

**SUBSTANTIAL AMENDMENT TO THE
2011-2012 CONSOLIDATED ANNUAL ACTION PLAN
FOR THE CITY OF SAN JOSE
January 2012**

1. On page 48 of the approved Consolidated Annual Action Plan, eliminate the table in the center of the page summarizing the proposed CDBG budget for FY 2011-12 and replace with the following:

Sources	
2011 Entitlement	\$9,151,034
Program Income	\$700,000
Section 108 Developer Payments	\$310,015
Fund Balance	\$4,148,374
Total	\$14,309,423
Uses	
Administration, Fair Housing, Planning	\$1,970,168
Public Services	\$1,460,811
Community Development Improvements (including \$550,000 for fire truck)	\$6,701,454
Section 108 Debt Service	\$2,017,719
Reserve for 2012-13: Economic Development or Section 108 Payment	\$2,000,000
Reserve for 2012-13: Budget Adjustments, as Needed	\$159,271
Total	\$14,309,423

2. Starting in the center of page 55 and continuing onto page 56 of the approved Consolidated Annual Action Plan, amend the two tables detailing Community Development Improvement activities, plus the preceding introductory sentences in each case, as follows (additions or deletions):

Projects that directly assist in maintaining the quality, livability and public safety in neighborhoods and affordable housing:

Agency/Department	Activity	Award
City of San Jose Department of Housing – Housing Rehabilitation Program	The project provides low-interest and deferred loans and grants to low-income borrowers and loans to rental property owners to improve properties occupied by low-income households in the City of San Jose	\$2,369,879
City of San Jose Department of Housing – Minor Repair Program	The project will assist low-income households with emergency repairs to eliminate immediate health or safety hazards.	\$500,00

City of San Jose Department of Planning, Building and Code Enforcement – Proactive Code Enforcement Program	The project will survey low moderate income areas to identify code violations and send notices to property owners advising them of the code violations and directing them to resources available to assist them in correcting the violation.	\$2,226,914
Rebuilding Together Silicon Valley – Rebuilding Housing Repair Program	The project will repair, rehabilitate and upgrade housing units for extremely low-income residents of San Jose so that they may live in housing that provides for their warmth, safety and independence.	\$254,692
<u>City of San Jose Fire Department – Fire Protection Equipment in a Low-Moderate Income Area (LMA)</u>	<u>The project will purchase fire protection equipment (a fire truck) to serve an LMA, with the goal of more closely meeting nationally established performance targets for establishing an effective firefighting force (NFPA 1710) by providing a resource that is in-service and available to respond with greater frequency. The CDBG funding will be matched by a like amount from other City funds.</u>	<u>\$550,000</u>
	Total	\$5,351,485 \$5,901,485

The economic development projects that will receive funding in FY 2011-2012 are as follows:

Agency/Department	Activity	Award
City of San José Library – San José Smart Start Family Childcare	The project supports the incubation of childcare businesses by providing small business assistance and training for individuals interested in owning and operating childcare facilities.	\$456,491
Opportunity Fund – Micro-Credit San José	The project provides financial and technical assistance, business strategy training, and guidance regarding their credits needs to micro-enterprise businesses in San José, in close collaboration with the City's Office of Economic Development.	\$217,244
Santa Clara County Black Chamber of Commerce-Small Business Incubator Program	The project provides a variety of business services including low rent office space, entrepreneurial training, one-on-one business consulting, technical assistance and administrative assistance.	\$126,039
	Total	\$799,774

3. **On page 10 of the approved Consolidated Annual Action Plan, amend the description of the TBRA program (at the end of the last paragraph and before the “Rehabilitation” section) to include the following paragraphs (additions):**

The 2011 Santa Clara County Homeless Census and Survey the City has identified substance abuse as the second-most cited cause of homelessness. Nearly half (46%) of survey respondents said they experienced alcohol and/or drug abuse problems in 2011. Based on this data, it was determined that “chronically homeless households that have substance abuse/addiction disorders” is a special needs population that has an unmet need for affordable housing.

The City will collaborate with outside agencies to provide intensive case management services. Combined with rental assistance, such services will improve the chances that this special needs population will not only transition out of homelessness successfully, but also retain their permanent housing even after exiting the TBRA Program.

St. James Park area was chosen for this expanded special needs population due to its concentration of homeless people with substance abuse/addiction disorders. Preference will be given to persons in and around St. James Park; however, those who fall within the category of “chronically homeless with substance abuse/addiction disorder” who do not live in or around St. James Park will not be automatically excluded.

