

MEMORANDUM

TO: City of Sunnyvale Department of Community Development
FROM: MidPen Housing
RE: 295 S. Mathilda Ave – Response to City of Sunnyvale Study Questions
DATE: November 7, 2025

The purpose of this Memorandum is to respond to study questions posed by City of Sunnyvale's Community Development Department concerning potential options for the affordable housing development at 295 S. Mathilda Avenue.

To inform City of Sunnyvale's consideration of these options, this memorandum also provides an overview of the current affordable housing financing environment to provide context for evaluating project feasibility. Over the past decade, Santa Clara County has played a significant role in supporting affordable housing through Measure A - a \$950M bond passed by voters in 2016 to fund housing for vulnerable populations. However, as of 2024, all Measure A funds have been fully allocated, and future local funding sources remain uncertain. At the State level, the 2025–2026 budget includes only modest investments which preserve funding for key State housing programs, but at levels that continue to fall short of meeting the high demand for affordable housing resources. The budget also reauthorized funding for the Affordable Housing and Sustainable Communities (AHSC) program, which was previously at risk of defunding. The 295 S. Mathilda project intends to apply for AHSC funding in 2026; a key eligibility requirement is that the project must be fully entitled prior to application. On the federal landscape, H.R. 1 which passed in July 2025, included deep cuts to safety net programs. While funding for prior committed rental subsidies was ultimately preserved, no funding for new rental subsidies was included.

See Appendix A for a detailed overview of the current financing landscape prepared by MidPen Housing's Policy Team. The sections below include discussion regarding how the local, State and Federal funding landscapes impact different development scenarios.

Study Question #1: Eliminating the Sunnyvale Homeless Family Preference

The 2023 Exclusive Negotiating Agreement (ENA) entered by City of Sunnyvale and MidPen includes a City requirement that 25% of the units be preferenced for homeless families. The units should be “family sized”, meaning 2 & 3 bedroom units. How would removing Sunnyvale’s homeless family preference affect the project?

Response:

Eliminating the requirement to provide units for homeless families would make the development slightly easier to finance by lowering the level of resident services support and rent support needed. The project is feasible with or without this requirement – whether it should be retained depends on City of Sunnyvale’s goals for this site. MidPen would not recommend keeping this requirement if the City of Sunnyvale introduces new requirements to serve additional supportive populations at this community.

- Regulatory Considerations: None notable for discussion.
- Financing Implications:

Homeless family populations frequently require additional supportive services compared to other low-income families, to help them stabilize and thrive after securing housing. If these supportive services are no longer included in operating expenses, the property’s cash flow would be able to leverage approximately \$2M more from a conventional bank loan, reducing an equivalent amount needed from another funding source.

Homeless families typically also need limited rent assistance while they work towards stability. The level of support needed is generally lower than that required by permanent supportive housing (PSH) populations, who frequently have chronic mental or physical disabilities that have contributed to long-term homelessness. PSH residents may be unable to maintain consistent employment and rely on ongoing rental subsidies to cover most of their housing costs. In contrast, homeless families are often able to maintain steady employment once stabilized and can be supported by short-term or shallow rent assistance. To support this population, MidPen is investigating the availability of shallow subsidies from local agencies as well as options to serve families who qualify for McKinney Vento assistance programs.

In alignment with the City of Sunnyvale’s 2023 direction that the homeless family units prioritize Sunnyvale residents, the project did not assumed project-based vouchers (PBV’s) as a source of rental subsidy for the homeless family units. PBV’s are funded

by the federal government under the Section 8 program and administered through Santa Clara County Housing Authority to serve applicants county-wide. They cannot be layered on units with a local City preference.

- Funding Competition:

This change on its own can slightly enhance the competitiveness of a State funding application, as it would allow the project to reduce its State funding request by approximately \$2M.

- Design Considerations:

This change alone would not affect the project unit mix – the unit mix will still include 25% three-bedroom and 25% two-bedroom units so that it can be positioned to compete for State funding sources as a Large Family project. If new requirements to serve other populations are introduced, eliminating this requirement may be necessary to meet the new requirements (for example, senior or veteran households would better served by smaller units). See Study Question #3 for trade-offs related to increasing the proportion of smaller units in this community, including a definition of Large Family projects and the advantage they can have in State funding competitions.

