



COUNCIL AGENDA: 5/21/24
FILE: 24-90581
ITEM: 2.16

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Rosalynn Hughey

SUBJECT: SEE BELOW

DATE: April 30, 2024

Approved

Date

5/6/24

SUBJECT: AWARD OF CAPACITY BUILDING GRANTS TO NONPROFIT ORGANIZATIONS PERFORMING COMMUNITY DEVELOPMENT ACTIVITIES IN SAN JOSE NEIGHBORHOODS EXPERIENCING, OR AT HIGH RISK OF, RESIDENTIAL DISPLACEMENT

RECOMMENDATION

Adopt a resolution authorizing:

- (a) The award of funds from the Notice of Funding Availability for nonprofit capacity building related to community development programming to the agencies below; and
- (b) The Director of Housing, Acting Director of Housing, or their designee to negotiate and execute grant agreements with the following nonprofit organizations for the term of August 1, 2024 – July 31, 2026, in the amounts listed below:
 - (1) South Bay Community Land Trust to build capacity to do housing acquisition/rehabilitation work, in the amount of \$300,000;
 - (2) Sacred Heart Community Service to build capacity to do housing acquisition/rehabilitation work, in the amount of \$265,000;
 - (3) SOMOS Mayfair, Inc. to build its community engagement and limited equity housing cooperatives capacity supporting housing acquisition/rehabilitation, in the amount of \$260,000; and
 - (4) School of Arts and Culture at the Mexican Heritage Plaza to build its capacity to undertake community-focused affordable housing development, in the amount of \$175,000.

SUMMARY AND OUTCOME

Approval of the staff recommendation will authorize the Housing Department to enter into grant contracts and administer a total of \$1,000,000 provided by Google LLC's initial community benefit contribution to the City of San José. Awards will be made to four nonprofit organizations for activities that increase their capacity to provide and support community-led affordable housing preservation and development in neighborhoods experiencing, or at high risk of, residential displacement. The objective of these awards is to increase nonprofit community-based organizations' (CBOs) abilities to help prevent the displacement of lower-income households in historically underserved neighborhoods in San José. The **table** below outlines a summary of service providers and award amounts.

Table – Service Providers and Award Amounts

Service Provider	Award Amount
South Bay Community Land Trust (SBCLT)	\$300,000
Sacred Heart Community Services (Sacred Heart)	\$265,000
SOMOS Mayfair, Inc. (SOMOS)	\$260,000
School of Arts and Culture (SOAC) at Mexican Heritage Plaza	\$175,000
Total	\$1,000,000

BACKGROUND

Unlike most other major cities across the country, San José does not have a large network of organizations that lead local community development activities, such as production and preservation of affordable housing, job training, neighborhood investments, and commercial development or preservation for neighborhood-serving small businesses.

Community Benefit Grant Funds Provided by Google

On May 25, 2021, City Council approved Google's Downtown West Mixed-Use Plan, including a Downtown West Mixed-Use Plan Development Agreement (Development Agreement). The Development Agreement outlined how Google would deliver Community Benefits funds, investments that go beyond the City's baseline requirements to address the City's top priorities. One component of the Community Benefits funds was an early payment of \$7,500,000 from Google. This payment included \$3,000,000 for Immediate Community Stabilization and Ownership Programs. The Development Agreement also included funding for scholarships, job training, neighborhood programs to support economic recovery/resilience, educational opportunities, and early childhood education and childcare support. These programs were approved by City Council on August 31, 2021. This action authorized the award of \$1,000,000 in

Community Benefit funds provided to the City to build the capacity of three or four existing CBOs so they could increase their role in community development activities.

