



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Leslye Krutko  
Jennifer A. Maguire

**SUBJECT:** SEE BELOW

**DATE:** November 25, 2008

Approved

*Leslye Krutko*

Date

*12/1/08*

**COUNCIL DISTRICT:** 3  
**SNI Area:** N/A

**SUBJECT: ADOPTION OF A RESOLUTION AUTHORIZING THE DIRECTOR OF HOUSING TO ACCEPT AN INFILL INFRASTRUCTURE PROGRAM GRANT FROM THE CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT, AND ADOPTION OF APPROPRIATION ORDINANCE AND FUNDING SOURCES RESOLUTION AMENDMENTS IN THE MULTI-SOURCE HOUSING FUND**

## RECOMMENDATION

It is recommended that the City Council

A. Adopt a resolution:

1. Authorizing the Director of Housing to accept a \$4,495,840 Infill Infrastructure Grant Program award from the California Department of Housing and Community Development to fund infrastructure improvements necessary for the Kings Crossing affordable housing family rental project.
2. Authorizing the Director of Housing to negotiate and execute all necessary documents.

B. Adopt the following amendments to the 2008-2009 Appropriation Ordinance and Funding Sources Resolution in the Multi-Source Housing Fund (Fund 448):

1. Establish the Infill Infrastructure Grant Program appropriation in the amount of \$4,495,840.
2. Increase the estimate for Grant Revenue in the amount of \$4,495,840.

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**OUTCOME**

The City of San José will accept and pass through or advance \$4.49 million in funding from the State to a legal affiliate of Charities Housing Development Corporation to assist in financing its family rental development located near King Street and Dobbin Drive. Accepting these funds will leverage the City's funding of \$10,565,700 and help to provide 94 units of housing affordable to very low-income (VLI) and extremely low-income (ELI) families.

**BACKGROUND**

The Infill Infrastructure Grant Program ("IIG") is administered by the California Department of Housing and Community Development ("HCD"). It is funded by Proposition 1C, the Housing and Emergency Shelter Trust Act of 2006. The primary objective of the IIG Program is to promote infill development. As stated in the IIG program guidelines, the program seeks to accomplish this objective by providing financial assistance for infrastructure improvements necessary to facilitate new infill housing development. Approximately \$240 million was available for allocation during the 2007-08 State Fiscal Year. HCD published a Notice of Funding Availability (NOFA) for the IIG program on February 28, 2008.

On March 18, 2008, the City Council approved a funding commitment of \$10,565,700 to Charities Housing Development Corporation (CHDC), for the development of the 94-unit affordable housing project, affordable to very low-income (VLI) and extremely low-income (ELI) families located on the Northeast corner of North King Road and Dobbin Drive. In order to leverage the City's funding commitment, the City and CHDC submitted an application to HCD's NOFA for the IIG program. The application was approved for funding by HCD. These funds will be used as gap financing and will provide funding for infrastructure improvements at Kings Crossing. HCD requires approval by City Council to accept these new funds. Upon City Council approval, the Director of Housing will be authorized to execute the IIG program award agreement with HCD.

**ANALYSIS**

Upon the City's acceptance and receipt of the funds, the Housing Department will disburse the IIG program award to Kings Crossing as additional gap financing for the project. The IIG program award is in the form of grant funding; however, program guidelines allow cities to administer funds on behalf of the State in a 0% loan structure with a term of at least 30 years.

There is a financial benefit of passing through the funds as a 0% loan according to IRS regulations pertaining to the Low Income Housing Tax Credit Program. By involving the City in this way, Charities will further leverage the City's and State's public funds by maximizing the amount of tax credit equity that can be generated by eligible project costs.

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The City will administer the IIG program award consistent with State regulations, the State's approval conditions, and the City's underwriting policies. The IIG program is a new program and the City is working with the State and Charities Housing to determine exact funding mechanisms. The IIG award is conditional on compliance with all applicable statutes and guidelines of the IIG program. HCD will disburse funds to the City when all required agreements between and among the developer, the State, and the City are fully executed.

Specific business terms of the City's pass-through financing will be approved by the Director of Housing through the City's Delegation of Authority ordinance in Chapter 5.06 of the San José Municipal Code.

**EVALUATION AND FOLLOW UP**

As this project starts construction in 2009, its information will be posted in the quarterly Construction report posted to the Department's website, [www.sjhousing.org](http://www.sjhousing.org).

**PUBLIC OUTREACH**

- 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 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)**

This item does not meet any of the above criteria requiring additional notification; however, this memorandum will be posted on the City's Council Agenda Website for the December 16, 2008 Council Meeting. Uses of all new grant funds are also included in the City's Consolidated Plan annual updates, which follows City policy on public outreach, input, and feedback.

**COORDINATION**

This memorandum was coordinated with the Office of the City Attorney.

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**FISCAL/POLICY ALIGNMENT**

These actions are consistent with the City's Council-approved *Five -Year Housing Investment Plan, FY 2007/08-2011/12*, which describes the City's plan to continue to aggressively pursue funding under Proposition 1C to support San José's affordable housing efforts.

**COST IMPLICATIONS**

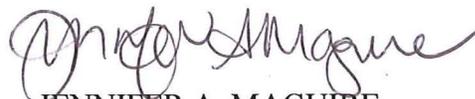
1. **AMOUNT OF RECOMMENDATION/PROGAM GRANT:** **\$4,495,840**
  
2. **COST ELEMENTS:**  
  

<u>USES:</u>	<u>AMOUNT</u>
Infrastructure hard costs – Kings Crossing	\$4,495,840
<b>TOTAL</b>	<b>\$4,495,840</b>
  
3. **SOURCE OF FUNDING:** State of California/Fund 448-the Multi-Source Housing Fund
  
4. **FISCAL IMPACT:** No ongoing fiscal impact

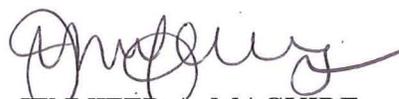
**CEQA**

CEQA: EIR Resolution No. 74196, File No. PDC07-015.

  
LESLYE KRUTKO  
Director of Housing

  
JENNIFER A. MAGUIRE  
Budget Director

I hereby certify that there will be available for appropriation in the Multi-Source Housing Fund in the Fiscal Year 2008-2009 monies in excess of those heretofore appropriated there from, said excess being at least \$4,495,840.

  
JENNIFER A. MAGUIRE  
Budget Director

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

