



COMMUNITY DEVELOPMENT DEPARTMENT

CITY HALL
10300 TORRE AVENUE • CUPERTINO, CA
95014-3255 TELEPHONE: (408) 777-3308 • FAX: (408) 777-3333
CUPERTINO.ORG

INFORMATIONAL MEMORANDUM

April 25, 2024

To: Pamela Wu, City Manager

From: Benjamin Fu, Director of Community Development

Re: Community Development Block Grant (CDBG) Voluntary Grant Reduction (VGR)

Background

From March 1st through March 11th, 2021, the U.S. Department of Housing and Urban Development (HUD) Office of Environment and Energy (OEE) conducted remote monitoring of the City's Community Development Block Grant (CDBG) program in order to assess performance and compliance with applicable Federal requirements. As a part of the monitoring, a total of ten CDBG activities that occurred between 2015 and 2020 were assessed. On February 22, 2022, HUD's Office of Community Planning and Development (CPD) sent their monitoring report to the City.

As per the monitoring report, OEE found that in 2018 the City and/or subrecipient obligated and expended CDBG and/or non-HUD funds on a project prior to the City having documented its environmental compliance and/or determination of exemption in violation of the provisions in §58.22 or §58.34(b). As a result of this finding, OEE prescribed that the City must repay the funds disbursed from non-Federal funds to the CDBG program account in the amount of \$176,201. In lieu of repayment, the City submitted a Voluntary Grant Reduction (VGR) request to HUD on August 9, 2022, and again on October 6, 2022. This request would result in a future CDBG allocation being reduced by the designated amount. The City's HUD representative notified staff that all VGR requests were on hold, and the City would be notified when the request was approved.

On March 8, 2024, HUD notified the City that the VGR would be applied to its FY 2024-25 CDBG allocation. Due to this penalty, the City anticipates receiving approximately \$182,709 in FY 2024-25 CDBG entitlement funding.

Sustainability Impact

No sustainability impact.

Fiscal Impact

The VGR will result in a reduction in CDBG funding for FY 2024-25 by \$176,201.

Prepared by:

Alec Vybiral, Senior Housing Coordinator

Reviewed by:

Luke Connolly, Assistant Director of Community
Development

Approved for Submission by:

Benjamin Fu, Director of Community Development

Attachments:

A – CDBG VGR (Voluntary Grant Reduction) Timeline

B – 2023 Cupertino VGR Letter 9.29.22

CDBG VGR (Voluntary Grant Reduction) Timeline

- February 8, 2021
 - HUD's OEE (Office of Environment and Energy) sends a [CDBG monitoring notification email](#) to CMO and Housing Division.
- February 18, 2021
 - City's Housing Division receives [official letter](#) from OEE that remote monitoring of the CDBG program will be conducted from March 1-11, 2021.
- March 1-11, 2021
 - HUD's remote CDBG monitoring is conducted by OEE.
- February 22, 2022
 - HUD's CPD (Office of Community Planning and Development) sends [monitoring report](#) to the CMO.
- March 22, 2022
 - In response to the 2/22/2022 monitoring report, CMO submits a [compliance plan](#) to HUD identifying the corrective actions it will take for the monitoring findings.
- March 2022
 - City Manager advised Council of the audit and a potential loss of approximately \$400,000 in CDBG funds, which was subsequently reduced to the amount of the current voluntary grant reduction (\$176,201) based on the City's response to the audit.
- July 5, 2022
 - HUD sends the City's [monitoring results letter](#), which serves as their response to the City's proposed corrective actions.
- August 9, 2022
 - City sends HUD a [VGR request letter](#) requesting that the reduction be applied to FY 2022.
 - Staff followed up with HUD on 9/1/22 and 9/19/22.
- October 6, 2022
 - The City sends HUD a [second VGR request letter](#) requesting that the reduction be applied to FY 2023.
 - Staff followed up with HUD on 11/28/22, 1/17/23, 2/27/23, and 5/31/23 (at this meeting HUD notified the City that at HUD headquarters all VGR requests are on hold, and to wait until further notice to follow up)
- March 24, 2023
 - City staff submit all [required corrective actions via email](#) to HUD with the exception of two: 1. VGR because the request was still under HUD's review. 2. Environmental reviews that meet criteria specified by HUD, because the City doesn't have any pending CDBG projects that meet the criteria.
- March 29, 2023
 - OEE representative responds with [email acknowledging City submission](#) of corrective action.
- March 8, 2024
 - [HUD emails City](#) to notify that they are ready to apply the VGR to the City's FY 2024-25 CDBG allocation.



