

County of Santa Clara
Environmental Resources Agency
Planning and Development
Housing and Community Development





ERA02 050702

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DATE: May 7, 2002

TO: Board of Supervisors

FROM:  
Tim Chow
Director, Environmental Resources Agency

SUBJECT: Public Hearing Regarding Funding Allocations for FY 2002/03 in the sum of \$4,856,913 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

Approve recommendations relating to funding allocations for FY 2002/03 in the sum of \$4,856,913 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.

Possible action:

- a. Conduct a public hearing regarding proposed funding allocations from the U.S. Department of Housing & Urban Development (HUD) funds allocated to the County of Santa Clara in the total amount of \$4,856,913 received for the CDBG, HOME, and ESG Programs to provide housing and housing services. The public hearing will provide the opportunity for citizens to comment on the proposed specific allocations of funds.
- b. Approve the proposed allocation of FY 2002/03 HUD funds received for the CDBG, ESG, and HOME programs, and the proposed contract terms, as recommended by the Housing and Community Development (HCD) Program's Council Committee (CC). It is also recommended that the Board approve the recommended allocation of the Board's discretionary share (\$160,046) of the funding. 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 on 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 A, and the recommended allocation of ESG funds are set forth in Attachment B.)
- c. Authorize County HCD staff to prepare all appropriate contracts, loan agreements and other necessary documents, based on the Board's approval of the funding allocations from the CDBG and HOME competitive pools, the Board's discretionary share, and the ESG Program, for the approval and signature of the Chairperson of the Board following approval by County Counsel as to form and legality.
- d. Authorize County HCD staff to prepare all legal agreements/documentation necessary to fund the approved projects (e.g. loan agreements, deeds of trust, promissory notes, subordination agreements, assignment agreements, estoppel agreements, etc.), and authorize Chairperson of the Board to execute these agreements following approval by County Counsel as to form and legality.
- e. Authorize County HCD staff to prepare contracts with non-entitlement cities to fund their local CDBG projects, as listed in Attachment C, including unexpended city funds rolled over from the prior year. Authorize Chairperson of the Board to execute these contracts following approval by County Counsel as to form and legality.
- f. Conduct a public hearing regarding the draft FY 2002/03 Annual Plan (Attachment C), as required by the U.S. Department of Housing and Urban Development.
- g.

Approve the FY 2002/03 Annual Plan (described below). Authorize HCD staff to make editorial and other necessary revisions to the draft, based on public and Board comments during the public hearing as necessary and appropriate. Also, authorize staff to submit the approved Annual Plan to HUD, for their approval, by HUD's May 15, 2002 deadline following approval by County Counsel as to form and legality.

- h. Authorize the County Executive to sign the applications for federal funding (SF424), as well as the grant agreements, funding approval documents, certifications, and all other necessary documents required by HUD for the County to receive FY 2002/03 CDBG, HOME, and ESG funds following approval by County Counsel as to form and legality.

FISCAL IMPLICATIONS

There will be no impact on the General Fund as a result of this action. These HCD programs are federally funded and include sufficient funding to fully offset HCD administrative costs.

The new CDBG funding allocation received for FY 2002/03 (\$2,584,000), plus estimated CDBG Program Income (\$207,000), and reprogrammed funds in the amount of \$62,250 for a total of \$2,853,250, will be included in the FY03 Final Approved Budget under Budget Unit 168, Index 1168, Fund 0035. The County wide program income will include additional income of \$500,000 from Campbell, Morgan Hill, Saratoga and Los Gatos. The anticipated combined CDBG program income is \$707,000.

The amount of new HOME Program funding allocation available for FY 2002/03 (\$1,043,000), plus Program Income of \$161,300 and reprogrammed funds in the amount of \$200,000 for a total of \$1,404,300 will be included in the FY 2002/03 Final Approved Budget, under Budget Unit 168, Index 1168, Fund 0038. Program Income results from the repayment of housing rehabilitation and construction loans that are maintained in revolving loan fund accounts. Funds from the revolving loan accounts are then redistributed as new loans.

The total FY 2002/03 federal grant for the ESG Program is \$91,000 plus reprogrammed funds in the amount of \$8,363 for a total of \$99,363, which will be included in the FY 2002/03 Final Approved Budget under Budget Unit 168, Index 1168, Fund 0034.

Altogether, \$4,856,913 is available to the HCD program to administer housing and community development projects for FY 2002/03 (see Attachment D for summary of funding resources).