Notice of Funding Availability for Nonprofit Capacity Building

On September 15, 2023, the Housing Department issued a \$1,000,000 Notice of Funding Availability (NOFA) for nonprofit capacity building related to community development programming, with an emphasis on anti-displacement. The intention of this NOFA is to help CBOs increase their capacity to lead community development activities that reduce displacement and help stabilize neighborhoods. The NOFA limited eligible applicants to local or regional CBOs with a federal 501(c)(3) status that could demonstrate a commitment to San José and the target communities they intended to support. In alignment with City Council's direction,¹ the NOFA's specified goal was to help CBOs play more substantial roles in preserving neighborhoods, mitigating residential displacement risk, and empowering residents to shape the future of their communities. The NOFA also specified that the capacity-building efforts must be related to community development programming, with an emphasis on residential anti-displacement.

This memorandum summarizes the evaluation of the applications received in response to this NOFA and the top four proposals recommended for awarding of funds.

ANALYSIS

The following are summaries of the evaluation process for applications received in response to the City's NOFA and the activities to be performed by the four agencies recommended for funding.

1) The Proposal Evaluation Process

Housing Department staff released the NOFA on September 15, 2023. Eight applicants submitted proposals. All proposals were submitted by the application deadline and were deemed complete by staff per the NOFA's requirements. Staff convened a five-person evaluation panel to review the applications.

The evaluation panel consisted of the following:

- 1) Housing Department manager overseeing grant programs to nonprofit agencies;
- 2) Housing Department manager with experience in affordable housing and community development, including grantmaking and affordable housing finance development;

¹ File 21-1892, August 31, 2021:

<https://sanjose.legistar.com/LegislationDetail.aspx?ID=5088093&GUID=3986F6A9-0595-41DC-8740-242C4A37405B>

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- 3) Former Housing Department manager with experience leading and advising CBOs;
- 4) Staff member from the Office of Economic Development and Cultural Affairs familiar with Google's Downtown West development project; and
- 5) Leader at a community development financial institution entity that lends to nonprofits undertaking affordable housing production and preservation.

None of the evaluation panel members had conflicts of interest with the applicants to this NOFA.

The panel members individually reviewed the applications based on the following categories:

- 1) Staff capacity and work plan;
- 2) Community impact;
- 3) Organizational commitment; and
- 4) Financial capacity.

Additional details on the rating categories are provided in the **Attachment** – Capacity Building NOFA – Application Scoring Criteria. In addition to this rating criteria, an additional 10 bonus points were awarded to projects that were focused on the acquisition or rehabilitation of affordable housing in their proposal.

The panel convened on January 12, 2024, to discuss their individual ratings and review any potential discrepancies in their scores. The panel ratings were consistent among all raters. The aggregated group ratings resulted in a significant gap between the scores of the fourth highest-rated proposal and those of the four lower-rated applications. The scores for the third and fourth highest-rated proposals were fairly close. Each of the top four applicants requested the maximum amount of funds the NOFA stated could be allocated to successful bidders: \$350,000.

With the concurrence of the evaluation panel, two Housing Department panel members contacted the four applicants with the highest scores to determine if the amount of funding requested in their proposals could be reduced to focus on activities that build capacity. The result was the ability to adequately fund each of the top four applicants for priority capacity-building activities. The applicants were able to modify their funding requests to allow the Housing Department to recommend the award of funds to the applicants listed in the following section.

All eight applicants were formally notified of staff's award recommendation on February 16, 2024. The notification expressed the Housing Department's gratitude for each of the CBOs that applied for an award. Each nonprofit is a valuable partner to the City, performing much-needed functions to benefit the San José community. The notification included a deadline and instructions on filing an appeal to staff's recommendation. One formal appeal of the decision was submitted by an applicant by the deadline. Administration staff in the Housing Department went through a review process to consider the grounds for appeal and verify the validity of staff's basis for the award.

2) Summary of Services to be Provided by Agencies Recommended for Funding

A summary of the services to be provided by the four applicants recommended for the City's grant funding is provided below.

