



## HOUSING DIVISION

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### CITY COUNCIL STAFF REPORT

Meeting: June 2, 2020

#### Subject

2020-25 CDBG Consolidated Plan and the FY 2020-21 CDBG Annual Action Plan

#### Recommended Action

Conduct Public Hearing; and

1. Adopt Draft Resolution approving the 2020-25 CDBG Consolidated Plan and the FY 2020-21 CDBG Annual Action Plan

#### 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 seven entitlement jurisdictions within Santa Clara County. Entitlement 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 allocated on a formula basis, to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low-and moderate-income persons. Funds are then allocated to jurisdictions 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 nineteenth 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.

HUD regulations require that eligible activities selected for funding meet one of the three national objectives: to benefit low- and moderate- income households;

to aid in the prevention or elimination of a blighted area; or to address an urgent community need , such as when conditions pose a serious and immediate threat to the health or welfare of the community and where other financial resources are not available to meet such needs. In addition, only certain types of eligible activities qualify under the CDBG regulations. Examples of eligible activities are:

- Public facilities and improvements
- Public service activities
- Affordable housing developments
- Property acquisition for affordable housing
- Rehabilitation of affordable units
- Fair housing services
- Economic development activities
- Planning and administration of the CDBG program

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

The Housing Commission held a public hearing on May 14, 2020 to review and approve the 2020-25 CDBG Consolidated Plan and the FY 2020-21 CDBG Annual Action Plan. The Commission recommended the following changes, which are reflected in the updated Plan:

- Review the goals and expand upon the language
  - Goal 3: Update goal description for “Frail elderly/elderly services” to include a variety of services
  - Goal 4: Change name from “Self-sufficiency services” to “Services for low-income families and homeless population”

### ***2020-2025 Consolidated Plan***

The Consolidated Plan is comprised of six sections which include Executive Summary, the Process, Needs Assessment, Market Analysis, Strategic Plan, and Annual Action Plan.

#### ***Executive Summary Section***

This section is an introduction to the Consolidated Plan including an evaluation of the previous five-year Consolidated Plan period. The Consolidated Plan serves three functions; as a planning document for the City of Cupertino, which builds on a participatory process, as an application for federal funds under HUD’s CDBG formula grant program, and as a strategy for carrying out the CDBG program.

During the previous 2015-2020 five-year Consolidated Plan period, the City was successful in meeting its four goals, and added a fifth goal of supporting special needs populations.

Goal 1: Assist in creation and preservation of affordable housing for low-income and special needs households – 51 low-income rental units were rehabilitated, 62 homeowner households were rehabilitated, and a 19-unit affordable housing property for seniors was built with City Below Market Rate (BMR) Affordable Housing Funds, HOME funds, and Santa Clara County Measure A funding.

Goal 2: Support activities to prevent and end homelessness – supportive services were provided through West Valley Community Services' (WVCS) Community Access to Resources and Education (CARE) program to homeless households transitioning to permanent housing.

Goal 3: Support activities that strengthen neighborhoods through the provision of community services and public improvements to benefit low-income and special needs households – the CARE program provided supportive services, links to mainstream resources, and emergency rental assistance the households at risk of homelessness, and the Live Oak Adult Day Care Services program provided recreation, mental stimulation, companionship, and meals to elderly and frail elderly persons who are at risk of institutionalization.

Goal 4: Fair housing choice – fair housing counseling, case investigation, services and outreach, educational activities to increase community awareness of fair housing, and landlord/tenant counseling was provided.

Goal 5: Supporting special needs populations – funds were used by Maitri to preserve housing for survivors of domestic violence and their children.

Public comments received during various community engagement efforts identified the need to acquire, repurpose, and rehabilitate local housing to provide sustainable affordable housing in the City; increase economic opportunities such as transportation and accessibility, workforce development; subsidized auto repair and medical services, increase family income, and other and vital services for homeless prevention that could ultimately prevent an episode of homelessness; create/sustain public service activities for special needs populations, particularly elderly persons and persons with mental health needs; provide more restrooms for the unsheltered homeless, assistance for families and individuals in transition; improve aging community facilities and public infrastructure; and provide fair housing services.

### *Process Section*

This section outlines the process used to solicit the community input for the Consolidated Plan. Community engagement is a key piece of the Consolidated Plan and the City participated in a countywide effort to collect data and information from residents and stakeholders across the county as well as within the City to identify both local and regional trends. The jurisdictions that participated in this effort include the cities of Cupertino, Gilroy, Mountain View, Palo Alto, Sunnyvale, San Jose, Santa Clara and the County of Santa Clara representing unincorporated areas of Campbell, Los Altos, Los Altos Hills, Los Gatos, Monte Sereno, Morgan Hill and Saratoga.