4. **On page 64 of the approved Consolidated Annual Action Plan, amend the first paragraph under the “HOME” heading to read as follows (additions or deletions):**

The City of San José has been an entitlement jurisdiction under the HOME Investment Partnership Program since 1992. The use of these funds in past years has shifted from primarily financing multifamily rental developments to include funding for homebuyer programs. More recently, the creation of a Tenant-Based Rental Assistance (TBRA) program for chronically homeless/~~extremely low-income households and individuals~~ and mentally ill extremely low income with mental illness or with substance abuse/addiction disorders ~~households~~ has been included as a priority in the HOME Program. The City will continue to keep several programs as options under the HOME Program and be prepared to reallocate funding when necessary to maximize the City's resources. The City's objectives under the HOME program are as follows, and grantees are measured by completion:

5. **Starting on page 80 of the approved Consolidated Annual Action Plan, eliminate Section “d.” of Appendix C in its entirety and replace with a new Section “b.”, as follows:**

b. TENANT BASED RENTAL ASSISTANCE (TBRA) PROGRAM GUIDELINES

1.0 GENERAL PROJECT DESCRIPTION

The City of San José shall operate a Tenant Based Rental Assistance (TBRA) Program in accordance with the provisions of the grant agreement between the CITY

and U.S. Department of Housing and Urban Development ("HUD"), and all rules and regulations of the HOME Investment Partnership Program (24 CFR Part 92).

The TBRA Program is a rental subsidy program created to help households afford housing costs such as rent and security deposits. The City's TBRA Program will target the chronically homeless with a focus on two special needs populations identified by the City's Consolidated Plan as having an unmet need. The special needs populations are chronically homeless individuals and/or households that are:

- Severely mentally ill; and/or
- People with substance abuse/addiction disorders. Clients in this special needs population that live in or around a targeted area will be given priority placement over others in this special needs population that reside outside of the targeted area. The targeted area for the pilot program will be St. James Park in San José, CA.

TBRA will assist up to 100 special-needs households to attain permanent housing by subsidizing rents for up to two (2) years with the possibility of renewal.

Supportive services in the form of case management and clinical services will be provided by various agencies within the County of Santa Clara.

The Project Area for the purposes of this Program means that no less than fifty-one percent (51%) of the persons benefited and served under this Program are residents of the City of San José within the County of Santa Clara, State of California. Participants of this program must be willing to reside within San José city limits and will be based on specific occupancy standards.

There are two main divisions of this Program, the Case Management & Referral side and the Administrative side; both divisions and their responsibilities are discussed in detail herein.

2.0 CASE MANAGEMENT AGENCY'S DUTIES

Case managers for clients shall perform the following duties:

- A. Market affirmatively and explain the TBRA Program to clients.
- B. Develop and maintain a waitlist for eligible clients.
- C. Develop and maintain confidential files.
- D. Perform intake assessments on participating households to identify housing and supportive services needs and link clients to appropriate recourses.
- E. Assist clients in completion of TBRA application. This activity includes, but is not limited to:
 1. Verification of clients' homelessness, mental illness or whether they live in or around the targeted area.
 2. Verification of income.
 3. Perform initial rent/subsidy calculation.
- F. Assist clients with developing a Self-Sufficiency Plan which can include a budget and money management plan

- G. Assist clients in searching for housing that meets the rent and habitability standards of the Program.
- H. Be the liaison between landlords and the Administrative Agency regarding, but not limited to:
 - 1. Initial unit inspection.
 - 2. Lease and habitability issues.
 - 3. Potential eviction issues.
 - 4. Perform home visits.
 - 5. Perform exit interviews and ensure clients have a permanent affordable housing option at the completion of the program.

