



City of Sunnyvale

Agenda Item

23-0254

Agenda Date: 2/22/2023

REPORT TO HOUSING AND HUMAN SERVICES COMMISSION

SUBJECT

Consider Approval of the Draft HOME American Rescue Plan (ARP) Allocation Plan and Draft Substantial Amendment to the 2021 Housing and Urban Development (HUD) Action Plan

BACKGROUND

HUD requires entitlement grantees (i.e., cities, counties and states) to submit an application, referred to as a Consolidated Plan, every five years, to maintain eligibility for the Community Development Block Grant (CDBG) and HOME Investment Partnership Program (HOME) grants. Sunnyvale's last Consolidated Plan was approved in 2020 and covers fiscal years 2020/21 through 2024/25. In addition, every year an entitlement grantee must submit an annual "Action Plan" to HUD for its approval to obtain the grant for the coming fiscal year (Attachment 4). A summary of the substantial amendments to the 2021-2022 Annual Action Plan is included as Attachment 3. Action Plans are required to describe the grantee's local needs and the projects and programs to be funded with the grant funds in the coming fiscal year. Upon HUD approval, the annual Action Plans are appended to the five-year Consolidated Plan. The 2021 Action Plan, which includes grants for FY 2021/22, including any subsequent Substantial Amendments, is the second Action Plan to be added to the City's 2020-2025 Consolidated Plan.

CDBG and HOME Programs

The CDBG program was established by the Housing and Community Development Act of 1974, Public Law 93-383; and the HOME Program was established by the National Affordable Housing Act of 1990. These programs provide annual grants to jurisdictions to enable them to "develop viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for low and moderate-income persons." CDBG regulations define "low and moderate" as households earning not more than 80% of area median household income, or what the City and the State of California refer to as "lower-income households". The CDBG and HOME lower-income limits are established annually by HUD for a household of four people in the Sunnyvale-San Jose metropolitan area, with adjustments for larger or smaller households. To be eligible for most types of CDBG or HOME assistance, the household's gross annual income cannot exceed that amount.

HOME American Rescue Plan (ARP) Funding Allocation

The American Rescue Plan Act was passed on March 11, 2021, as a response to the COVID-19 pandemic and established a special, one-time allocation of Home Investment Partnerships Program funds, referred to as HOME-ARP funds, to reduce homelessness and increase housing stability across the country. As a HOME-participating jurisdiction, the City received a one-time allocation of about \$1.5 million in HOME-ARP funds from HUD. In order to receive HOME-ARP funds, participating jurisdictions must develop a HOME-ARP Allocation Plan that is approved by HUD. The HOME-ARP Allocation Plan includes a summary of the consultation and public participation process,

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needs assessment, gaps analysis, planned activities, and housing production and preservation goals. Once the HOME-ARP Allocation Plan is approved by HUD, the City will create a Substantial Amendment to the City's 2021 HUD Action Plan to formally program the funds.

The City Council will consider this item on March 21, 2023.

EXISTING POLICY: 2020-2025 HUD Consolidated Plan:

Goal A: Assist in the creation, improvement, and preservation of affordable housing.

Goal B: Alleviation of Homelessness.

Goal C: Provide essential human services, particularly for special needs populations.

Goal D: Expanding Economic Opportunities.

Human Services Policy 5.1.3

The City shall make its best efforts to provide supplemental human services, which include but are not limited to emergency services, senior services, disabled services, family services, and youth services.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" with the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment. The action is also exempt under the National Environmental Policy Act ("NEPA") pursuant to 24 CFR 58.34(a)(1) and (3) as it relates to the development of plans and strategies and is an administrative and managerial activity. Although site-specific projects may be identified in the Action Plan, approval of the Plan does not constitute a formal commitment for those projects.

DISCUSSION

Substantial Amendment to the 2021 Action Plan

A local jurisdiction receiving federal funds through the CDBG and HOME program must, in accordance with their Citizen Participation Plan, make a Substantial Amendment to their annual Action Plan if certain criteria is met. Since the HOME-ARP funds are a new funding source received in 2021, the City must create a Substantial Amendment to its 2021 HUD Action Plan to program the funds, per the City's Citizen Participation Plan Substantial Amendment Criteria #3:

- A Substantial Amendment must be created if the City plans to *"carry out an activity using funds from any program covered by the Consolidated Plan not previously described in the Action Plan."*

The process for a Substantial Amendment requires the same level of public outreach and engagement as the original Action Plan.

HOME-ARP Allocation Eligible Activities, Populations and Proposed Programs

HOME-ARP funds must be used to assist individuals/households who are homeless, at risk of homelessness, or part of another vulnerable population (e.g., individuals fleeing domestic violence). HOME-ARP funds can be used to provide affordable housing, tenant-based rental assistance, supportive and prevention services, and construction of non-congregate shelter. Additionally, HOME-

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ARP funds are designed to serve eligible populations, such as homeless individuals, households at risk of homelessness, individuals fleeing or attempting to flee domestic violence, and veterans.

