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TRANSMITTED VIA EMAIL

March 27, 2017

The Honorable Mayor Liccardo and Members of the City Council
City of San Jose
200 E. Santa Clara Street, 18th Floor
San Jose, CA 95113

Dear Mayor Liccardo, Vice Mayor Carrasco, and Councilmembers Arenas, Davis, Diep, Jimenez, Jones, Khamis, Nguyen, Peralez and Rocha:

Re: Approval of the Fiscal Year 2017-2018 Mayor's March Budget Message

On behalf of our members and the undersigned organizations, SV@Home writes today to request that the City, as part of the FY 17-18 budget process, end the backstop of Community Development Block Grant (CDBG) funds to cover Section 108 debt incurred by the former San Jose Redevelopment Agency and develop a plan to reimburse the **nearly \$11 million** in CDBG funds that have been diverted since the time of redevelopment dissolution. The projected FY 2017-18 payment is **\$1.9 million**. This is approximately 23% of the available CDBG entitlement.

CDBG funds offer critical support to programs and activities that target lower-income neighborhoods and people. Priorities funded by CDBG include: job training and readiness programs offered by the Downtown Streets Team, which provides job training and experience to homeless residents, acquisition and rehabilitation of homes for the homeless, and the provision of rental assistance to veterans and other lower-income populations.

In years past, the San Jose Redevelopment Agency borrowed funds from the US Department of Housing and Urban Development under the Section 108 loan program to implement projects, including the Avaya Soccer Stadium and the 88 Condominiums/Safeway. The Agency was responsible for paying the annual debt service on some of the 108 debt, and had structured the loans so that, in the event of default, they would be backed by redevelopment tax increment.

At the time of dissolution in 2011, the Redevelopment Agency owed \$29.7 million to HUD, and was paying over \$2 million in annual debt service. Given the Agency's insolvent position, it did not have sufficient funding available to pay its debts at the time of dissolution, including the Section 108 loans. Despite the fact that the 108 loans were an obligation of the Agency, the CDBG program, not the RDA Successor Agency, was held liable for the repayment of the 108 loans. And while other City payments for RDA obligations are included on a list for future repayment, the CDBG loan payments are not included. As a result, these CDBG funds have been lost to the Program and the

community.

In summary, these programs are vitally important to the City’s lower-income households. **We request that the City hold the CDBG Program harmless in FY 2017-18 by paying the Section 108 debt service from another fund, and that the City pursue ways to reimburse the CDBG Program for the redevelopment debt it has paid.** If this funding is restored, the City could invest these funds to help lower-income families access affordable housing, address neighborhood improvement needs, and implement jobs programs.

And, in closing, while President Trump has suggested zeroing out the CDBG Program in the FY2018 federal budget, there is strong federal support for the Program due to its community benefits, and it is likely to survive. San Jose can confirm the value of the CDBG Program by spending these funds on programs rather than debt service.

Sincerely,

Pilar Lorenzana, Deputy Director, SV@Home
Kevin Zwick, Chief Executive Officer, Housing Trust Silicon Valley
Jennifer Loving, Executive Director, Destination: Home
Patricia Gardner, Chief Executive Officer, Silicon Valley Council of Nonprofits
Kyra Kazantzis, Directing Attorney, Law Foundation of Silicon Valley
Eileen Richardson, Chief Executive Officer, Downtown Streets Team
Joel Robert, Chief Executive Officer, PATH
Sandy Perry, President, Affordable Housing Network of Santa Clara County
Kiyomi Honda Yamamoto, Regional Representative, Greenbelt Alliance