- Need & Demand:

According to Santa Clara County's 2025 Point-in-Time Count Report, the number of families with children experiencing homelessness has risen in recent years. In 2025, there were 486 homeless families with children county-wide. This is an increase of 33% since 2023 and reflects an emerging need. Homeless families make up a relatively small share of the homeless population, accounting for about 16% overall.

Study Question #2: Senior or Veteran Preference

Can the project serve seniors or veterans?

Response:

While affordable housing for seniors and homeless veterans is a significant area of need, the current lack of rental subsidies in the form of project-based vouchers (PBV's) through the Federal Section 8 program poses significant challenges in making these types of developments financially viable without substantial additional funding from local sources.

- ***25% Seniors:***

This population mix is not viable for affordable housing development at this site because it does not comply with threshold regulatory constraints.

Under the federal Fair Housing Act (42 U.S.C. §§3601 et seq.), the Unruh Act (California Civil Code §§ 51 et seq.), and the California Fair Employment and Housing Act (Government Code §§12900 et seq.), a single building cannot restrict a portion of units for seniors only, as it would be deemed discriminatory against families with children. Although senior housing is an exception to antidiscrimination proscriptions, it requires that the entire building be designated as senior housing. A development with multiple buildings with separate entrances can serve seniors in one building and a family population in the other building.

Developments seeking tax credits from the California Tax Credit Allocation Committee must compete in a single category for its project type. These categories include Large Family, Special Needs, Single Room Occupancy, At-Risk, Seniors and Rural Acquisition/Rehab. A single tax credit project cannot compete as both Large Family and Senior. Because equity generated from tax credits typically fund 60-70% of affordable housing developments, it is important to comply with tax credit competition requirements.

These considerations taken together make it impractical for a single affordable housing development to serve both senior and family populations. This approach may be viable on significantly larger sites where the senior and family buildings can efficiently be developed as distinct, standalone projects.

Note that a community designated as “Large Family” does not prohibit a senior household from living in it; in fact across MidPen’s properties in Sunnyvale designated as “Family” communities, approximately 50% of units are currently naturally occupied by a senior head of household.

- ***100% Senior:***

The need for senior housing is important concern in Santa Clara County. However, given the current and anticipated funding environment, a 100% senior affordable housing development in Santa Clara County will be extremely difficult to develop due to the lack of available rental subsidies for senior-focused projects.

- Regulatory Considerations:

Unlike developments where only a portion of units are contemplated to serve seniors, there are no regulatory concerns related to fair housing issues if the development is 100% senior.

- Financing Implications:

Senior populations frequently have fixed or extremely low incomes since many seniors are no longer working. Any income from retirement accounts or social security may be much lower than what a low wage worker can earn. As such, affordable senior communities need a substantial portion of their units permanently supported by rental subsidies. For example, the average household income of a senior household at a MidPen community in Sunnyvale is approximately \$19,000 (20% of the area median income, or 20% AMI). The average household income of a family household at a MidPen community in Sunnyvale is nearly double that of a senior household, at approximately \$52,000 (40% AMI). To keep senior rents affordable, meaning no more than 30% of household income, rental subsidies are necessary to cover operating costs such as property management, maintenance, and utilities. Without rental subsidies a 100% senior property cannot reliably generate enough rental revenue to support operating expenses.

Rental subsidies typically come in the form of Section 8 project-based vouchers (PBV’s) which are federally funded by HUD and administered locally by Santa Clara County Housing Authority (SCCHA). In recent years, SCCHA has prioritized Section 8 PBV’s for developments serving homeless populations. Currently, and in the foreseeable future, there are no rental subsidies available for senior developments. Due to more recent developments at the federal level, there are now few rental subsidy vouchers available for developments of any kind, seniors included.

In lieu of rental subsidies from the Housing Authority, senior housing development could be financially viable if the City of Sunnyvale committed to providing permanent rental subsidies of approximately \$2.5 million per year, with annual escalations, for a period of at least 20 years. Alternatively, the project could establish a capitalized operating reserve - requiring an additional \$44 million from the City or another local source - to ensure it can meet ongoing operating expenses.

