



COMMUNITY DEVELOPMENT DEPARTMENT
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HOUSING COMMISSION STAFF REPORT

March 22, 2018

Subject

FY 2018-19 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 Resolution No. 18-02 recommending the FY 2018-19 CDBG, BMR AHF, and HSG funding allocations to City Council for final approval.
2. Set an annual limit of \$50,000 for the BMR AHF public service fund starting in FY 2018-19.
3. Increase the General Fund allocation towards the HSG fund from \$40,000 to an annual amount of \$100,000 starting in FY 2018-19.

Background

An annual Notice of Funding Availability (NOFA) and Request for Proposals (RFP) was issued on December 11, 2017 inviting applicants to apply for CDBG, BMR AHF, and HSG funding allocations for the upcoming fiscal year (FY) 2018-19 (Attachment B). The NOFA / RFP deadline ended on February 16, 2018. Following the deadline the Housing Commission will hold a public hearing on March 22, 2018 to initially rate and rank 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. This two-year grant funding cycle covers FY 2018-19 and 2019-20. Agencies who are 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. The Housing Commission reviews BMR AHF and HSG applications at the same time as CDBG applications and makes funding recommendations to the City Council. If the City Council changes BMR AHF and/or HSG funding amounts for FY 2018-19 then each agency's funding will be changed proportionately.

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, included 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. The City is estimating \$311,943 in funds for the FY 2018-19 based on the CDBG entitlement amount of \$311,943 from FY 2017-18. The City intends to reallocate \$7,944 in program income from existing CDBG loan payoffs. Between the estimated FY 2018-19 entitlement grant and program income, the City estimates that it will have a total of approximately \$319,887 of CDBG funds to utilize. CDBG funding amounts will be reduced or increased proportionately for FY 2018-19 based on final HUD allocation formula and City Council approval. In addition, the City put into place a CDBG Contingency Plan (Exhibit 1) because of the uncertainty in the federal budget and the revised timeline provided by HUD to submit the Action Plan. Of the estimated \$319,887 (entitlement plus program income) for FY 2018-19, only 20%, or \$63,977.40 may be used for administrative costs to cover salary and benefits of staff who operate the CDBG program. In addition, 15% of \$319,887 or \$47,983.05 may be used to fund eligible public service activities. The remaining 65% of the \$319,887 or \$207,926.55 is proposed to be used for eligible CDBG capital housing project activities for FY 2018-19.

Est. FY 2018-19 CDBG Budget	Est. FY 2018/19 Funds Available
Entitlement Amount	\$311,943.00
Program Income FY 2017-18	\$7,944.00
Sub-Total	\$319,887.00
Program Administration (20%)	\$63,977.40
Public Service (15%)	\$47,983.05
Capital/Housing Projects	\$207,926.55
Total	\$319,887.00

This is Cupertino's sixteenth 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

***2018-19 CDBG Capital Housing Funding Allocations
(One-Year Funding Cycle, FY 2018-19)***

As noted earlier, a total of \$207,926.55 is proposed to be used for eligible CDBG capital housing project activities. The City received three applications in this category totaling \$304,000, an excess of \$96,073.45. Staff is recommending funding the applications as noted in the table below.

No. 2	FY 2018/19 CDBG Capital Housing Project Applications	Est. Funds Available	Funding Requests	Funding Recommendations	FY 2017/18 Funding Allocations
a	Rebuilding Together Silicon Valley- Housing Repair and Rehabilitation Project		\$64,000.00	\$64,000.00	\$64,000.00
b	West Valley Community Services (WVCS)- Greenwood Court Renovation Project**		\$80,000.00	<i>Recommended to be funded with BMR AHF Capital Housing funds</i>	\$160,000.00
c	WVCS- Vista Village Renovation Project*		\$160,000.00	\$143,926.55	\$167,823.20
	Total	\$207,926.55	\$304,000.00	\$207,926.55	\$231,823.20

*Submitted duplicate application for BMR AHF Capital Housing funds.

**FY 2017-18: WVCS- Greenwood Ct. Renovation Project received BMR AHF funds.

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

As noted earlier, a total of \$47,983.05 is proposed to be used for eligible public service activities. Public service activities must benefit very low- and low-income households.

The City received three applications in this category totaling \$61,870, an excess of \$13,886.95. Staff is recommending funding the applications as noted in the table below.

No. 3	FY 2018/19 CDBG Public Service Applications	Est. Funds Available	Funding Requests	Funding Recommendations	FY 2017/18 Funding Allocations
a	Live Oak Adult Day Services - Senior Adult Day Care / Caregiver Respite		\$16,270.00	\$16,270.00	\$15,495.05
b	Senior Adults Legal Assistance (SALA) - Legal Assistance to Elders*		\$10,600.00	<i>Recommended to be funded with HSG funds</i>	
c	West Valley Community Services - Community Access to Resource and Education (CARE)		\$35,000.00	\$31,713.05	\$32,488.00
	Total	\$47,983.05	\$ 61,870.00	\$47,983.05	\$47,983.05

*Submitted duplicate application for HSG funds.