The collaborative effort of Santa Clara County entitlement jurisdictions included an extensive public outreach process. Twenty-two stakeholder interviews were conducted with entities, organizations, agencies, and persons who are directly engaged via community outreach efforts. The stakeholders were also asked to share materials with their beneficiaries, partners, and contacts, and encouraged to promote attendance at the public forums and to solicit responses to the Regional Needs Survey. Community engagement included phone calls, targeted emails, newspaper announcements, social media posts, and personalized requests from jurisdiction staff. Throughout September and December of 2019, the entitlement jurisdictions hosted four Consolidated Plan regional workshops in the cities of Cupertino, Morgan Hill, Palo Alto, and San Jose to engage the public and local stakeholders in the planning process. In addition, two community meetings that sought combined input on the Consolidated Plan and Assessment of Fair Housing were held in San Jose and in Gilroy. Two focus groups were held in Santa Clara and Gilroy, where a total of seven agencies participated. Four pop-up events were held, two in Sunnyvale, one in Santa Clara, and one in Palo Alto. These events were held during farmer's markets and had provided the public with general information and awareness of the Consolidated Plan process and how to participate in the community survey. Translators were provided at each workshop for common languages spoken in the area. Outreach materials announcing the regional and community outreach workshops along with Consolidated Plan surveys were distributed countywide and published in four languages (English, Spanish, Vietnamese, and Chinese). The City also offered the Consolidated Plan survey on the City's housing website, as well as paper copies available at City Hall, Cupertino Library, Cupertino Senior Center, and Quinlan Center. A total of 16 residents participated and a total of 1,950 Consolidated Plan surveys were collected countywide. At the workshops, staff and the consultant outlined the Consolidated Plan process and the purpose of the document. Participants disbursed into smaller break-out groups to discuss needs associated

with community services, housing, economic development and community facilities and infrastructure. After the break-out session, participants reconvened to discuss these issues as a single group.

#### *Needs Assessment Section*

This section incorporates quantitative data from a variety of sources and qualitative information from various organizations and community stakeholders. Quantitative data sources include HUD, United States Census Bureau, HIV Epidemiology Annual Report for the County of Santa Clara, the Center for Disease Control and Prevention, Santa Clara County Homeless Census and Survey, and other scholarly private demographic vendors.

Information in this section analyzes the impact that housing problems have on low- and moderate-income households, racial and ethnic groups, and special needs populations. Housing problems include substandard conditions, overcrowding, and housing cost burden. When the members of a particular racial/ethnic group experience housing problems at a greater rate (10 percentage points or more) than the jurisdiction as a whole, then they have a disproportionate need. Hispanic, Asian, and Pacific Islander households are disproportionately affected by housing problems in the City.

Additionally, this section addresses the public service needs of the homeless population, special needs populations, and public housing participants in the City. The City has no public housing units; however, 28 Cupertino households have a Housing Choice Voucher (HCV) that they can use at approved sites. Across the County, HCV holders have difficulty locating a housing unit that will accept a HCV, that is at the fair market rent, and meets the housing quality standards required by HUD. The number of homeless people living in the City increased between 2017 and 2019 by approximately 25 percent, from 127 to 159 unsheltered homeless persons.

Lastly, data and community engagement feedback were used to determine priority needs related to public facilities and public improvements in the City.

#### *Housing Market Analysis Section*

This section discusses the housing stock in the City and the multiple factors that impact housing. The majority of the City's housing stock is of single-family housing units (1-unit detached structures), in which the owner currently inhabits the home. The median home value in 2015 was \$1,140,200, and continues to rise, which makes buying a home unaffordable to low-income households. In addition

to the lack of affordability for low- and moderate-income families to purchase a home, there is a gap of 795 affordable units for renter households.

This section also analyzes the need for homeowner rehabilitation and lead-based paint remediation. Low-income homeowners need assistance in rehabilitating their homes to address health and safety issues, that may otherwise cause the home to become uninhabitable. Additionally, there are approximately 2,115 households with children that could be living in housing with lead-based paint hazards.

Internet access is extremely important to access education and job search activities. To assist with this need, the City's Senior Center offers public Wi-Fi, drop-in and appointment-based technology. There are two providers in the City, both Xfinity and AT&T that offer discounts to low- and moderate-income households, and Xfinity also offers low-cost computers as part of an Internet Essentials program.

The City does not offer any emergency shelters or transitional housing for homeless persons; however, homeless persons in the City are eligible for countywide mainstream services. The City has 943 residential care facility beds for the elderly, which are non-medical facilities. All other special needs housing is not located within the City.

The City continues to prepare residents for natural and human-caused disasters through social media, radio, TV, and Cupertino.org. Low- and moderate-income households face many challenges, as discussed above in the Needs Assessment and Market Analysis, yet these challenges are intensified when faced with a natural disaster or other types of emergency.