3.0 ADMINISTRATIVE AGENCY

The ADMINISTRATIVE AGENCY shall perform the following duties:

- A. Assist in the facilitation of meetings with cooperative agencies to monitor the progress of the Program.
- B. Provide Case Management Agency(ies) with program materials, policies and procedures, training, technical assistance, etc.
- C. Review applicant file (see section 4.0 below) compiled by the Case Management Agency(ies) for eligibility with HOME requirements such as income (less than 60% AMI), rent calculation (rent does not exceed 30% of client income), and make final decision on client selection.
- D. If client has zero income, client still must contribute a program minimum of \$20.00 per month.
- E. Review and enforce occupancy standards to determine the clients appropriate unit size.
- F. Assign TBRA coupons.
- G. Inspect each property to ensure that it meets HUD Housing Quality Standards prior to occupancy and upon exit of program.
- H. Ensure the payment (rent) standard is similar to the Fair Market Rent (FMR) established by HUD.
- I. Review and approve each lease agreement. Lease must be for one year (unless mutually agreed upon), and may not contain language stated in 24CFR 92.253(b).
- J. Perform annual income re-certifications. Adjust subsidy share as needed.
- K. Perform requested income re-certifications if client's rent share will change more than 10%.
- L. Review and approve any requested rent increases.
- M. Submit to the City monthly reimbursement requests.
- N. Submit TBRA IDIS information data for tenant set-up in IDIS by the City.
- O. Security deposits returned (if any) will be returned to the tenant unless tenant violates their lease. If tenant changes residency during their TBRA tenure, any deposit that is returned must be used for the new residence.
- P. Submit monthly reports to the City on all required information, including client income, rent changes, re-certifications, etc.

4.0 REVIEW OF APPLICANT FILE

Administrative Agency shall receive a case file ("REFERRAL") from the client's case manager for consideration into the TBRA Program. The applicant must be pre-screened by the case manager. The Administrative Agency shall review the file for completeness and accuracy in order to determine eligibility. Eligibility requirements that must be reviewed include, but are not limited to:

A. Household Composition Eligibility

1. All household members must be "chronically homeless" and provide documentation to verify homelessness. The term "chronically homeless" shall mean a homeless individual or family that has either been continuously homeless for a year or more OR has had at least four episodes of homelessness in the past three years.
2. At least one household member must have meet one of the priorities for the program, either:
 - a. A diagnosed, severe mental illness that documentation verifies the disability; verification may be submitted at intake.
 - b. A substance abuse/addiction disorder, with priority given to those in or around the targeted area (i.e., St. James Park).
3. At least fifty-one percent (51%) of total program participants must be residing in San José at the time of the intake; if household is homeless at intake, they will be considered a San José resident.
4. Clients may NOT be currently receiving subsidized housing under the Section 8 Housing Choice Voucher program or through the provision of other HOME-Funded programs.
5. Clients must document citizenship or eligible immigration status and meet citizenship or immigration rules.

**Note: Items 1-3 will be verified by the case managers and the Administrative Agency shall review the verification for completeness.*

B. Initial Income Eligibility

1. Eligible clients must have incomes at or below sixty percent (60%) of the area median income, adjusted for family size. Eligibility is determined by comparing the household's anticipated gross annual income for the upcoming twelve months.
2. Income must be determined by reviewing source documents evidencing annual income (e.g., wage statement, interest statement, and unemployment compensation) for the household. The definition of income is the Section 8/Part 5 definition of annual income.
3. Income determinations for new TBRA recipients are valid for six (6) months.
4. If clients or household members that are being assisted have knowingly given false information, appropriate sanction must be exercised which may include termination of assistance.

C. Tenant Conduct Eligibility

1. Clients must not have been evicted from any federally subsidized housing within the last three (3) years, unless proof can be supplied that a rehab

program has been successfully completed or that the involved family member is in prison or deceased.

2. Household members must not have been convicted of drug-related criminal activity for the production or manufacture of methamphetamines within the last three (3) years. If prior convictions exist, the client must submit evidence of successful completion of a rehabilitation program.
3. Household members must not be subject to a lifetime registration requirement under a state's sex offender program (e.g., California Penal Code Section 290).

5.0 PROGRAM RULES AND REGULATIONS

HOME regulations (24 CFR Part 92) specify certain aspects of the program that affect the subsidy amount and Total Tenant Payment. The Administrative Agency shall adhere to the following requirements when calculating subsidy amounts and Total Tenant Payment:

A. Program Model

The TBRA Program will be modeled after the Section 8 Certificate Program. Tenants shall pay thirty percent (30%) of their monthly adjusted income, but no less than \$20.00, toward rent less any utility allowance. The TBRA assistance then makes up the gap between the tenant's payment and the actual rent plus utilities.

B. Payment (Rent) Standard

The Payment (Rent) Standard represents the rent plus utility cost of moderately priced units that meet HUD Housing Quality Standards. The Payment (Rent) Standard is based on current Section 8 Fair Market Rents.

