



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Leslye Krutko

SUBJECT: SEE BELOW

DATE: November 21, 2006

Approved

Ray Willis

Date

11/22/06

COUNCIL DISTRICT: 2
SNI AREA: Edenvale/Great Oaks

**SUBJECT: FUNDING COMMITMENTS FROM THE HOUSING TRUST FUND 2006
THIRD ROUND NOTICE OF FUNDING AVAILABILITY (NOFA)**

RECOMMENDATION

It is recommended that the City Council adopt a resolution approving a funding commitment of up to \$1,700,000 to the Unity Care Group or its designated affiliate entity for the acquisition and rehabilitation of property located at 110 Roundtable Drive. This facility consists of 12 units of permanent housing to be made affordable to extremely low-income youth who are aging out of foster care.

OUTCOME

Approval of the recommended action will provide permanent housing opportunities for 18 youth, ensuring that they have the skills and knowledge needed to live independently.

BACKGROUND

On June 17, 2003, the City Council adopted an ordinance amending the Housing and Homeless Fund to establish the San Jose Housing Trust Fund. The Fund helped the City to qualify for funds being made available from the State of California Housing and Community Development Department's Proposition 46 NOFA. In February 2004, the City was awarded \$1,500,000. The City provided additional funds in the amount of \$2,000,000 as a match, to be used for the development of housing units affordable to extremely low-income households with special needs.

On June 6, 2005, the Housing Department issued a \$3.5 million Notice of Funding Availability (NOFA) to affordable housing developers and service providers requesting proposals for the development of permanent housing units for extremely low-income households with special

needs (homeless, those at risk of homelessness, homeless youth, disabled households, domestic violence victims, and persons with HIV/AIDS). The first NOFA did not yield any eligible proposals. A revised NOFA was published and the City Council approved funding of two projects totaling \$1,945,000, leaving \$1,555,000 available for new eligible projects. All Proposition 46 Housing Trust Fund funds must be committed by December 31, 2006 to meet State spending deadlines.

ANALYSIS

On September 15, 2006, the Housing Department issued a third NOFA in the amount of \$1,500,000 to affordable housing developers and service providers requesting proposals for the development of permanent housing units for extremely-low income households with special needs. The NOFA application submission deadline was October 27, 2006.

One application was received by the deadline from Unity Care Group for the acquisition and rehabilitation of a property located at 110 Roundtable Drive in San Jose. The property has two buildings, consisting of a combination of one-bedroom/one-bath and three-bedroom/two-bath apartments. This project will provide 11 permanent housing units affordable to youth aging out of foster care. The 12th unit will house a resident manager. The applicant is requesting \$1,700,000 from the Housing Trust Fund, including \$1,500,000 for acquisition and \$200,000 for renovation. The applicant also intends to apply to Cadence Design Systems for donations of furnishings and appliances.

The project is subject to the criteria in the City's Housing Trust Fund NOFA, which specifically called for development of affordable units for extremely low-income households with special needs. The Housing Department is recommending that this project be given a funding commitment by the City Council in the amount requested. Current residents of the project will be allowed to remain in their apartments; youth from foster care will be placed in apartments upon unit turnover to avoid displacement of current occupants.

This project is located in the Edenvale/Great Oaks SNI area. The project is located in the Roundtable neighborhood and will contribute to neighborhood improvements contemplated currently as Project Alliance, based on the Department's successful efforts to fund improvements on selected rental properties in target areas. This project may serve as a "pilot" which can be replicated in other parts of the Roundtable area should funds become available. The rehabilitation will consist of structural repair, kitchen upgrade, new carpet, bathroom remodeling, termite work, windows, external stucco paint, landscaping, concrete driveways and internal paint.

Pursuant to the Delegation of Authority approved by the City Council on June 25, 2003, the City Manager or his designee will approve the specific business terms of the loans.

POLICY ALTERNATIVES

To arrive at this recommendation, staff analyzed the following option:

Alternative #1: Deny Unity Care Group's application for funding.

Pros: The City could elect to use the funds for another project, possibly achieving greater leveraging or other policy goals adopted by City Council.

Cons: It is unlikely that greater leverage could be realized due to the extremely-low incomes of the population being served and the limited cash flow to be generated by the project. Failure to identify an alternative project before the December 31, 2006 deadline would result in the potential recapture of Proposition 46 Housing Trust Fund funds by the State.

Reason for not Recommending: Unity Care Group has shown a capacity to serve the select population and develop special needs housing at a reasonable cost. Failure to use the Proposition 46 funds may result in recapture by the State.

PUBLIC OUTREACH

- ✓ **Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

The NOFA was posted on the Housing Department's website on September 15, 2006. Notice of the posting was transmitted to the Housing Department's list of non-profit developers and other parties who have requested to be on the Department's developer notification list. The NOFA was also e-mailed to the members of the Santa Clara Collaborative on Affordable Housing and Homeless Issues on September 15, 2006.

COORDINATION

The preparation of this memorandum was coordinated with the Office of the City Attorney and the Department of Planning, Building and Code Enforcement.

COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT:

Site acquisition	\$1,500,000
Renovation	\$200,000
Total Project Costs	\$1,700,000

2. COST ELEMENTS OF AGREEMENT/CONTRACT: N/A

3. SOURCE OF FUNDING:

State Proposition 46 and Matching Funds	\$1,555,000
Housing Trust Fund	\$145,000
Total Project Costs	\$1,700,000

4. FISCAL IMPACT:

No ongoing fiscal impact.

BUDGET REFERENCE

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contract	Adopted Budget Page	Last Budget Action (Date, Ord. No.)
440	3214	Proposition 46 Project Expenses	\$1,555,000	\$1,555,000	XI - 39	6/27/06
440	2453	Housing and Homeless Projects	\$490,000	\$145,000	XI - 39	6/27/06

CEQA

CEQA: Exempt, File No. PP06-199


LESLEYE KRUTKO
Director of Housing

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