportionately based on final HUD allocations. On May 11, 2017, the Housing Commission adopted Resolution 17-02 (CDBG Contingency Plan, Attachment B), in the event that the City receives more or less CDBG funding from the United States Department of Housing and Urban Development (HUD).

CDBG Funding

HUD annually allocates CDBG funding 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, population, housing overcrowding, age of housing, and extent of population growth lag in relationship to other metropolitan areas. This is Cupertino’s twentieth year as an entitlement jurisdiction receiving a CDBG grant directly from HUD.

In March 2021, HUD’s Office of Environment and Energy (OEE) conducted monitoring of the City’s CDBG program in order to assess performance and compliance with applicable Federal

requirements. During the monitoring, OEE found that in 2018 the City had obligated and expended CDBG funds on a project prior to the completion of the Environmental Review (ER), which is a violation of regulatory requirements. As a result of this finding, OEE prescribed that the City would be penalized by \$176,201 towards a future CDBG entitlement allocation. On March 8, 2024, HUD notified the City that this penalty would be applied to its FY 2024-25 CDBG allocation. Due to this penalty, the City anticipates receiving approximately ~~\$182,709~~ ~~\$358,910~~ in FY 2024-25 CDBG entitlement funding.

Program income in the amount of \$7,944 will be received and allocated from existing CDBG loan payoffs. HUD regulations implement 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 the remaining 65% may be used for capital housing projects. As noted earlier, CDBG funding amounts will be reduced or increased proportionately for FY 2024-25 based on final HUD allocations and City Council approval.

FY 2024-25 CDBG Budget (est.)	
Entitlement Amount (EN)	\$182,709.00 358,910.00
Program Income (FY 2024-25)	\$7,944.00
Unexpended Funds (FY 2022-23)	\$27,781.35
Sub-Total	\$218,434.35 394,635.35
Program Administration (20% EN)	\$38,130.60 73,370.80
Public Service (15% EN)	\$28,597.95 55,028.10
Capital/Housing Projects (65% EN + Unexpended Funds)	\$151,705.80 266,236.45
Total	\$218,434.35 394,635.35

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 national objective. In addition, only certain types of eligible activities qualify under the CDBG regulations. Some examples of eligible activities are improvements to public facilities, funding public services, housing rehabilitation, and economic development.

2024-25 CDBG Program Administration Funds

An estimated total of ~~\$38,130.60~~ ~~\$73,370.80~~ will be used for CDBG program administration. The City will use these funds for administrative costs to cover salary and benefits of staff who operate the CDBG program.

2024-25 CDBG Capital Housing Project Funds (One-Year Funding Cycle)

An estimated total of ~~\$151,705.80~~ ~~\$266,236.45~~ is available to be used for eligible CDBG capital housing projects. This consists of anticipated FY 2024-25 funding and unexpended funding from prior years. City staff conducted extensive outreach and the NOFA/RFP was sent to over 200 contacts in the affordable housing community. In addition, staff provided technical assistance to affordable housing developers and non-profits. The City received two applications in this category totaling \$362,237.00. Funding recommendations are listed in the table below.

1	CDBG Capital Housing Projects				
	FY 2024-25 Application Summary	Funds Available	Funding Requests	Funding Recommendations	FY 2023-24 Funding Allocations
a	Rebuilding Together Silicon Valley- Homeowner Repair and Rehabilitation Program		\$96,237.00	\$96,237.00	\$92,536.00
b	City of Cupertino – Senior Center Cooling System Improvements		\$266,000.00	\$55,468.80 \$169,999.45	\$367,951.38
Sub-Total		\$151,705.80 \$266,236.45	\$362,237.00	\$151,705.80 \$266,236.45	\$460,487.38

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

The City estimates up to \$4,250,000 will be available to fund eligible BMR AHF capital housing projects for FY 2024-25 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 eligible applications for FY 2024-25 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. Staff will continue to provide outreach and technical assistance to interested affordable housing developers and non-profits throughout the year.

Sustainability Impact

FY 2024-25 grant funding recommendations will not result in a sustainability impact.

Fiscal Impact

CDBG programs and projects are funded by HUD grant funds. BMR AHF projects are funded by housing mitigation fees collected from residential and non-residential development projects. 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

FY 2024-25 grant funding recommendations are not a project subject to the California Environmental Quality Act (CEQA).

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Attachments:

A – FY 2024-25 NOFA/RFP

B – Housing Commission Resolution 17-02 (CDBG Contingency Plan)

C – FY 2024-25 CDBG and BMR AHF Funding Application Summary