SBCLT – \$300,000: Grant funds will help the SBCLT build capacity in order to acquire an 18-unit property (the Virginian) in the Mayfair neighborhood. SBCLT is teaming with MidPen Housing Corporation, a nonprofit affordable housing developer with more than 40 years of experience. Funds will help build the capacity of existing SBCLT staff in the areas of resident leadership development and community developer capacity as it acquires its second small existing multifamily property. Funds will cover predevelopment support and knowledge transfer from MidPen Housing Corporation and will partially support the staff time of two bilingual Organizing Co-Directors who will be leading tenant engagement and education at the property and neighborhood. In addition, funding will partially support the Executive Director's and Operations Co-Directors' time to manage the consultant team and the Property/Asset Manager's time to plan for rehabilitation that is needed for the Virginian.

Sacred Heart – \$265,000: Sacred Heart will work with Alta Housing, a nonprofit affordable housing developer on the San Francisco Bay Peninsula with 50 years of experience, to build Sacred Heart's capacity to perform housing acquisition and rehabilitation. The team will identify specific properties that may be sold within the next few years and/or are affordable housing projects that are at risk of displacing existing residents. Grant funds will be used to pay Alta Housing, train Sacred Heart staff, identify properties, hire organizing staff, organize the community to support these efforts, and seek funds for potential property acquisition/rehabilitation.

SOMOS – \$260,000: In partnership with Amigos de Guadalupe Center for Justice and Empowerment (Amigos), SOMOS and Amigos will build its capacity to reach, engage, educate, train, mobilize, and civically activate their East San José constituencies to advocate and support Citywide residential anti-displacement strategies. SOMOS will use the City's grant funds to build its capacity to advance a Mayfair-focused Limited Equity Housing Cooperative homeownership model, in which residents purchase a share in a development and commit to resell their share at a price determined by an equitable formula that maintains affordability and stability at purchase and over the long-term. This model works in concert with the acquisition and preservation of existing residential buildings. The funds will support staff time for both SOMOS and Amigos, training to undertake these activities that support the development of Mayfair's housing preservation ecosystem, and outreach expenses to execute their community engagement plan.

SOAC at the Mexican Heritage Plaza – \$175,000: Grant funds will support SOAC's efforts to develop a multifamily affordable housing property at the Mexican Heritage Plaza in the Mayfair neighborhood. SOAC is working with residents toward La Avenida Cultural District, which reimagines the neighborhood as a holistic ecosystem of support for residents, business owners,

workers, and visitors. Key to this strategy is the development of affordable housing to help meet community demand for reasonably priced homes. Grant funds will allow SOAC to engage with subject matter experts and consultants that will help SOAC determine next steps to advance community-based affordable housing development on its site, transferring knowledge to enable SOAC to engage in predevelopment activities that will ultimately lead to the establishment of affordable housing.

Racial Equity Impact Analysis

A primary focus of the Housing Department's programmatic and policy work focuses on establishing policies and providing resources that benefit low-income populations in underserved neighborhoods in San José. Because of this focus, many of the Housing Department's activities greatly benefit low-income communities and, in turn, communities of color, who are disproportionately low-income.

A primary goal of this City NOFA was to fund capacity building related to community development programming, with an emphasis on CBOs' development of skills for residential anti-displacement work. Residential displacement disproportionately affects communities of color, which were historically denied wealth-building opportunities due to unequal access to homeownership. In terms of the proposed NOFA funding recipients, three of the four NOFA-awarded CBOs (SBCLT, SOMOS, and SOAC) have specified activities centered on the Mayfair neighborhood. The Urban Displacement Project at the University of California Berkeley has identified this area of San José as an area definitively experiencing residential displacement of low-, very low-, and extremely low-income residents. Mayfair and other neighborhoods in San José's east side are also expected to experience future impacts due to the planned Bay Area Rapid Transit extension to downtown San José.

