



COMMUNITY DEVELOPMENT DEPARTMENT

CITY HALL

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CITY COUNCIL STAFF REPORT

Meeting: April 17, 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 draft resolution approving the FY 2018-19 CDBG, BMR AHF, and HSG funding allocations.
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.
4. Authorize the City Manager to negotiate and execute FY 2018-19 CDBG, BMR AHF, and HSG grant agreements.

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.

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.

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.

The new federal budget, signed March 23, 2018, includes significant increases in funding for affordable housing programs. These increases, contained in the 2018 Appropriations Act, include an eight percent increase to the CDBG budget. 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 \$311,943 in funds for 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. 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. The table below provides a summary of how CDBG funds are proposed to be allocated 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

Housing Commission Recommendation

The Housing Commission held a public hearing on March 22, 2018 to finalize their initial rating and ranking of the FY 2018-19 CDBG, BMR AHF, and HSG grant applications. The Commission recommended approval of the proposed FY 2018-19 funding allocations; however, they requested that West Valley Community Services (WVCS) return to the next Housing Commission meeting with a Greenwood Court Renovation Project FY 2016-17 and 2017-18 Report and FY 2018-19 Cost Proposal. The details of each fund and their recommendation is discussed below.

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. Funding allocations are recommended 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. Funding allocations are recommended 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. It is recommended 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. The Housing Commission requested that West Valley Community Services (WVCS) return to the next Housing Commission meeting on April 12, 2018 with a Greenwood Court Renovation Project FY

2016-17 and 2017-18 Report and FY 2018-19 Cost Proposal. Funding allocations are recommended 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

The City aimed to leverage larger projects with our BMR AHF funds and notified the affordable housing development community of the opportunity. The City met with five developers to review potential projects and received feedback that the high cost of land coupled with allowed densities makes projects economically infeasible. Recommendation to invite more applications will be brought to the Housing Commission and Council for consideration at a future date.

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

It is recommended that the City set 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, it is recommended that Project Sentinel receive funds for fair housing services. Funding allocations are recommended 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

*** Project Sentinel recommended 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, the City received multiple requests to include these services in our grant funding. It is expected that programs serving the homeless will be ongoing. It is therefore recommended that the City increase 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. Funding allocations are recommended 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. After the second public hearing the FY 2018-19 CDBG, BMR AHF, and HSG grant

agreements will be fully executed. Attachments E, F, G, H, and I 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 22, 2018. All required HUD notices are published in the Cupertino Courier newspaper in advance.

Fiscal Impact

Sufficient funding will be available and budgeted for all FY 2018-19 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.

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Approved for Submission by: David Brandt, City Manager

Attachments:

- A - Draft Resolution
- B - FY 2018-19 NOFA / RFP
- C - 2018-19 CDBG, BMR AHF, and HSG Grant Application Descriptions
- D - Housing Commission Resolution No. 18- 02
- E - Sample CDBG Capital Housing Grant Agreement
- F - Sample CDBG Public Services Grant Agreement
- G - Sample BMR AHF Capital Housing Grant Agreement
- H - Sample BMR AHF Public Services Grant Agreement
- I - Sample HSG Grant Agreement