C. Security Deposits

The Administrative Agency shall approve the landlord's requested security deposit amount, if applicable. The term "security deposit" is defined by the local tenant-landlord law covering the jurisdiction.

1. The maximum amount of HOME funds that may be provided for the security deposit is the equivalent of one month's rent for the unit.
2. The security deposit will be made in the form of a grant to the tenant paid directly to the landlord. When the client leaves the unit, any security deposit returned by the landlord will stay with the tenant so long that the tenant did not violate the lease.

D. Rent Increases

Administrative Agency shall review and approve rent increases by landlords and disapprove a lease if the rent is not reasonable.

E. Recertification of Income

Administrative Agency shall re-examine, at least annually, the income of tenants receiving rental assistance using source documentation. Family income, size and composition must be reevaluated. Rent and assistance is adjusted accordingly, based on the circumstances in effect at the time of

recertification. If a client's income goes above the Section 8 low-income limit at re-examination, assistance must be terminated after reasonable notice to the client and the landlord.

F. Interim Eligibility Determinations

The client is required to notify the Case Manager of all changes in income and family composition. Case Manager must then submit proof of such changes to Administrative Agency. If this occurs, the following procedures apply:

1. **Increase in Household Income:** Households must report an increase in income of \$200 or more per month. Further, the household must report if there is an increase due to the addition of a new family member with income. Increases in household income will result in a recertification of eligibility. As a result of an interim recertification, the tenant's rent share will go up, or it may be determined that the tenant no longer qualifies for the program and assistance must be terminated with a 60-day notice.
2. **Decreases in Household Income:** If the family reports a decrease in income, an interim recertification must be completed. The decrease in tenant payment and subsequent increase in assistance payment must take effect the first month following verification of the decrease. Both the owner and tenant must be notified in writing of change in the payment structure.

6.0 TBRA SUBSIDY AND TENANT CONTRIBUTION CALCULATION

The level of TBRA subsidy is based upon the income of the household, the particular unit the household selects and the Payment (Rent) Standard. Administrative Agency shall be responsible for correctly calculating and setting the subsidy amount and the tenant's share of housing costs (rent + utilities). At no time shall the TBRA subsidy be greater than the difference between the Payment (Rent) Standard and thirty percent (30%) of the household's monthly adjusted income less any utility allowance.

A. Using Section 8 Rental Certificate Model

The Section 8 Rental Certificate Model assumes a fixed tenant payment - that is, the tenant's share of housing costs, or Total Tenant Payment ("TTP"), is calculated by formula. Administrative Agency shall use the Section 8 Rental Certificate Model for computing TTP. The Section 8 Certificate Model requires a tenant to pay the greater of:

- 30% of monthly *adjusted* income;
- 10% of monthly *gross* income; or
- Program Minimum of \$20.00 (i.e., Total Tenant Payment).

B. Utility Allowances

To determine the portion of the housing cost that will be paid by TBRA and the portion that will be paid by the household, the Administrative Agency shall use the current Section 8 Utility Allowance schedule for Santa Clara County which estimates the average cost of utilities for typical types of housing and for various utilities and fuel sources.

Example - Household of 1-person for a 1-bedroom. Household adjusted annual income is \$12,000.00

- (1) Unit Rent is \$1,000.
- (2) Utility allowance for chosen unit is \$95.
- (3) 30% of the household's monthly income is \$300 ($\$12,000.00/12 * 30\%$).
- (4) Household contribution is as follows:

\$95 Utility allowance
+\$205 Rent to owner

- (5) TBRA pays the difference between the rent and the amount paid by the tenant.

\$1,000 Rent to owner
- \$205 Paid by family
\$795 TBRA Subsidy

C. Minimum Payment

The minimum monthly household payment for TBRA clients is set at \$20.00.

D. Rental Proration

Administrative Agency must prorate rental assistance during the initial month using the number of days in the specific month that residency takes place. Leases should begin on the first day of the actual tenant occupancy.

7.0 PAYMENT OF RENT

The process of rent payments shall be as follows:

- A. Administrative Agency shall pay the subsidy amount directly to the landlord from the Housing Trust Fund Reserve. The tenant will pay their Net Tenant Payment (NTP) directly to the landlord.
- B. Reimbursement requests for subsidies and eligible expenses must be submitted to the City along with back up documentation in a timely manner. Requests shall be processed within 15 days if request and back up documentation is complete.
- C. No utility reimbursements shall be made to the tenants.