The other proposed recipient, Sacred Heart, intends to identify a development site in an area of San José experiencing, or at high risk of, displacement. Sacred Heart's work to preserve low-cost housing will help lower-income households (who are more likely to be residents of color) be able to retain affordable housing in their neighborhood(s). Altogether, funding of each nonprofit partner will result in numerous benefits to the San José community by empowering historically underserved neighborhoods to prevent displacement. In funding the four programs, the City will be investing in the east side of San José, resulting in numerous benefits that will support economic recovery, allow for the provision of essential services to low-income households, and bolster the resiliency that the east side of San José encompasses.

EVALUATION AND FOLLOW-UP

Updates on proposed activities will be provided in annual reports on the City's Housing Catalyst Work Plan.

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COST SUMMARY/IMPLICATIONS

The action in this memorandum recommends an award of \$1,000,000 of City funds, provided by Google Community Benefit payments, to be used for CBO capacity building. This funding will help prevent residential displacement, as described in this memorandum. The actions recommended in this memorandum will enable the Director of Housing or the Acting Director of Housing to negotiate and execute four agreements for activities beginning in Fiscal Year 2024-2025.

The funds have already been received by the City and are included in the City's approved Fiscal Year 2023-2024 budget. No additional appropriation action is required. This action will not have an ongoing fiscal impact to the General Fund.

BUDGET REFERENCE

The table below identifies the fund and appropriation proposed to fund the actions recommended as part of this memorandum.

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contract	2023-2024 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
001	218G	Google Community Benefits – Community Stabilization	\$1,749,187	\$1,000,000	915	10/17/23 Ord No. 30966

COORDINATION

This memorandum has been coordinated with the City Attorney's Office and the City Manager's Budget Office.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the May 21, 2024 City Council meeting.

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COMMISSION RECOMMENDATION AND INPUT

No Housing and Community Development Commission recommendation or input is associated with this action.

CEQA

Not a Project, File No. PP17-009, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment; and File No. PP17-004, Government Funding Mechanism or Fiscal Activity with no commitment to a specific project, which may result in a potentially significant physical impact on the environment.

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

ROSALYNN HUGHEY
Deputy City Manager and
Acting Housing Director

For questions, please contact Kristen Clements, Division Manager, at Kristen.Clements@sanjoseca.gov or (408) 535-8236.

Attachment – Capacity Building NOFA – Application Scoring Criteria

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Rating Category	Rating Element	Rating Element Component	Category Weighting
Staff Capacity and Work Plan	Dedicated Staff	Applicant provides evidence they have sufficient staff or that funding will be used to hire dedicated staff to perform the project activities.	25%
	Increased Community Development Capacity	Applicant provides evidence that funding will increase their ability to undertake community development efforts, an affordable housing program, or develop/preserve an affordable housing asset.	
	Feasibility of Work Plan	Applicant lays out a feasible approach that can be completed with available resources and in the work plan timeline.	
Community Impact	Addresses Critical Needs of Community	Applicant provides evidence that the project meets a critical community need with community involvement.	35%
	Community Support	Applicant provides clear indication that community supports the proposed activities.	
	Impact in Specific Location or Community	Applicant articulates a focus on a specific neighborhood or target population.	
Organizational Commitment	Anti-Displacement	Applicant demonstrates a commitment to anti-displacement.	25%
	Community Ownership and Civic Power	Applicant demonstrates a commitment to community ownership and civic power.	
	Affordable Housing Acquisition/Rehabilitation	Applicant demonstrates a commitment to anti-displacement.	
	Project Track Record	Applicant has a successful track record of similar projects.	
	Location/Community Track Record	Applicant shows an organizational commitment or project history of working in a specific place or with a target community group.	
Financial Capacity	Agency is in good standing with the City	Applicant includes a financial report that demonstrates a financial capacity to manage existing operational costs.	15%
	Financial Controls to Administer Funding	Applicant demonstrates accounting and payroll systems to manage cash and operational costs.	
	Non-City Resources Assigned to Project	Applicant demonstrates non-City resources allocated to achieve the funded activities.	
Total			100%