The City is proposing, as presented in the table below, to use its HOME-ARP funds to support two key uses: (1) enrolling more households into its existing Tenant-Based Rental Assistance (TBRA) program and (2) investing in a higher level of supportive services to transition households into more sustainable, permanent housing situations. See Attachment 5 for a Glossary of HOME-ARP Funding terms.

Use of HOME-ARP Funding

	Funding Amount	Percent of the Grant	Statutory Limit
Supportive Services	\$ 375,000		
Acquisition and Development of Non-Congregate Shelters	\$ #		
Tenant Based Rental Assistance (TBRA)	\$ 828,133		
Development of Affordable Rental Housing	\$ #		
Non-Profit Operating	\$ 75,000	5 %	5%
Non-Profit Capacity Building	\$ 25,000	2 %	5%
Administration and Planning	\$ 200,000	13 %	15%
Total HOME ARP Allocation	\$ 1,503,133		

HOME-ARP Community Outreach and Consultation

Per HUD's requirement and best practice in allocating funds to community programs/projects, the City consulted with a variety of stakeholders, as cited in the draft HOME-ARP Resource Allocation Plan, to determine how to maximize the use of the HOME-ARP funds (Attachment 2).

In December 2022, the City issued a HOME-ARP survey and then hosted two stakeholder meetings, the first on January 10 and the second on January 11. The types of agencies in the outreach meetings were mandated by HUD, and included providers of services to homeless, victims of domestic violence, veterans, disabled, plus the housing authority and fair housing providers. Eleven agencies were invited to take the survey and 10 responded. The same agencies were invited to the outreach meetings. Between the two meetings all 10 agencies participated (total of 14 individuals); one agency attended both meetings. Additionally, the City had separate check-ins with the service-provider who could not attend either of the meetings, the Santa Clara County Housing Authority.

The objective of the survey and meetings was to discuss how to most effectively utilize the HOME-ARP allocation based on the eligible activities and populations. A reoccurring theme from stakeholders was to invest those funds in rental assistance and supportive services to help people faster, and to resolve and prevent episodes of homelessness.

It was also acknowledged during the outreach process that the construction of permanent housing is a longer term, more sustainable solution to the homelessness crisis; however, given the one-time allocation of about \$1.5 million, the existing need, and rental assistance and supportive service gaps, stakeholders felt that collaborating to expand TBRA and invest in support systems to serve eligible populations was the best way to maximize this limited pool of funds in a more expedited manner.

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FISCAL IMPACT

Approval of the Substantial Amendment to the FY 2021/22 Action Plan is necessary for the City to allocate an additional \$1.5 million in federal HOME-ARP funds for rental assistance and supportive services to serve homeless and at-risk households residing in the City of Sunnyvale. There is no impact to the General Fund.

PUBLIC CONTACT

Public contact was made by posting the Housing and Human Services Commission's agenda on the City's official notice bulletin board and on the City's website. Notice of public hearings, including the 30-day public comment and review period, was published in the *Sunnyvale Sun* newspaper on February 10, 2023. A draft Substantial Amendment to the FY 2021/22 Action Plan was made available for public review on the City's website for the required minimum 15-day review period prior to City Council action.

ALTERNATIVES

Recommend that the City Council:

1. Approve the HOME-ARP Allocation Plan and Substantial Amendment to the 2021 Action Plan as shown in Attachment 3 of the staff report.
2. Approve the HOME-ARP Allocation Plan and Substantial Amendment to the 2021 Action Plan as shown in Attachment 3 of the staff report with modifications.

RECOMMENDATION

Recommend to Council Alternative 1: Approve the HOME-ARP Allocation Plan and Substantial Amendment to the 2021 Action Plan as shown in Attachment 3 of the staff report.

Approval of the HOME-ARP Allocation Plan and first Substantial Amendment to the 2021 Action Plan will allow the City to allocate an additional \$1.5 million in federal HOME-ARP funds for rental assistance and supportive services to serve homeless and at-risk households residing in the City of Sunnyvale. Timely approval of this plan is critical to ensure the plan is submitted by the deadline of March 31, 2023 to HUD.

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Reviewed by: Trudi Ryan, Director, Community Development Department

Reviewed by: Teri Silva, Assistant City Manager

Approved by: Kent Steffens, City Manager

ATTACHMENTS

1. Reserved for Report to Council
2. Draft HOME-ARP Resource Allocation Plan
3. Draft Summary of the Substantial Amendment to the 2021 Action Plan
4. Draft Substantial Amendment to the 2021 Action Plan
5. Glossary of HOME-ARP Funding Terms