

County of Santa Clara
Office of the County Executive
Office of Supportive Housing



114296

DATE: May 16, 2023
TO: Board of Supervisors
FROM: Consuelo Hernandez, Director, Office of Supportive Housing
SUBJECT: Civic Center Multifamily Affordable Housing Development

RECOMMENDED ACTION

Consider recommendations relating to real property located at 1601 Civic Center Drive, Santa Clara. (Office of Supportive Housing) (LA-1)

Possible action:

- a. Approve 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, in an amount not to exceed \$12,100,000 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.
- b. Adopt Resolution as a responsible agency for the Civic Center Multifamily Affordable Housing Development confirming that the Board has independently reviewed and considered the information contained in the environmental record for the project, and making required California Environmental Quality Act findings.

FISCAL IMPLICATIONS

If approved, the County's capital investment of up to \$12,100,000 would be drawn from the 2016 Measure A Affordable Housing Bond (Housing Bond). However, the Administration may use other funding sources (e.g., No Place Like Home) if they become available and would better meet the needs of the project and the County. The earliest the County would

expect to fund a portion of the loan(s) for Civic Center Multifamily Affordable Housing Development would be spring 2023.

REASONS FOR RECOMMENDATION

Approval of the recommended action would facilitate the creation of 106 new affordable housing units (plus two manager's units) in Santa Clara County. The recommended action would also authorize the Administration to enter into the agreements necessary to provide loan(s) to Charities Housing Development Corporation of Santa Clara County or its affiliate (Charities). Charities is a California nonprofit public benefit corporation that provides affordable housing for low-income families throughout Santa Clara County.

If approved, the County's investment would contribute to the construction of 27 rapid rehousing (RRH) units to help homeless individuals and families with special needs, 26 units for households earning up to 30% Area Median Income (AMI) and 53 units for households earning up to 50% AMI. The County's contribution towards this development would average approximately \$112,037 per newly constructed unit.

Charities will be requesting an allocation of 27 Section 8 Project-Based Vouchers (PBVs) from the Santa Clara County Housing Authority for this project.

The proposed development consists of two five-story residential buildings connected by a walkway bridge. The building will include on-site resident services, a community room, and a second floor courtyard with synthetic turf, ping pong tables, a dining court, and a barbeque area. The project has an estimated total development cost of \$107,716,198, a per unit cost of \$997,372, and a per-bedroom cost of \$561,022. The per bedroom costs are within the range of other housing projects previously funded with the Housing Bond.

Approval of the County's funding reservation affords Charities the ability to move forward with their planning process and to better respond to other funding opportunities. The final terms of the County's loan(s) will be contingent upon the final tax credit award but will not exceed a total of \$12,100,000. The County's loan(s) will be subject to all conditions and requirements set forth in the Supportive Housing Development Fund Notice of Funding Availability (NOFA). The development is still subject to the Administration's review and approval of all due diligence matters.

The County intends to use its \$12,100,000 commitment to acquire the fee interest in the property and ground lease the property back to Charities. Acquiring a fee interest further ensures that the housing remains affordable. The County's acquisition is subject to Board approval and the Administration's review and approval of due diligence matters.

Reason for Request of Delegation of Authority

Although delegations of authority are discouraged except under certain circumstances, this delegation of authority is necessary. The County's funding commitment is a necessary step, but not the final action, to enable this development to secure necessary project financing.

While maintaining compliance with the Housing Bond Guidelines established by the Board on August 15, 2017 (Item No. 27) and amended on November 16, 2021 (Item No. 22), the Administration also needs the flexibility to negotiate terms and modify related documents. Some of the initial terms may have to be adjusted based on various factors, including, but not limited to, uncertainty in the Low Income Housing Tax Credit (LIHTC) investor market, the developer's success in obtaining other financing that may reduce the County's commitment, and timing issues such as delays in construction loan closings. In the event that there are changes to the sources of funds, for example, the Administration would need to take actions to allow the developer to quickly submit funding applications.

A delegation of authority is also needed because the Administration will continue to work with the developer to reduce costs, optimize funding sources, and maximize supportive housing units. The Administration will continue to work with the developer to refine construction estimates, seek fee waivers, reduce administrative expenses, and eliminate unnecessary reserves.

