



COUNCIL REPORT

DATE: June 14, 2022

CATEGORY: Consent

DEPT.: Community Development

TITLE: **CDBG/HOME Loan Agreement for Acquisition and Rehabilitation of Crestview Hotel (901 East El Camino Real) as Permanent Housing**

RECOMMENDATION

Authorize the City Manager or designee to negotiate and execute a loan agreement(s) with the County of Santa Clara and/or Jamboree Housing Corporation in an amount up to \$5.3 million in Community Development Block Grant and Home Investment Partnership Program funds, as allocated in the Fiscal Year 2021-22 and Fiscal Year 2022-23 Annual Action Plans, for the acquisition and/or rehabilitation of the Crestview Hotel for permanent housing and to negotiate and execute related agreements, as necessary.

BACKGROUND

In January 2021, the City Council voted to work with the County of Santa Clara to facilitate the acquisition and rehabilitation of the Crestview Hotel, located at 901 East El Camino Real, to meet various housing needs. Since that time, the City and the County have worked to move this effort forward.

Background information is provided below regarding the funding sources for the Crestview Hotel acquisition and rehabilitation (which include Community Development Block Grant (CDBG) and Home Investment Partnership Program (HOME) funds allocated by the City), developer selection process, and community outreach conducted to date. The purpose of this report is to seek Council authority for the City Manager or designee to negotiate the loan agreements required for contribution of the City's CDBG and HOME funds to the project.

Funding

The funding sources that have been allocated to the Crestview Hotel acquisition and rehabilitation efforts to date include the following:

- In the Fiscal Year 2021-22 Annual Action Plan, the City allocated \$3.7 million in CDBG and HOME funds to the project.

- In November 2021, the County designated \$7 million in Measure A funds to the project.
- In the Fiscal Year 2022-23 Annual Action plan, adopted by Council on April 26, 2022, the City allocated an additional \$1,509,789 in CDBG and HOME funds. Council also approved staff's recommendation that, should the final Fiscal Year 2022-23 CDBG/HOME allocations come in higher than initially estimated, the additional funding would be proportionally allocated to the approved projects. On May 13, 2022, the City received its final allocations in an amount that was higher than the estimates used to prepare the Annual Action Plan. This resulted in an additional \$40,943 in CDBG/HOME funding for the Crestview Hotel project, resulting in a total of \$1,550,732 for the project in the Fiscal Year 2022-23 Annual Action Plan.
- The County applied for \$16.7 million through the State's Project HomeKey program. On April 28, 2022, the State announced that the full amount requested was awarded for the project.

Developer Selection

City staff participated in a developer selection process led by the County through its Request for Offers (RFO) process. On June 7, 2022, the County Board of Supervisors unanimously approved Jamboree Housing Corporation (Jamboree) as the developer partner. Now that the developer has been selected, the scope of work, development costs, services, and construction and operating budget will be finalized. The developer will secure additional funding to finance the project, as needed, pending the final scope of work and budget.

Community Meetings and Public Input

To date, there have been four community meetings hosted by the County and City and several small-group community consultations to discuss the project. Community members have both raised concerns and expressed enthusiasm about the project. Some of the concerns were related to safety and community engagement with the project. Jamboree will be required to have an appropriate property management plan as well as a robust ongoing community engagement plan.

ANALYSIS

As is the case with nearly all City funding for affordable housing projects, the City will contribute its allocated CDBG and HOME funds to the Crestview project through a loan agreement. These agreements are standard and specify the term, affordability requirements, Federal funding compliance requirements, as well as repayment plans for the loans. The City's loans are typically

repaid only when the projects have residual income, and this repayment is monitored by City staff.

Based on Project Homekey requirements, the project must be 90% occupied within 15 months of receiving the Project HomeKey award. In order for the project to be prepared to begin construction as soon as possible, given the relatively short timeline, staff is seeking delegation of authority from the City Council to authorize the City Manager or designee(s) to negotiate the terms of the City's loans for the project and to execute the loan agreement(s) and other related agreements and documents. The CDBG/HOME funding may go to the County, Jamboree, or both depending on the needs of the project. The staff recommendation provides the flexibility to enter into agreements with the County and/or the selected developer.

FISCAL IMPACT

The City is providing up to \$5.3 million in CDBG/HOME funding through its Fiscal Year 2021-22 and Fiscal Year 2022-23 Annual Action Plans to the Crestview Hotel project. There is no impact to the City's General Fund or the City's fee-based Affordable Housing Funds.

PUBLIC NOTICING

Agenda posting. Notice of this meeting was also sent to the City's Crestview Interest List.

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MHT-WC/4/CAM
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