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. Staff is recommending that the City set an annual limit of \$50,000 for the BMR AHF public service fund starting in FY 2018-19. The annual limit will be a consistent source of funding for public services while reserving funds for capital housing projects.

BMR AHF Capital Housing Funding Allocations (One-Year Funding Cycle, FY 2018-19)

The City estimates up to \$6,000,000 will be available to fund eligible BMR AHF capital housing projects for FY 18-19 after accounting for administrative and other expenses. The City received two applications in this category totaling \$240,000. Staff is recommending funding the applications as noted in the table below.

No. 4	BMR AHF Capital Housing Project Applications	Est. Funds Available	Funding Requests	Funding Recommendations	FY 2017/18 Funding Allocations
a	WVCS- Greenwood Court Renovation Project*		\$80,000.00	\$80,000.00	\$160,000.00
b	WVCS- Vista Village Renovation Project**		\$160,000.00	<i>Recommended to be funded with CDBG Capital Housing funds</i>	\$167,823.20
	Total	\$6,000,000.00	\$40,000.00	\$80,000.00	\$327,823.20

*Submitted duplicate application for CDBG Capital Housing funds.

**FY 2017-18: WVCS- Vista Village Renovation Project received BMR AHF funds.

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

Staff is recommending an annual allocation of \$50,000 to fund eligible BMR AHF public service agencies. The City received two applications for fair housing services in this category totaling \$53,000. In reviewing these two applications, Project Sentinel (Fair Housing and Tenant-Landlord Counseling and Dispute Resolution Services) already provides multiple services in Santa Clara County and this will allow them to expand in Cupertino. Based on these criteria and reviews from other jurisdictions, staff recommends funding Project Sentinel. Staff is recommending funding the applications as noted in the table below.

No. 5	BMR AHF Public Service Applications:	Est. Funds Available	Funding Requests	Funding Recommendations	FY 2017/18 Funding Allocations
a	Eden Council for Hope and Opportunity (ECHO)- Fair Housing Services***		\$10,000.00	<i>Not recommended</i>	\$10,000.00
b	Project Sentinel - Fair Housing and Tenant-Landlord Counseling and Dispute Resolution Services		\$43,000.00	\$43,000.00	\$35,000.00
	Total	\$50,000.00	\$53,000.00	\$43,000.00	\$45,000.00

***Staff recommends funding Project Sentinel for Fair Housing services.

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

The City Council allocates approximately \$40,000 annually from the General Fund to human service agencies. Formal agreements and monitoring are required for this

program, but the requirements are less stringent than for federal funding. The City received four applications in this category totaling \$83,600, an excess of \$43,600. The HSG fund amount was \$100,000 in the past and was reduced to \$40,000 during the economic downturn. Due to the expanding homeless crisis, staff has received multiple requests to include these services in our grant funding. It is expected that programs serving the homeless will be ongoing. Staff is therefore requesting an increase in the General Fund allocation towards the HSG fund from \$40,000 to an annual amount of \$100,000 starting in FY 2018-19. The approval of the WVCS (Haven to Home) application is contingent upon this increase. Staff is recommending funding the applications as noted in the table below.

No. 5	General Fund HSG Applications	Est. Funds Available	Funding Requests	Funding Recommendations	FY 2017/18 Funding Allocations
a	Catholic Charities of Santa Clara County- Long-Term Care Ombudsman		\$8,000.00	\$8,000.00	\$6,500.00
b	Maitri- MTH Direct Client Services		\$25,000.00	\$25,000.00	\$23,400.00
c	SALA- Legal Assistance to Elders*		\$10,600.00	\$10,600.00	\$10,100.00
d	WVCS- Haven to Home* *		\$40,000.00	\$40,000.00	
	Total	\$100,000.00	\$83,600.00	\$83,600.00	\$40,000.00

*Submitted duplicate application.

**Contingent upon approval of increase in General Fund allocations to HSG fund.

Analysis

Attachment C provides the CDBG, BMR AHF, and HSG grant application descriptions.

Process

This is the first of two public hearings required by HUD for CDBG. The second public hearing will be held at a future City Council meeting with a date and time to follow. All required HUD notices are published in the Cupertino Courier newspaper in advance announcing upcoming CDBG public hearings.

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Attachments:

A- Draft Resolution No. 18-02

B- FY 2018-19 NOFA / RFP

C- 2018-19 CDBG, BMR AHF, and HSG Grant Application Descriptions