Loan Terms

The County's funding commitment would enable Charities to apply for 4% low-income housing tax credits in fall 2023 with an anticipated construction financing closing in spring 2024. While the Administration will continue to negotiate the final acquisition and loan terms, the following summarizes the current expected terms of the loan(s):

- a. The principal under the permanent loan(s) will bear simple interest at a rate of 3% per year, subject to final underwriting;
- b. The principal and interest due under the loan(s) will be paid 55 years from the post-construction conversion of the loan to a permanent loan. Annual payments will be made upon the availability of residual receipts and will be proportionally split among the subordinate "soft-loan" lenders;
- c. Prior to making the 55-year loan, the County may use a portion of the funding commitment to provide Charities with a short-term predevelopment and/or acquisition loan, subject to guidelines set forth in the NOFA; this short-term loan would be rolled over into the 55-year loan upon the closing of the construction financing; and
- d. The term of the County's regulatory agreement will be recorded upon the closing of the first loan from the County and will expire no earlier than 55 years from the date of the post-construction conversion of the loan to a permanent loan. The regulatory agreement will ensure that the entire property remains affordable for a minimum of 55

years.

Leveraging

The developer is requesting a funding commitment of approximately \$43,611,068 in LIHTC equity, \$29,500,000 in State of California Affordable Housing and Sustainable Communities (AHSC) program funds, and \$5,000,000 from the Apple Affordable Housing Fund. Charities will be applying for approximately \$5,300,000 from the City of Santa Clara (City), including \$1,163,531 in Permanent Local Housing Allocation (PLHA) funds from the PLHA Consortium managed by the County. While the developer's request for County funding is a maximum of \$12,100,000, the developer intends to reduce the County loan amount by applying for additional financing opportunities as they become available.

Environmental Review and Land Use Approval Status

The proposed project is located at 1601 Civic Center Drive in the City of Santa Clara. The site is 1.4 acres and is situated west of Santa Clara City Hall and north of El Camino Real. The site has a General Plan Land Use designation of High Density Residential (37-50 du/ac) with a zoning designation of Plan Development (PD). On November 15, 2022, the Santa Clara City Council adopted Resolution No. 22-9163 to adopt the Mitigated Negative Declaration and related Mitigation Monitoring and Reporting Program (MMRP). The City concurrently approved a Density Bonus and these entitlements collectively allow the demolition of the existing improvements and construction of the project.

Because the County is contributing funding to the project, the County is a responsible agency under the California Environmental Quality Act (CEQA). In connection with the County's duties as a responsible agency, the Administration has reviewed the Initial Study/Mitigated Negative Declaration and related MMRP and determined that it is adequate for the County's environmental review of the project. If the Board adopts the recommended Resolution, the County will have made findings required by a responsible agency under CEQA.

Community Engagement

Charities' community engagement strategy has included meeting with surrounding community groups, advocacy organizations, immediate neighbors, interested individuals and elected representatives. This information is summarized in the attached Community Engagement Report (Attachment A).

Supportive Services

The development would include 27 RRH units. The County would be responsible for coordinating ongoing on-site supportive services for the residents of these units. OSH estimates that the supportive services costs for the 27 units would be approximately \$202,500 per year for the first two years of operations. Supportive services costs for the RRH units

would decrease significantly in the third year unless there was significant turnover in the 27 RRH units. If the development is approved, the Administration would assess the funding needed for the supportive services and recommend appropriations for the Board's consideration as part of the Fiscal Year 2025-2026 budget process.

CHILD IMPACT

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

SENIOR IMPACT

The recommended action would create 106 new affordable apartments. 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

This 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.

BACKGROUND

On November 16, 2021 (Item No. 22), the Board approved updated guidelines for the Supportive Housing Development Program. On December 7, 2021, OSH released an updated NOFA. Unlike traditional procurement processes that have narrow windows for submission, review and selection, the NOFA has served as a call for projects with rolling submission deadlines. The Administration intends to recommend funding developments in cohorts, although individual developments may also be brought forward as needed. Civic Center Multifamily Affordable Housing Development is presented to the Board as part of the 11th cohort of developments requesting Housing Bond funds.

CONSEQUENCES OF NEGATIVE ACTION

If the funding commitment is not approved, the developer would not be able to apply for tax credits and/or other funding sources. If the Board does not approve the recommended capital funding, Charities will be unable to proceed with Civic Center Multifamily Affordable Housing Development until Charities identifies additional funding.

STEPS FOLLOWING APPROVAL

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

LINKS:

- References: 114838 : Receive report relating to the implementation of the 2016 Measure A Affordable Housing Bond. (Office of Supportive Housing)

ATTACHMENTS:

- Attachment A - Resolution (PDF)
- Attachment B - CEQA Documents (PDF)
- Attachment C - Community Engagement Report (PDF)