8.0 HOUSING TRUST FUND RESERVE

Any balance of the Housing Trust Fund Reserve shall be returned to the City within 45 days after the termination of the contract.

9.0 UNIT STANDARDS

Assisted units may be publicly or privately owned; however, units covered under a project-based rental assistance agreement or Public Housing Authority units are not eligible. Rents must be reasonable and based on rents that are charged for comparable unassisted rental units. Administrative Agency shall conduct an inspection of the prospective unit.

A. Inspections (Section 8 HQS)

Section 8 Housing Quality Standards ("HQS") must be used for HOME TBRA activities. Inspections to verify compliance with HQS and occupancy standards are to be made at both initial move-in and annually during the term of the TBRA assistance. Lead Inspections - All administrators will be responsible for discussing lead paint issues and providing an EPA/HUD combination lead based paint FACT SHEET (form EPA- 747-F-96-002).

B. Occupancy Standards

Administrative Agency must determine eligible unit size (i.e., number of bedrooms) appropriate for the household. This determination is based on household size and composition. The Occupancy Standards are based on the San José Municipal Code 17.20.270 and are summarized as follows:

SRO/Studio	Min. – 1 person Max. – 2 persons	<i>Maximum number is dependent on landlord regulations.</i>
1 Bedroom	Min. – 1 person Max. – 4 persons	<i>Maximum number is dependent on landlord regulations, the size of the bedroom (must be over 120 sq. ft. to accommodate more than two people), and if the living room qualifies as a sleeping area. A 1-bedroom typically sleeps no more than three (3) people.</i>
2 Bedroom	Min. – 2 person	<i>See note for 1-bedroom and reference City municipal code 17.20.270 to determine max. number of occupants.</i>
3 Bedroom	Min. – 3 person	<i>See note for 1-bedroom and reference City municipal code 17.20.270 to determine max. number of occupants.</i>
4 Bedroom	Min. – 3 person	<i>See note for 1-bedroom and reference City municipal code 17.20.270 to determine max. number of occupants.</i>

Household composition determines the number of bedrooms for which a prospective client qualifies. For example, persons of different generations (e.g., grandparents to children), persons of opposite sex over the age of five (5) and unrelated adults (other than spouses or significant others) will be allocated separate rooms. A live-in aide will be provided a separate bedroom from other household members. Aide will not have any right to the subsidy.

10.0 LEASING REQUIREMENTS

Prospective TBRA household has 90 days to locate and enter into a lease before TBRA coupon expires. Administrative Agency shall review all lease agreements and confirm the following:

- A. Term.** The term of the initial lease between the tenant and the owner must be **at least** one year, unless both agree otherwise.
- B. What the lease may not say.** The lease *may not* contain the following provisions. These provisions will be spelled out in the Addendum:

1. Agreement by the tenant to be sued or to admit guilt, or a judgment in favor of the owner in a lawsuit brought in connection with the lease;
2. Agreement by the tenant that the owner may take, hold or sell the personal property of household members without notice to the tenant and a court decision on the rights of the parties (this does not apply to personal property left by the tenant after move-out);
3. Agreement by the tenant not to hold the owner or its agents legally responsible for any action or failure to act, whether intentional or negligent;
4. Agreement by the tenant that the owner may institute a lawsuit without notice to tenant;
5. Agreement that the owner may evict the tenant (or other household members) without a civil court proceeding where the tenant has the right to present a defense, or before a court decision on the rights of the tenant and the owner;
6. Agreement by the tenant to waive a trial by jury;
7. Agreement by the tenant to waive the tenant's right to appeal or otherwise challenge a court decision; or
8. Agreement by the tenant to pay attorney fees or other legal costs, even if the tenant wins in court.

C. Addendum.

After the unit passes inspection, the tenant and landlord sign a lease and TBRA Lease Addendum which outlines relevant HOME regulations. The TBRA Lease Addendum runs until the termination of the subsidy. No rent payment may be made after the termination of the lease until the household enters into a new lease. The TBRA Lease Addendum will provide the standards for termination or refusal to rent.

11.0 RECORD KEEPING & REPORTING REQUIREMENTS

A. Record Retention Requirements.

Administrative Agency shall keep all case file records for **five years** after rental assistance ends.

B. Reporting Requirements.

Each month, on or around the 10th day, Administrative Agency shall submit a report to the CITY. This report must detail income and subsidy amounts, tenant's share, utility allowance, household composition and other data as requested. The CITY may request other data and make adjustments to the reporting form(s) as needed.