



24-2053

**DATE:** February 6, 2024 (Item No. {{item.number}})

**TO:** Board of Supervisors

**FROM:** Consuelo Hernandez, Director, Office of Supportive Housing

**SUBJECT:** 1601 Civic Center Multifamily Affordable Housing Development – Increase in Loan Amount

**RECOMMENDED ACTION**

Approve amended delegation of authority to the County Executive, or designee, to negotiate, execute, amend, or terminate all legal documents, including but not limited to contracts, loan agreements, deeds of trust, promissory notes, subordination agreements, assignment agreements, option to acquire, and estoppels relating to one or more loans with Charities Housing Development Corporation of Santa Clara County or affiliate, increasing the maximum loan amount by \$1,070,694 from \$12,100,000 to \$13,170,694 for the development of 106 new affordable housing units, plus two manager’s units referred to as Civic Center to be located at 1601 Civic Center Multifamily Affordable Housing Development, Santa Clara, following approval by County Counsel as to form and legality, and approval by the Office of the County Executive, and subject to Administration review of related due diligence matters and other standard requirements set forth in the final documentation. Delegation of authority shall expire on December 31, 2026. (LA-1)

**FISCAL IMPLICATIONS**

If approved, the County’s additional capital investment of up to \$1,070,694 would be drawn from the County of Santa Clara’s 2019 Permanent Local Housing Allocation (PLHA) consortium funds, which are administered by the County under the PLHA Consortium Agreements and added to the project’s existing loan amount of \$12,100,000, for a total capital contribution of \$13,170,694.

With the increased loan amount, the County’s overall contribution to this development would average about \$121,950 per unit, which is consistent with the average County investment of approximately \$121,700 per unit for new construction projects funded by the 2016 Measure A Affordable Housing Bond (Housing Bond).

## **REASONS FOR RECOMMENDATION AND BACKGROUND**

The recommended action is consistent with the Board's direction to accelerate housing developments funded through the Housing Bond. Through prior action the Board approved funding for the Project. Specifically, on May 16, 2023 (Item No. 17), the Board approved a Delegation of Authority to enter into agreements with Charities Housing towards the acquisition of the Project and approved \$12,100,000 of Housing Bond funds to support the project.

Increasing the County's loan for the 1601 Civic Center Multifamily Affordable Housing Development (Project) by up to \$1,070,694 would reduce the project's predevelopment financing costs, which may make the project more competitive in obtaining additional financing. The final terms of the County's loans will be contingent upon the final tax award but will not exceed a total of \$13,170,694. In addition, the County's loans will be subject to all conditions and requirements set forth in the Supportive Housing Development Fund Notice of Funding Availability (NOFA).

If approved, the recommended action will also allow the County to meet the State of California Department of Housing and Community Development's (HCD) expenditure deadline for the County Consortium's 2019 PLHA funds.

### *Reason for Request of Delegation of Authority*

Although delegations of authority are discouraged except under certain circumstances, this delegation of authority is necessary because it enables the Administration to program the remaining Fiscal Year (FY 2018-2019) PLHA funds prior to the HCD expenditure deadline.

### *PLHA Summary and Amendment to the 2019 Consortium Budget*

On December 14, 2021 (Item No. 8), the Board authorized the Administration to submit funding applications and a five-year expenditure plan (Consortium Budget) to HCD for PLHA funding for the County and to execute Consortium Agreements with the cities of Cupertino, Gilroy, and Santa Clara and administer PLHA funds for these cities. Subsequently on March 15, 2022, HCD notified the Administration that the County and the Consortium cities' PLHA funding applications were approved. This approval included the PLHA Consortium's 2019 PLHA allocations of \$1,625,993.

According to the adopted Consortium Budget, 40% of the funds for Year 1 (FY 2018-2019) were allocated towards the predevelopment, development, acquisition, rehabilitation, and preservation of multifamily, residential live-work, rental housing that is affordable to extremely low, very low, low-, and moderate-income households, including necessary operating subsidies. The remaining 60% of the funds were allocated for assisting persons who are experiencing, or at risk of, homelessness, including, but not limited to, providing rapid rehousing (RRH), rental assistance, supportive/case management services that allow

people to obtain and retain housing, operating and capital costs for navigation centers and emergency shelters, and the new construction, rehabilitation, and preservation of permanent and transitional housing.

All 2019 PLHA disbursement requests must be submitted to HCD no later than March 1, 2024. Any remaining 2019 funds that do not meet this deadline may be reallocated by HCD.

On January 4, 2024, HCD notified the Administration of a one-time exemption allowing awardees to request to reallocate 2019 PLHA funds to other activities already approved under their Standard Agreement without HCD processing an amendment to the Standard Agreement. The administration anticipates receiving HCD’s approval for reallocating \$1,070,694 in 2019 PLHA funds from Activity 6 (Homelessness) to Activity 1 (Affordable Housing Development), as indicated in Table 1, in the coming weeks.

**Table 1: Approved Changes to FY 2019 Consortium Budget**

<b>Consortium Uses</b>	<b>Previous Funding Allocation</b>	<b>Current Funding Allocation</b>
Activity 1 – Development of Multifamily Rental Housing	\$650,397	\$1,102,943
Activity 6 – Homelessness	\$975,596	\$523,050
<b>Total</b>	<b>\$1,625,993</b>	<b>\$1,625,993</b>

The reallocated funds will be committed to the Civic Center development within the next month, allowing us to meet the HCD deadline.

**CHILD IMPACT**

The recommended action would have a positive impact on children and youth through the **Safe and Stable Families** indicator by creating 106 new affordable housing units. A total of 27 of these apartments are to be set aside as RRH for eligible individuals and their family members. The remaining 79 housing units would be affordable and available to lower-income households, including those with children.

**SENIOR IMPACT**

The recommended action would create 106 new affordable housing units. While the units are not age-restricted for seniors, the apartments would be affordable and available to lower-income households, which can include seniors.

**SUSTAINABILITY IMPLICATIONS**

The action balances public policy and program interests and enhances the Board’s sustainability goal of social equity by improving homeless and low-income persons’ access to permanent affordable housing.

## **CONSEQUENCES OF NEGATIVE ACTION**

If the Board of Supervisors does not approve the recommended action, the County would not be able to commit and spend \$1,070,694 in FY 2019 PLHA grant funds.

## **STEPS FOLLOWING APPROVAL**

Upon approval, the Clerk of the Board is requested to notify Consuelo Hernandez, Natalie Monk, and Erum Maqbool in the Office of Supportive Housing.

## **ATTACHMENTS:**

- Attachment A – Community Engagement Report