



## HOUSING DIVISION

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### HOUSING COMMISSION STAFF REPORT

Meeting: March 12, 2020

#### Subject

Fiscal Year (FY) 2020-21 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

1. Adopt Draft Resolution recommending the FY 2020-21 CDBG, BMR AHF, and HSG funding allocations to City Council for final approval.
2. Approve implementation of three-year funding cycle for CDBG public service, BMR AHF public service, and HSG grants commencing in FY 2020-21.
3. Increase the General Fund allocation towards the HSG fund from \$100,000 to an annual amount of \$125,000 starting in FY 2020-21.

#### Background

An annual Notice of Funding Availability (NOFA) and Request for Proposals (RFP) (Attachment A) was issued on November 12, 2019 inviting applicants to apply for eligible capital housing projects and public service programs for the upcoming FY 2020-21. The NOFA/RFP deadline ended on February 7, 2020. 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 2020-21 then each agency's funding will be changed proportionately. CDBG funding amounts will be reduced or increased proportionately for FY 2020-21 based on final HUD allocation formula and City Council approval.

#### *Funding Cycle*

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. Beginning in FY 2020-21, a three-year grant funding cycle is recommended for public service grants to streamline the application process and lessen the requirements for agencies seeking limited funding. In order to be eligible for continued funding, agencies must remain in good standing to

receive a one-year contract amendment in both FY 2021-22 and FY 2022-23. 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. This is Cupertino’s eighteenth year as an entitlement jurisdiction receiving a CDBG grant directly from HUD.

On February 25, 2020, HUD released FY 2020-21 CDBG amounts and the City was notified that it will receive \$389,308 in funds. The City intends to reallocate \$7,944 in program income from existing CDBG loan payoffs. Between the estimated FY 2020-21 entitlement grant and program income, the City will have a total of approximately \$397,252 of CDBG funds to utilize. Of the estimated \$397,252 (entitlement plus program income) for FY 2020-21, only 20%, or \$79,450.40 may be used for administrative costs to cover salary and benefits of staff who operate the CDBG program. In addition, 15% of \$397,252 or \$59,587.80 may be used to fund eligible public service activities. The remaining 65% of the \$397,252 or \$258,213.80 is proposed to be used for eligible CDBG capital housing project activities for FY 2020-21.

As noted earlier, CDBG funding amounts will be reduced or increased proportionately for FY 2020-21 based on final HUD allocation formula and City Council approval. In addition, the City put into place a CDBG Contingency Plan (Exhibit 1) in the event that the City receives more or less funding from HUD.

<b>FY 2020-21 CDBG Budget</b>	
Entitlement Amount	\$389,308.00
Program Income FY 2018-19	\$7,944.00
<b>Sub-Total</b>	<b>\$397,252.00</b>
Program Administration (20%)	\$79,450.40
Public Service (15%)	\$59,587.80
Capital/Housing Projects (65%)	\$258,213.80
<b>Total</b>	<b>\$397,252.00</b>

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

***2020-21 CDBG Capital Housing Project Funds  
(One-Year Funding Cycle: FY 2020-21)***

As noted earlier, a total of \$258,213.80 is proposed to be used for eligible CDBG capital housing projects. The City received two applications in this category totaling \$258,513.00, an excess of \$299.20. Staff is recommending funding the applications as noted in the table below, with an even reduction of \$149.60 for each agency.

1	CDBG Capital Housing Project Applications				
	FY 2020-21 Grant Application Summary	Funds Available	Funding Requests	Funding Recommendations	FY 2019-20 Funding Allocations
a	Rebuilding Together Silicon Valley- Housing Repair and Rehabilitation Project		\$83,513.00	\$83,363.40	\$81,875.00
b	West Valley Community Services (WVCS) - Vista Village Renovation Project*		\$175,000.00	\$174,850.40	\$43,310.20 ( <i>declined BMR AHF funds for additional funding</i> )
	<b>Sub-Total</b>	<b>\$258,213.80</b>	<b>\$258,513.00</b>	<b>\$258,213.80</b>	<b>\$125,185.20</b>

### 2020-21 CDBG Public Service Applications

(Three-Year Funding Cycle: FY 2020-21, 2021-22, & 2022-23)

As noted earlier, a total of \$59,587.80 is proposed to be used for eligible public service activities which must benefit very low- and low-income households. The City received three applications in this category totaling \$77,000.00, an excess of \$17,412.20. Staff is recommending funding SALA with HSG funds. Staff is recommending funding the applications as noted in the table below, with an even reduction of \$1,206.10 for each agency.

