

County of Santa Clara Office of the County Executive

Office of Affordable Housing
Housing and Community Development



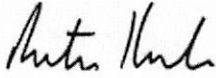
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DATE: May 4, 2004

TO: Board of Supervisors

FROM: 
Peter Kutras Jr.
County Executive

SUBJECT: Public Hearing Regarding Funding Allocations for FY 2005 in the sum of \$3,966,978 for the Community Development Block Grant (CDBG) Program, HOME Investment Partnership Act (HOME) Program, Emergency Shelter Grants (ESG) Program, and the Draft Annual Plan to Provide Housing, Public Services and Community Development Activities.

RECOMMENDED ACTION

Consider recommendations relating to Fiscal Year 2005 funding allocations for the Community Development Block

Grant (CDBG) Program, HOME Investment Partnership Act (HOME) Program, and Emergency Shelter Grants (ESG) Program, and Draft Annual Plan for Fiscal Year (FY) 2004–2005 as required by U.S. Department of Housing and Urban Development (HUD).

Possible action:

- a. Open public hearing and receive testimony regarding the Fiscal Year 2005 Annual Plan spending recommendations.
- b. Close public hearing.
- c. Approve the Fiscal Year 2004–2005 Annual Plan and authorize OAH staff to edit and make other necessary revisions to the draft, based on public and Board comments, and to submit the approved Annual Plan to HUD by May 15 2004.
- d. Approve the proposed allocation of Fiscal year 2005 HUD funds received for the CDBG, ESG, and HOME programs, and the proposed contract conditions, as recommended by the Housing and Community Development (HCD) Program's Council Committee.
- e. Approve the recommended allocation of the Board's discretionary share (\$151,440) of the funding.
- f. Authorize County OAH staff to prepare Agreements, loan documents and other related documents (e.g. loan agreements, deeds of trust, promissory notes, subordination agreements, assignment agreements, estoppel agreements, etc.) with non-profit agencies and participating non-entitlement cities to fund their local CDBG projects based on the Board's approval of the Fiscal Year 2005 funding allocations from the CDBG and HOME competitive pools, the Board's discretionary share, and the ESG program, and authorize the Chairperson to execute documents following approval by County Counsel as to form and legality.
- g. Authorize County Executive to execute necessary documents required by HUD to received Federal funding, FY 2004–2005 CDBG, HOME and ESG funds.

FISCAL IMPLICATIONS

There is no impact on the General Fund as a result of this action. The CDBG, HOME and ESG programs are federally funded and include funding to offset administrative costs. The new funding available for CDBG eligible projects is \$2,568,736. This amount includes the new grant allocation of \$2,143,000, residual balance on completed projects of \$27,391, collected loan repayments on housing development loans of \$6,345 and \$392,000 of estimated program income from Unincorporated area rehabilitation loans. These amounts are reflected in FY2005 Recommended Budget, Budget

Unit 168, cost centers 1168 and 1162. For Annual Plan reporting purposes, an estimated program income of \$300,000 from Campbell, Morgan Hill, and Saratoga rehabilitation loans is included as part of CDBG funding sources for FY2005.

The new funding available for HOME eligible projects is \$925,370. This amount includes the new grant allocation of \$909,000 and collected loan repayments on housing development loans of \$13,370 and estimated program income of \$3,000. These amounts are reflected in FY2005 Recommended Budget, Budget Unit 168, cost center 1161. In addition to this years grant allocation, the County received funding for a new program, American Dream Downpayment Initiative (ADDI) which was signed into law on December 16, 2003. For Annual Plan reporting purposes, the ADDI funding for \$91,849 is included as part of HOME funding sources for FY2005 and will be available once a process for distribution of funds has been established.

The new ESG funding available is \$81,023. This amount is reflected in FY2005 Recommended Budget, Budget Unit 168, cost center 1165.

The total of all funding sources for the above programs is \$3,966,978. (Attachment A)

CONTRACT HISTORY

Annual contracts are executed for fiscal year funding allocations to all non-entitlement cities and all subrecipients (i.e. nonprofit affordable housing sponsors and housing-related service providers). The contracts which will be prepared and executed for the FY 2005 CDBG, HOME, and ESG projects recommended in this transmittal are subject to the Contracting Principles Resolution adopted by the Board on October 28, 1997. All appropriate documents required by the Contracting Principles policy will, therefore, be incorporated into all contract agreements pertaining to these projects.

