



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Leslye Krutko

**SUBJECT: CHANGE IN THE UNIT  
AFFORDABILITY MIX FOR THE  
EDENVALE SPECIAL NEEDS  
APARTMENTS**

**DATE:** August 23, 2006

Approved

Date

8/24/06

**COUNCIL DISTRICT: 2**  
**SNI AREA: Edenvale/Great Oaks**

## **RECOMMENDATION**

It is recommended that the City Council adopt a resolution approving a change in the affordability mix of the Edenvale Special Needs Apartments, a 15-unit rental housing development to be constructed at 5340 Monterey Road and restricted to extremely low-income individuals with developmental disabilities.

## **OUTCOME**

The recommendation to change the proposed affordability mix on the Edenvale Special Needs Apartments allows the project to preserve committed Housing and Urban Development (“HUD”) funding of \$1,882,000 and committed California Housing and Community Development/Multifamily Housing Program funding of \$1,766,162.

## **BACKGROUND**

On May 27, 2003, the City Council approved a conditional grant to Eden Housing, Inc. (“Sponsor”) for the acquisition and predevelopment of the Edenvale Special Needs Apartments, located on a 0.45-acre site at 5340 Monterey Road. The development will consist of 11 one-bedroom units, three two-bedroom units, and one one-bedroom manager’s unit. At the time of City Council approval, the project was proposed to be restricted to households making 30% of Area Median Income (“AMI”) or less, with one unrestricted manager’s unit.

## **ANALYSIS**

The Eden Palms Special Needs Apartments has obtained a HUD funding commitment in the amount of \$1,882,000. HUD requires that the units in the project be restricted to households

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with incomes no greater than 50% AMI. The City's current affordability restriction on the property is targeted at 30% AMI. To address HUD's requirements, the Housing Department recommends changing the City's affordability restriction to 50% AMI.

Notwithstanding the City's affordability restrictions, the Sponsor intends to serve households at or below 30% AMI. All residents at another Eden Housing development serving persons with developmental disabilities have incomes at or below 20% AMI. Generally, persons with developmental disabilities receive SSI as their main source of income, which in Santa Clara County is approximately 13% AMI.

In order to comply with HUD requirements, the Sponsor will select residents based on a tenant selection plan approved by HUD and the California Department of Housing and Community Development (HCD). The Sponsor worked with HUD and HCD over the past two years to develop and approve a Resident Selection Plan. According to this plan, residents will initially be selected by a lottery. All applicants must have incomes at or below 50% of AMI to participate in the lottery. Applicants will be selected from the lottery in order from lowest to highest income categories, starting with households below 20% of AMI, as set forth in a Standard Agreement with HCD:

	<b>HCD</b>
<b>≤50% AMI</b>	2 units
<b>≤35% AMI</b>	2 units
<b>≤30% AMI</b>	
<b>≤25% AMI</b>	5 units
<b>≤20% AMI</b>	5 units
<b>Manager's Unit</b>	1 unrestricted unit

The Sponsor is required to make its best effort to fill all of the units according to the income mix described in the Standard Agreement. However, if enough eligible applicants in a particular income category are not available at the time of the lottery, applicants will be chosen from the next highest income category but, in no circumstances, over the 50% AMI level. When an apartment becomes vacant, the Sponsor will attempt to rent the apartment to an applicant in an income category that will fulfill the income mix described in the HCD Standard Agreement. In this way, the resident population will more closely reflect the income mix agreed to by HCD and HUD in the HCD Standard Agreement.

### **POLICY ALTERNATIVES**

The Housing Department considered an alternative before recommending a change in the affordability mix on the Eden Palms Special Needs Apartments:

***Alternative #1: Request HUD and HCD/MHP to change their affordability requirements to conform to the City's current Affordability Restrictions.***

**Pros:** The City could obtain HUD approval to limit occupancy to households with incomes at 30% AMI.

**Cons:** Additional negotiations with HUD would be protracted and are unlikely to be successful. HUD's funding commitment could be jeopardized. If the project were completed without agreement on targeting, the project would risk having units remain vacant.

**Reason for not Recommending:** Both HUD and HCD/MHP were unwilling to change their affordability requirements to conform to the City's Affordability Restriction because of their concern for long-term project financial feasibility.

Because of the need to accommodate the senior lender's restriction, and because HUD and HCD/MHP were unwilling to conform their affordability requirements to the City's, staff is recommending a change in the City's current affordability restrictions. Based on the Resident Selection Plan and Standard Agreement governing the admission of households to the project, the Sponsor will market units to households with incomes below 30% of AMI, while not excluding those households with incomes between 30% AMI and 50% AMI.

**PUBLIC OUTREACH**

In 2003, the Sponsor discussed the planned affordability level with the immediate neighbors of the site and no concerns were raised. Additional outreach will be completed as needed.

**COORDINATION**

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

**COST SUMMARY/IMPLICATIONS**

The recommended action will have no cost implication to the City.

**CEQA**

CEQA: Exempt, PP06-338

  
LESLYE KRUTKO  
Director of Housing

For questions, please contact Leslye Krutko, Director of Housing, at 408-535-3851.