### *Strategic Plan*

This section serves as a blueprint for addressing the needs identified in the Needs Assessment and Market Analysis sections. The Strategic Plan establishes a work plan with goals and strategies to guide the allocation of entitlement grant funds and the implementation of HUD programs over the next five years. The goals and strategies listed in the five-year strategic plan compliment the policies, programs, and objectives described in the City's General Plan Housing Element. The goals and strategies also reflect input from community stakeholders, local service providers, and staff. The goals and strategies within the Strategic Plan are organized into multiple categories to help the City determine the priority needs, funding available, goals sought, potential barriers, increasing economic opportunities, and abiding by all HUD requirements. Not every need identified in the Plan can be met and sufficiently addressed in the next five years. Some of the needs are not feasible, some require much more funding than the City

currently receives, and some are simply too large to be addressed in just five years. Per HUD requirements, the Strategic Plan addresses how the City works with the local public housing authorities, and is mitigating barriers to address affordable housing, addressing poverty and coordinating with the public and private sector on community development efforts.

Priority needs are determined through community engagement, data provided in the housing needs assessment, and market analysis. Priority needs for the 2020-25 Consolidated Plan period include affordable housing through both homeowner and rental unit rehabilitation, preventing and assisting those experiencing homelessness, providing community services for frail elderly/elderly persons, and promoting fair housing choice.

The City anticipates the following funding over the five-year 2020-2025 Consolidated Plan cycle:

- CDBG Entitlement funds \$1,946,540 *anticipated* (\$389,308 annually) plus program income of \$39,720 (\$7,944 annually)
- BMR AHF Public Services- \$250,000 (\$50,000 annually)
- General Fund Human Services Grant- \$625,000 (\$125,000 annually)

The City participates in the Santa Clara HOME Consortium and does not receive HOME funds directly but does provide a match for affordable housing developers that wish to apply for HOME funds. The match is provided through the City's BMR AFH. The City's BMR AHF has a current balance of \$6,000,000.

Goals are determined based on priority needs and anticipated resources. Five goals were created for the 2020-25 Consolidated Plan cycle: 1) homeowner rehabilitation; 2) affordable rental unit rehabilitation; 3) frail elderly/elderly services; 4) services for low-income families and homeless population; and 5) fair housing.

Although the City has identified the need for additional affordable housing as a priority need through public engagement, the City faces many of the same affordable housing barriers as the rest of the Bay Area. The high cost of labor and development constrains the development of affordable housing units in favor of higher-end units, lack of developable land prevents development and increases the price of land, and there is a lack of funding available for the development of affordable housing.

#### *Annual Action Plan Section*

This section is a one-year plan that describes the eligible activities that the City intends to undertake in FY 2020-21 to address the needs and implement the

strategies identified in the adopted 2020-25 Consolidated Plan. The Annual Action Plan describes the activities that the City will fund to address the priority needs of affordable housing, non-housing community services, homelessness, and fair housing choice. The City has five projects planned during FY2020-21 to address priority community needs, which will be funded through CDBG. The fair housing project will be funded by the City's BMR AFH funds. All projects are to benefit low- and moderate-income households throughout the City and there is no geographic area targeted for the projects. Due to the impacts of COVID-19, the City may be unable to conduct activities, either all or in part, related to the Homeowner Rehabilitation and Frail Elderly Services goals. The City estimates that this inability will create a carryover budget of approximately \$20,000 to the FY21-22 Consolidated Plan year.

On May 5, 2020, the City Council approved the FY 2020-21 CDBG funding allocations. Public Service funds are awarded on a three-year grant funding cycle. Capital Housing funds are on a one-year funding cycle. The following tables provide a breakdown of FY 2020-21 CDBG funding.

<b>FY 2020-21 CDBG Budget</b>	
Entitlement Amount	\$389,308.00
Program Income FY 2019-20	\$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>

<b>CDBG Capital Housing Projects</b>		
1	Rebuilding Together Silicon Valley- Housing Repair and Rehabilitation Project	\$83,363.40
2	West Valley Community Services (WVCS) - Vista Village Renovation Project*	\$174,850.40
	<b>Total</b>	<b>\$258,213.80</b>



<b>CDBG Public Services</b>		
1	Live Oak Adult Day Services- Senior Adult Day Care / Caregiver Respite	\$21,155.73
2	WVCS- Community Access to Resource and Education	\$38,432.07
	<b>Total</b>	<b>\$59,587.80</b>

The 2020-25 CDBG Consolidated and FY 2020-21 Annual Action Plan were made available for public comment from May 5 – June 5, 2020. The City will document any input received. The 2020-25 CDBG Consolidated and FY 2020-21 Annual Action Plan will be submitted to HUD by the June 29, 2020 deadline.

#### Sustainability Impact

None

#### Fiscal Impact

Sufficient funding will be available and budgeted for FY 2020-21 CDBG funding allocations. CDBG programs and projects are funded by HUD grant funds.

#### Process

This is the second of two public hearings required by HUD for CDBG. The first public hearing was held by the Housing Commission on May 14, 2020. All required HUD notices are published in the Cupertino Courier newspaper in advance announcing upcoming CDBG public hearings.

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Reviewed by: Benjamin Fu, Director of Community Development

Approved by: Dianne Thompson, Assistant City Manager

Attachments:

A - Draft Resolution