CDBG Program

The Community Development Block Grant program was created by the Housing and Community Development Act of 1974. The County of Santa Clara has received funds to administer the CDBG program since its designation as an Urban County in 1975. The jurisdictions which make up the Urban County include the cities/towns of Campbell, Los Altos, Los Altos Hills, Los Gatos, Monte Sereno, Morgan Hill, and Saratoga, as well as the unincorporated areas of the County. It should be noted that the City of Cupertino left the Urban County in FY 2004 to become an entitlement City and will receive its CDBG allocations directly from HUD. The County and the seven participating jurisdictions which make up the Urban County have executed a joint powers agreement in order to meet the population threshold and other HUD mandated requirements (combined population in excess of 200,000 for receipt of the federal grant) to receive such funding.

Activities funded by the County of Santa Clara and the participating cities since 1975 include the development of new affordable housing units, rehabilitation of affordable housing units, construction of neighborhood centers, removal of architectural barriers for the elderly and persons with disabilities, fair housing services, shelters for the homeless and victims of domestic violence, and other housing-related public services.

At the end of each fiscal year, all residual and reprogrammed CDBG funds are budgeted, following Board of Supervisors' approval of the proposed allocation of those funds. The amount anticipated, if any, will be determined at year-end closeout.

HOME Program

The HOME Investment Partnership Act, otherwise known as the HOME Program, was enacted as Title II of the Cranston–Gonzalez National Affordable Housing Act of 1990. The goals of the HOME program are to:

- Expand the supply of decent, permanently affordable housing for lower income families, with an emphasis on rental housing for very low income families;
- Develop partnerships between Federal, State, and local levels of government, as well as private non–profit agencies and investors, to coordinate housing resources and implement affordable housing programs; and
- Build the capacity of State and local governments and private non–profit agencies to implement affordable housing programs.

HOME funds are used primarily to help finance housing construction projects. The County's funding priorities for projects seeking FY 2005 HOME funds are based on the funding priorities identified in the Urban County Consolidated Plan, which incorporates the HOME program goals described above.

Each participating jurisdiction in the HOME program is required to reserve at least 15% of its funds for housing to be developed, sponsored, or owned by Community Housing Development Organizations (CHDOs). A CHDO is a private, non–profit organization whose purpose is the provision of decent, affordable housing, which has demonstrated its capacity for carrying out HOME eligible activities. CHDOs must have a history of serving the community within which the housing projects to be assisted with HOME funds are to be located. All projects assisted with HOME funds are also required to provide 25% non–federal matching funds. This year, two of the three HOME projects are being developed by CHDO's which exceeds the minimum requirements for CHDO's.

The American Dream Downpayment Initiative (ADDI), a new component under the HOME Program, was signed into law by President Bush on December 6, 2003 under the American Dream Downpayment Act (Public Law 108–186)(ADDI statute). Funds made available under the ADDI statute will be allocated to eligible HOME Program participating jurisdictions (PJ). ADDI Funds may only be used for downpayment assistance towards the purchase of single family housing by low–income families who are first–time homebuyers. Rehabilitation that is completed in conjunction with a home purchase assisted with ADDI funds is also an eligible expense for funding from ADDI.

Appropriations for ADDI funds have been made for Federal FY 2003 in the amount of \$42,132 and for Federal FY 2004 in the amount of \$47,717 for a total of \$91,849. ADDI funds will be administered through the Office of Affordable Housing when a process for distribution is established.

At the end of each fiscal year, all residual and reprogrammed HOME funds are budgeted, following Board of Supervisors' approval of the proposed allocation of those funds.

ESG Program

Under the Stewart McKinney Homeless Act of 1987, Emergency Shelter Grant Program funding may only be used for the rehabilitation of emergency shelters, essential services for homeless shelters, maintenance and utility costs for shelters, and for homeless prevention activities, including rent payments. Since 1987, the County has allocated ESG funds to approximately 80 projects.

All of the agencies recommended to receive ESG funding for FY 2005 have been funded in previous years. Typical ESG contract amounts range from approximately \$4,375 to \$6,926. Allocations to ESG-funded projects are awarded on the basis of the annual Request for Proposal (RFP) process.