While it would be challenging to serve low-income seniors at the 295 S. Mathilda site in the current funding environment, Appendix B presents an alternative concept to serve this population by increasing density at an existing affordable senior community located elsewhere in Sunnyvale - an approach that avoids the need for new rental subsidies.

- Funding Competition:

A senior project would face a significant competitive disadvantage compared to a Large Family Project, as 295 S. Mathilda currently is proposed to be. The site is located in a “Highest Resource” Opportunity Area - Large Family projects located in such Highest Resource Opportunity areas are afforded an extra point in the State funding competition. For a more detailed discussion about this competition, see discussion under Question 3.

- Design Considerations:

A senior community would be designed differently from a Large Family community and would primarily consist of one-bedroom units. A limited number of two-bedroom units may be appropriate for two-person senior households that require a second bedroom, for example due to a live-in caregiver. If the building remains six stories tall, it is estimated to accommodate approximately 151 one-bedroom units, resulting in a parking ratio of 0.43. Reducing the building to five stories would yield approximately 128 one-bedroom units, increasing the parking ratio to 0.5.

Note that a pivot to senior housing would require substantial redesign given these fundamental differences when compared to a Large Family building. Undertaking a redesign at this stage is likely to increase design and holding costs by ±\$350,000.

- Need & Demand:

Affordable housing for older adults remains an important concern in Santa Clara County. In 2023, there were approximately 382,000 seniors in the county, and 32% lacked sufficient income to meet basic needs, according to the non-profit advocacy group Justice in Aging. City of Sunnyvale's most recent Housing Element projects a 60% increase in residents aged 65 and older between 2020 and 2040. With roughly 24% of senior households renting, the need for affordable housing options that support aging in place may become increasingly important as the senior population expands and financial pressures persist.

MidPen sees this need on the ground with nearly 3,000 applicants on the waitlists for MidPen's senior communities in the Bay Area. In MidPen's experience, senior applicants seeking affordable housing generally have income from work or benefits totaling no more than 50% of the area median income (AMI), and as noted above, the average senior household income is closer to 20% AMI. To qualify for affordable housing, applicants must earn less than 60% AMI (or 80% AMI for some programs). Saved assets are also considered when qualifying a household for affordable housing. Seniors with retirement savings can still qualify, however it would be extremely rare for someone who owns a home or has proceeds from selling one to qualify for affordable housing, in the case of seniors looking to downsize into smaller homes.

- ***25% Veterans, 100% Veterans or 100% Senior Veterans:***

Demand for affordable housing to serve homeless veterans has declined in recent years, largely due to the success of local and federal programs supporting this population. Housing for homeless veterans remains important, however the current and anticipated funding environment presents significant challenges. In prior years, Veterans Affairs Supportive Housing (VASH) rental subsidies played a critical part in housing homeless veterans. Today, the lack of available VASH rental subsidies makes it extremely difficult to develop and operate housing specifically for this group without substantial additional financial support.

- Regulatory Considerations:

In contrast to senior units, fair housing law does not pose a regulatory constraint for a project with 25% homeless veteran units. A single building can accommodate both family and homeless veteran populations if the property has received an award of VASH vouchers. VASH is a federal program that provides rental subsidy for units reserved for homeless veterans. Reserving units for

veterans referred through this program does not violate fair housing laws. There is no equivalent federal program for seniors.

Although VASH vouchers were readily available in prior years, Santa Clara County Housing Authority currently has no plans to issue a new Notice of Funding Availability (NOFA). Only a limited number of VASH vouchers remain, and they are being prioritized for projects that have already received County Measure A funding.

- Financing Implications:

Housing for homeless veterans is difficult to finance without VASH vouchers. Homeless veterans, like the general homeless population, may have extremely low and/or fixed incomes. Individuals with chronic physical or mental health disabilities may be unable to work. Without rental subsidy from VASH vouchers, the property cannot reliably generate enough rent revenue to pay for ongoing operating expenses. Reserving units for homeless veterans without rental subsidy is not financially viable without substantial additional funding from local sources. Moreover, the level of subsidy and/or capital funding required is expected to exceed that of senior housing without subsidies, due to the higher operating costs associated with serving formerly homeless individuals with complex chronic needs.