CITY COUNCIL

CITY HALL
10300 TORRE AVENUE • CUPERTINO, CA 95014-3255
TELEPHONE: (408) 777-3200 • FAX: (408) 777-3366
CUPERTINO.ORG

September 29, 2022

Kimberly Nash, CPD Director
U.S. Dept. of Housing and Urban Development (HUD)
1 Sansome St #1200
San Francisco, CA 94104
E-Mail: SFCPDMail@hud.gov (*sent via email*)

Re: City of Cupertino Community Development Block Grant – Second Request for Voluntary Grant Reduction (PY 2023)

Dear Ms. Nash:

I am the City Manager for the City of Cupertino, and I wanted to thank you for the discussion you had with Cupertino staff on July 28, 2022. Cupertino deeply values our relationship with HUD, and very much appreciates the opportunity to address the Corrective Actions identified in HUD's February 22, 2022 Monitoring Report. Pursuant to the July 28th meeting, the City submitted a Voluntary Grant Reduction (VGR) Request Letter on August 9, 2022 for Program Year (PY) 2022. In the event that HUD may not be able to address our request for PY 2022, we respectfully request that HUD consider the VGR for Program Year 2023.

Accordingly, with respect to the Corrective Action related to IDIS Activity ID 137: 2018/5/Vista Village Rehabilitation, the City respectfully requests a VGR in the amount of \$176,201.24 for one year during PY 2023, and that such reduction is determined to satisfy the Corrective Action related to IDS Activity ID 137 (Finding No.1 – Corrective Action, Bullet Point No. 2). In connection with this request, the City waives its right to a hearing under 24 C.F.R. § 570.913. This letter further confirms that IDIS Activity ID 137 did not involve the acquisition of property.

Thank you for your consideration of this request. Please contact Kerri Heusler at kerrih@cupertino.org or 408-777-3251 if any further information is needed.

Sincerely,

Pamela Wu

[Pamela Wu \(Oct 5, 2022 15:47 PDT\)](#)

Pamela Wu
City Manager







2023 Cupertino VGR Letter 9.29.22

Final Audit Report

2022-10-05

| | |
|-----------------|--|
| Created: | 2022-10-05 |
| By: | Alec Vybiral (AlecV@cupertino.org) |
| Status: | Signed |
| Transaction ID: | CBJCHBCAABAA8fNLsKeqjo6hea5tQus8ajSOuHrnlFMm |

"2023 Cupertino VGR Letter 9.29.22" History

-  Document created by Alec Vybiral (AlecV@cupertino.org)
2022-10-05 - 10:44:28 PM GMT
-  Document emailed to Debra Nascimento (debran@cupertino.org) for signature
2022-10-05 - 10:44:44 PM GMT
-  Email viewed by Debra Nascimento (debran@cupertino.org)
2022-10-05 - 10:46:43 PM GMT
-  Signer Debra Nascimento (debran@cupertino.org) entered name at signing as Pamela Wu
2022-10-05 - 10:47:51 PM GMT
-  Document e-signed by Pamela Wu (debran@cupertino.org)
Signature Date: 2022-10-05 - 10:47:52 PM GMT - Time Source: server
-  Agreement completed.
2022-10-05 - 10:47:52 PM GMT