



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Leslye Krutko

SUBJECT: SEE BELOW

DATE: September 15, 2008

Approved

Date

9-25-08

COUNCIL DISTRICT: 7
SNI AREA: NA

SUBJECT: HOLD A PUBLIC HEARING FOR A CONSOLIDATED ANNUAL ACTION PLAN AMENDMENT REGARDING FUNDING COMMITMENT TO CENTER FOR TRAINING AND CAREERS, INC.

RECOMMENDATION

It is recommended that the City Council hold a Consolidated Action Plan public hearing to be concluded on October 21, 2008 regarding:

- a. The proposed assumption by Center for Training and Careers (CTC) of a \$550,000 Community Development Block Grant (CDBG) 15-year conditional loan previously awarded to St. Vincent de Paul as fiscal agent to Kelly Park Community Resource Center, and
- b. Changes to the Fiscal Year 2008-09 Consolidated Plan to include a CDBG award not to exceed \$600,000 to CTC for the acquisition of the multi-service facility located at 749 Story Road.

OUTCOME

This hearing process will provide an opportunity for the public to comment on the project which includes the assumption of a \$550,000 CDBG conditional loan and a new funding commitment of an amount not to exceed \$600,000 for the acquisition of a multi-service facility providing services to low and moderate-income individuals.

BACKGROUND

Center for Training and Careers, Inc. (CTC) is a community based nonprofit which provides educational and vocational training along with employment services to youth and adults. Since 1977, CTC has been an active partner in the community and has developed and enhanced employment opportunities for the educationally and economically disadvantaged. For a number of years, CTC has provided services in a rented space at 1600 Las Plumas. Because of the impending sale of this property, CTC has operated under a month-to-month lease since April 2005. CTC has been actively searching for a new facility that could accommodate their needs and has recently entered into negotiations with Kelly Park Community Resource Center (Kelly Park) for the purchase of a 32,000 square foot multi-service facility located at 749 Story Road.

Kelly Park has provided space to several nonprofit agencies providing public services at the Story Road location, but financial difficulties have forced them to put the property up for sale. Currently the facility houses the DayWorker Program, St. Francis Career College, and a community health clinic, all serving low- and moderate-income individuals and families. Sale of the property to a for-profit buyer would force these much needed services out of this location. Of particular concern to the City is the challenge of finding an appropriate alternate location for the DayWorker Program.

If CTC is able to conclude its purchase of the Story Road property, they have pledged to provide continued space for the DayWorker Program and the community health clinic at this location. This collaboration solves two pressing needs for the community, a new location for CTC and confidence about the continued operation of the DayWorker Program in its current location.

Collaborative efforts between the Departments of Housing and Parks, Recreation and Neighborhood Services; the Redevelopment Agency, and the City Manager's Office, will assist three nonprofit organizations – St. Vincent de Paul, Kelly Park and CTC in accomplishing their goal as it relates to 749 Story Road. In 2003, Kelly Park, the owner of title to the subject property, was awarded a \$1,000,000 loan from the Healthy Neighborhoods Venture Fund (HNVF) and a \$550,000 CDBG loan for acquisition and rehabilitation of a warehouse converted to a multi-service facility providing services to low and moderate-income individuals and households. St. Vincent de Paul entered into the contracts as fiscal agent for Kelly Park. Kelly Park has also faced financial difficulties and has made several attempts over the past two years to liquidate or transfer the property and its associated debt. Because of its role as fiscal agent in the purchase of this property, this liability has also created a hardship to St. Vincent de Paul which is seeking to detach itself from this obligation.

ANALYSIS

In June 2008, City staff initiated exploratory discussions with Kelly Park on the acquisition of the property by CTC. This transaction would include the assumption of the \$1,000,000 HNVF and \$550,000 CDBG loans by CTC. On August 11, Heritage Bank, the holder of the existing first mortgage on the property, pre-qualified CTC for \$1,975,777 for acquisition, pending final

September 15, 2008

Subject: Public Hearing on Consolidated Action Plan Amendments

Page 3 of 4

contract negotiations. Negotiations included the proposed additional \$600,000 in CDBG funds, and the assumption of the existing \$550,000 CDBG loan and \$1,000,000 HNVF 15-year conditional grant. The estimated purchase price of the property is \$3,975,320. Loans on the property will total \$4,125,777, which will include \$150,457 in closing costs on the transaction.

On October 21, 2008, staff will present a joint memo with the Redevelopment Agency, detailing the complete funding plan, including the approval of the award and the execution of the assumption agreements, tenant improvements, and the Owner Participation Agreement.

Pursuant to U.S. Department of Housing and Urban Development (HUD) and the 2006 Citizen Participation Plan, substantial amendments to the Consolidated Plan require public hearings to provide a reasonable opportunity for the public to comment on the amendments. The public notice period began September 16, 2008 with the publication of the notice in the San Jose Mercury News, the Post Record, followed by over 400 notices delivered through the U.S. Post Office and electronic mail. This action will be the first of three public hearings, followed by the October 9th Housing and Community Development Advisory Commission meeting and the October 21st City Council meeting, which will conclude the public hearing process.

EVALUATION AND FOLLOW-UP

The public notice period will allow for public input as required by federal regulations. Staff will report back any comments and/or concerns received during the public notice period at the October 21, 2008 City Council meeting.

PUBLIC OUTREACH/INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 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)**
- Criterion 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 recommended action meets none of the above criteria, nonetheless, this report will be posted on the City Council website for the October 7, 2008 agenda.

COORDINATION

Preparation of this report has been coordinated with the Redevelopment Agency, the City Attorney's Office, and the Departments of Parks, Recreation and Neighborhood Services, and Planning, Building and Code Enforcement.

HONORABLE MAYOR AND CITY COUNCIL

September 15, 2008

Subject: Public Hearing on Consolidated Action Plan Amendments

Page 4 of 4

COST SUMMARY/IMPLICATIONS

NA

BUDGET REFERENCE

NA

CEQA

Not a project.



LESLYE KRUTKO
Director of Housing

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