REASONS FOR RECOMMENDATION

The recommendations meet the priorities in the Board approved 5-Year Consolidated Plan. Several new construction projects will be undertaken by affordable housing developers:

Priority 1: Increase the Available Supply of Housing Affordable to Lower Income Households

1. The Charities Housing Development Corporation, Campbell Avenue Homeownership Project consists of new construction of 45 units of homeownership housing for first time homebuyers. This project will be located at 555 Campbell Avenue, Campbell. The targeted households will be low and moderate income households. The requested funds will be used for land acquisition utilizing HOME funds.
2. The First Community Housing – Murphy Ranch Phase II project consists of construction of 38 multi-family rental housing units for low income tenants in Morgan Hill. There will be 10 HOME-assisted units in this second phase.
3. The South County Housing Corporation – Sobrato Apartments project consists of new construction of 60 transitional apartments in Gilroy for families graduating from the emergency shelter to permanent housing. There will be 10 HOME-assisted units in this project.

Priority 2: The Rehabilitation and Maintenance of Existing Housing

1. Each participating city and the County's unincorporated area will continue to operate a local Housing Rehabilitation Program by serving 18 lower-income households.
2. Economic and Social Opportunities (ESO) will continue to operate a Minor Home Repair Program in several cities and in the unincorporated area by assisting approximately 42 households.
3. InnVision, The Way Home – Emergency Shelter and Transitional Housing Rehabilitation Project will provide rehabilitation to the Julian Street Inn, Montgomery Street Inn, and Commercial Street Inn buildings, which are emergency and transitional housing shelter programs serving over 600 Urban County homeless people each year.

Priority 3: Preserving Existing Affordable Housing

Funds will be allocated to Catholic Charities to enable them to continue to provide shared housing for low income people.

Priority 4: Ensuring Equal Housing Opportunities

The Santa Clara County Fair Housing Consortium, which includes Asian Law Alliane (ALA), Mental Health Advocacy Project, Mid-Peninsula Citizens for Fair Housing (MCFH), and Project Sentinel, will continue to provide resources for Urban County residents with tenant/landlord, housing discrimination, and fair housing concerns.

Priority 5: Increasing Housing Opportunities for Special Needs Populations

1. The Silicon Valley Independent Living Center will provide housing counseling to the Urban County disabled.
2. Economic and Social Opportunities (ESO) will continue to provide handicapped access to Urban County residents under the Minor Home Repair Program.
3. Projects funded under the Emergency Shelter Grants (ESG) Program will provide homeless persons with essential services and homeless prevention programs. ESG funds will also be used to cover maintenance, operations, and utility costs for homeless shelters.
4. Community Solutions, Next Door Solutions, and InnVision will receive funding to provide facilities for women escaping domestic violence; assistance in emergency and short-term housing, food, counseling; and life skills workshops.
5. The Unity Care Groups Shared Transitional Housing for Homeless Youth Aging Out of Foster Care will provide a safe, secure, and positive transitional living environment in a shared housing setting for 4 to 6 Urban County young adults between the ages of 18 and 21. These are at-risk young adults who have aged out of the foster care system and have become homeless.

BACKGROUND

The five-year Urban County Consolidated Plan, which describes the housing and housing-related needs of the Urban County jurisdictions, provides an overview of the communities' needs, and then sets out a strategy to meet those needs, including the establishment of funding priorities. HCD operated under the 1995–2000 Consolidated Plan until last year when an updated Consolidated Plan for FY 2001–2005 was approved by the Board of Supervisors on May 9, 2000. This document, approved by both the Board of Supervisors and HUD, will guide the OAH programs through 2005.

An essential component of the five-year Consolidated Plan is the Annual Plan (Attachment B). The FY 2005 Annual Plan is a yearly increment to the Consolidated Plan, which describes proposed uses of CDBG, HOME, ESG, and other HUD funds that the County will receive during the upcoming program year. The Annual Plan contains brief descriptions of all of the proposed CDBG, HOME and ESG projects for FY 2005 funding period. Funding allocations for the various projects described in the Annual Plan were determined through the annual, consolidated Request for Proposal (RFP) and application review process.