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 2002/03 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, Cupertino, Los Altos, Los Altos Hills, Los Gatos, Monte Sereno, Morgan Hill, and Saratoga, as well as the unincorporated areas of the County. The County and the eight 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 2002/03 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.

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.

Most of the agencies recommended to receive ESG funding for FY 2002/03 have been funded in previous years. Typical ESG contract amounts range from approximately \$3,500 to \$8,220. 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 as follows:

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

1. Several new construction projects will be undertaken by affordable housing developers,

including:

–The Emergency Housing Consortium will begin construction of the new Gilroy Reception Center which will be a 140 bed complex of shelter and transitional housing for homeless men, women and children. The next phase of the project will be to construct affordable apartment units and 13 single family homes.

–First Community Housing will begin construction of Murphy Ranch in Morgan Hill which will provide 62 units of family housing.

–The Community Working Group will begin construction of the Opportunity Center of the MidPeninsula in Palo Alto which will include 54 units of housing for extremely low income people and two service centers for the homeless.

–South County Housing will continue the Church Street Project in Morgan Hill which will produce 72 units of affordable family housing.

2. The County-wide Collaborative Housing Trust Fund will provide a renewable financial resource for affordable housing development projects, and will continue to raise funds toward its \$20 million goal.

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 25 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 48 households.
3. Morrone Gardens in San Jose, which serves 124 low income seniors, will
begin work on defective construction remediation by testing for fungal growth on the property, removing mold, and the rehabilitation of the units affected.

Priority 3: Preserving Existing Affordable Housing:

1. Funds will be allocated to Catholic Charities to enable them to continue to provide shared housing for low income people. It is anticipated that approximately 60 persons will be served.

Priority 4: Ensuring Equal Housing Opportunities:

1. The Santa Clara County Fair Housing Consortium, which includes the Asian

Law Alliance (ALA), Mid-Peninsula Citizens for Fair Housing (MCFH), Project Sentinel, and the Mental Health Advocacy Project, will continue to provide resources for Urban County residents with tenant/landlord, housing discrimination, and fair housing concerns.

2. Continue to work with Empirical Research Group in completing a fair housing study to
determine the level of Fair Housing needs and the adequacy of the local response to such needs.

Priority 5: Increasing Housing Opportunities for Special Needs Households:

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 Grant Program (ESG) 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, Women and Their Childrens Housing (WATCH) and InnVision are facilities for women escaping domestic violence, which assist in providing emergency and short-term housing, food, counseling, and life skills workshops, will be funded.

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 HCD program through 2005.

An essential component of the five-year Consolidated Plan is the Annual Plan (Attachment B). The FY 2002/03 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 2002/03 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 application process was utilized for CDBG, HOME and ESG funding requests for FY 2002/03. The application process began with a consolidated Request for Proposal (RFP), which was issued on November 21, 2001 for agencies seeking CDBG, HOME, and ESG program funding. CDBG and HOME proposals submitted by the deadline of January 11, 2002 were reviewed by Urban County Staff on February 4, 2002 and February 8, 2002. Through those meetings, the Urban County staff recommended funding allocations. An Alternate Funding List was also developed and is reflected in the Funding Recommendations packets. This list provides a means of quickly approving alternate projects in the event funds become available or one of the originally approved projects is cancelled or cannot be implemented for some reason. This was done to reduce the time needed to approve projects which would otherwise have to return to the Board of Supervisors for funding approval.

The Urban County staff recommendations were then reviewed by the HCD Citizen's Advisory Committee (CAC) on February 28, 2002. The Urban County staff and CAC recommendations were then reviewed by the HCD Council Committee on April 4, 2002 and these recommendations have been included with this transmittal for final decision by the Board at their May 7, 2002 public hearing. The funding recommendations shown in Attachment A 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 \$620,000 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 \$160,046 discretionary share of the FY 2002/03 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 \$160,046 discretionary share (Attachment E).

ESG proposals submitted by the deadline of January 11, 2002 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 13 and made recommendations for the allocation of \$91,000, as shown in Attachment B.

A determination of housing and other eligible housing-related projects to be funded from the FY 2002/03 CDBG, HOME and ESG allocations must be made prior to the submission of the FY 2002 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 2002/03 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 2002/03. 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 2002/03 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 HCD, 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 29, 2002 1:18:24 PM – PDF Version)
- Attachment B (Miscellaneous)
- Attachment D (Miscellaneous)
- Attachment A (Miscellaneous)
- Attachment C (Miscellaneous)

- Attachment E (Miscellaneous)