2	CDBG Public Service Applications				
	FY 2020-21 Grant Application Summary	Funds Available	Funding Requests	Funding Recommendations	FY 2019-20 Funding Allocations
a	Live Oak Adult Day Services- Senior Adult Day Care / Caregiver Respite		\$22,000.00	\$20,793.90	\$20,935.04
b	SALA- Legal Assistance to Elders*		\$15,000.00	<i>Recommended to be funded with HSG funds</i>	<i>Funded with HSG funds (\$10,600)</i>
c	WVCS- Community Access to Resource and Education		\$40,000.00	\$38,793.90	\$35,646.16
	<b>Sub-Total</b>	<b>\$59,587.80</b>	<b>\$77,000.00</b>	<b>\$59,587.80</b>	<b>\$56,581.20</b>

\*Submitted duplicate application

***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.

***2020-21 BMR AHF Capital Housing Project Funds***

***(One-Year Funding Cycle: FY 2020-21)***

The City estimates up to \$6,000,000 will be available to fund eligible BMR AHF capital housing projects for FY 2020-21 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 for the BMR AHF funds in order to generate affordable housing. The City did not receive any applications in this category.

***2020-21 BMR AHF Public Service Applications***

***(Three-Year Funding Cycle: FY 2020-21, 2021-22, & 2022-23)***

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 City received one application in this category totaling \$50,000.00. Staff is recommending funding the applications as noted in the table below.

3	BMR AHF Public Service Applications				
	FY 2020-21 Grant Application Summary	Funds Available	Funding Requests	Funding Recommendations	FY 2019-20 Funding Allocations
a	Project Sentinel - Fair Housing and Tenant-Landlord Counseling and Dispute Resolution Services		\$50,000.00	\$50,000.00	\$43,000.00
	Sub-Total	\$50,000	\$50,000.00	\$50,000.00	\$43,000.00

***2019-20 General Fund Human Service Grants (HSG) Program Renewal Applications***

***(Three-Year Funding Cycle, FY 2020-21, 2021-22, & 2022-23)***

On April 17, 2018, City Council set an annual limit of \$100,000 for the HSG program starting in FY 2018-19. The City received four applications in this category totaling \$115,780.00, an excess of \$15,780.00. Due to the expanding homeless crisis, it is expected that programs serving the homeless will increase. Staff is therefore requesting an increase in the General Fund allocation towards the HSG fund from \$100,000 to an annual amount of \$125,000 starting in FY 2020-21. The approval of an additional \$15,780.00 towards the WVCS (Haven to Home) application is contingent upon this increase. Staff is recommending funding the applications as noted in the table below.

4	General Fund HSG Renewal Applications				
	FY 2020-21 Grant Application Summary	Funds Available	Funding Requests	Funding Recommendations	FY 2019-20 Funding Allocations
a	Catholic Charities of Santa Clara County-Long-Term Care Ombudsman		\$10,000.00	\$10,000.00	\$8,000.00
b	Maitri- MTH Direct Client Services		\$25,000.00	\$25,000.00	\$25,000.00
c	SALA- Legal Assistance to Elders*		\$15,000.00	\$15,000.00	\$10,600.00
d	WVCS- Haven to Home*		\$65,780.00	\$65,780.00	\$40,000.00
	<b>Sub-Total</b>	<b>\$100,000.00</b>	<b>\$115,780.00</b>	<b>\$115,780.00</b>	<b>\$83,600.00</b>

\*Submitted duplicate application

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

### Fiscal Impact

Sufficient funding will be available and budgeted for all FY 2020-21 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.

### 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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Prepared by: Kerri Heusler, Housing Manager

Reviewed and Approved for Submission by: Benjamin Fu, Director of Community Development

### Attachments:

- A- Draft Resolution No 20-01
- B- FY 2020-21 NOFA/RFP
- C- FY 2020-21 CDBG, BMR AHF, and HSG Grant Application Descriptions