A streamlined standardized application process was utilized for CDBG funding requests for FY 2005. The application process began with a consolidated Request for Proposal (RFP), which was issued on November 21, 2003 for agencies seeking CDBG, HOME, and ESG program funding. CDBG and HOME proposals submitted by the deadline of January 9, 2004 were reviewed by Urban County Staff on February 3, 2004 and February 6, 2004. Through those meetings, the Urban County staff (which consists of OAH staff and non-entitlement City staff) recommended funding allocations.

The Urban County staff recommendations were then reviewed by the HCD Citizen's Advisory Committee (CAC) on February 26, 2004. The Urban County staff and CAC recommendations were then reviewed by the HCD Council Committee on March 25, 2004 and these recommendations have been included with this transmittal for final decision by the Board after the May 4, 2004 public hearing. The funding recommendations also shown in Attachment B reflect the

deliberations and decisions made by the Council Committee at a public meeting.

Also included in the CDBG funding recommendations and summarized in the Annual Plan is an estimated \$690,000 of program income generated by the repayment of housing rehabilitation loans and interest from Revolving Loan Funds maintained by the Urban County jurisdictions. HUD requests that, at the beginning of each funding cycle, each entitlement community indicate how it intends to utilize its estimated program income during the coming year. All of the cities participating in the Urban County program intend to utilize the funds to provide additional housing rehabilitation loans and some grants during the year.

In addition, each participating non-entitlement city conducted its own local Request for Proposal (RFP) process (except the cities of Los Altos Hills and Monte Sereno) and identified projects to be funded with each cities' share of \$151,440 discretionary share of the FY 2005 CDBG allocation. After the projects were identified, each city conducted at least one public hearing before its city council and local recommendations were approved for each city's \$151,440 discretionary share. Each city is also allocated an additional \$15,000 for program administration. A complete listing of City Projects are provided in Attachment C.

As part of the overall distribution of the annual CDBG grant, the Board of Supervisors receives an allocation of CDBG funds equal to the non-entitlement cities. These funds can be spent for any eligible activity and are not restricted to housing activities in the manner that the housing pool funds are restricted. (Proposed funding allocations for the CDBG and HOME programs are set forth in Attachment B, and the recommended allocation of ESG funds are described in Attachment D).

ESG proposals submitted by the deadline of January 9, 2004 were reviewed by a sub-committee composed of Urban County staff, Entitlement cities' representatives and HCD Council Committee members. This sub-committee met on March 10, 2004 and made recommendations for the allocation of \$73,123, as shown in Attachment D.

A determination of housing and other eligible housing-related projects to be funded from the FY 2005 CDBG, HOME and ESG allocations must be made prior to the submission of the Annual Plan and funding applications to HUD. Consistent with HUD regulations and policies of the Board of Supervisors, HCD staff is required to publish a notice advising the general public of the public hearing regarding the allocations for the CDBG and HOME Programs, and the availability of the Draft Annual Plan. HCD staff has met those requirements, and will also prepare all other documents required by HUD for submission as part of the FY 2005 CDBG and HOME Program applications.

CONSEQUENCES OF NEGATIVE ACTION

If the Board does not take the recommended actions to hold the public hearings and make decisions regarding funding allocations, the County of Santa Clara will not be in compliance with regulations governing the distribution of CDBG, HOME and ESG funds, and the County, participating jurisdictions and non-profit agencies will not receive CDBG, HOME, or ESG funding for Fiscal Year 2005. The priorities established in the 5-Year Consolidated Plan will not be met, and the Urban County lower-income citizens will not be assisted in the ways outlined above.

STEPS FOLLOWING APPROVAL

Upon Board approval of the actions recommended in this transmittal, obtain signature of Chairperson of the Board and attestation by the Clerk of the Board on FY 2005 CDBG, Home and ESG contracts, loan documents and all other documents required to complete each funding transaction. Return two copies of each contract, and other documents to OAH, and retain one copy of each contract for the Board's files. Forward one (1) executed original contract document to each contractor.

ATTACHMENTS

- (Transmittal submitted on Apr 26, 2004 5:06:09 PM – PDF Version)
- Summary of Funding Sources (Miscellaneous)
- Annual Plan (Part One) (Miscellaneous)
- Annual Plan ({Part Two of Two) (Miscellaneous)
- City Projects (Miscellaneous)
- ESG Funding Recommendations (Miscellaneous)