- Funding Competition:

Setting aside 25% of units to serve homeless veterans would provide the project with an additional competitive advantage. The property would designate one-bedroom units as VASH units, which aligns with demand from the VASH veterans. This approach allows the project to qualify as both a Large Family development (with 25% two-bedroom and 25% three-bedroom units) to earn an extra point in the tax credit competition, as well as a Homeless project (at least 25% homeless), giving it access to an additional pool of funds dedicated for homeless projects. A 100% homeless veteran project would qualify as a Homeless project but not a Large Family project, which is still a good competitive position. See Question #3 for discussion regarding Large Family projects and tax credit competitiveness. Inclusion of units serving homeless veterans can provide a meaningful competitive advantage, however there is no viable path for this strategy without VASH vouchers or other rental subsidy.

- Design Considerations

As noted above, one-bedroom units would be designated to serve as VASH/veteran units to align with demand. For a building where 25% of units serve homeless veterans, this change on its own would have no impact to the proposed unit mix which calls for 25% 3-bedrooms, 25% 2-bedrooms, and 50% 1-bedrooms. However, in a building where 100% of units are set aside for homeless veterans, the unit mix should be revised to consist primarily of 1-bedroom units to better reflect demand. Based on MidPen's leasing experience, one-bedroom units are highly sought after by homeless veterans, whereas two-bedroom units see minimal demand and prolonged vacancy periods. According to VA Palo Alto, which serves Santa Clara County, studios are also generally unpopular, with many veterans opting to wait for a one-bedroom rather than accept a studio.

According to VA Palo Alto, homeless veterans are also very likely to have a car. If reserving 25% of units for homeless veterans, the property would be better served by having 0.65 parking ratio, or 1:1 parking if all units are reserved for homeless veterans. The current parking ratio is 0.53 – the project would need to build more onsite parking, which can cost between \$5.5-\$10M depending on whether additional parking is added above or below ground. Off-site parking located nearby may also be a viable strategy to support residents' mobility needs if available. Related: See Question #4 for a discussion of parking needs and demand at Family properties.

- Need & Demand:

In January 2025, the U.S. Department of Veterans Affairs announced that veteran homelessness had reached a record low nationwide. This mirrors local progress: Santa Clara County's 2025 Point-in-Time Count Community Report identified 378 homeless veterans county-wide, representing a 21% decrease since 2023. This decline is largely attributed to the availability of VASH vouchers in prior years and robust local veteran services, the combined effects of which have consistently housed more veterans each month than the number of veterans seeking assistance for the first time.

Despite recent reductions in demand, housing for homeless veterans continues to be needed. If this property allocated 25% of its units (± 31 units) for homeless veterans, we can expect to lease these units without significant difficulty. If this property reserved 100% of its units (± 122) for homeless veterans, it would need to capture over 30% of the county's total demand for homeless veteran housing, which may present greater leasing challenges and prolonged vacancy periods.

Study Question #3: Maximizing Unit Count with One Bedroom and Studio Units

How many units can the project yield of all units were studio and/or one-bedroom units?

Response:

A six-story building on this site can accommodate ±151 one-bedroom units (0.43 parking ratio) or ±199 studios (0.33 parking ratio). A five-story building can accommodate ±128 one-bedroom units (0.51 parking ratio) or ±169 studios (0.38 parking ratio). These estimates assume setbacks similar to those proposed in the current design. Parking ratios assume no change to garage design.

While the financial impact of this change is expected to be manageable in terms of construction cost and property cashflow, this change on its own would significantly reduce the project's competitiveness for tax credit financing. Designing the building with only one-bedroom or studio units would disqualify it from meeting the Large Family criteria in the tax credit funding application, which requires a mix of two- and three-bedroom units. This designation is critical because Large Family projects located in a "Highest Resource" opportunity area earn an additional point in the tax credit scoring system—a key advantage when competing for tax credits.

- Regulatory Considerations:
None.
- Financing Implications:
For a building with all one-bedroom units, this change on its own is expected to result in roughly neutral outcome. This is because the rent for additional units is largely offset by lower rent received on smaller units.

If the property consisted primarily of studios, the property would need roughly ±\$3M of additional capital funding. This is due to the lower income targeting associated with an all-studio building, which decreases the amount that can be leveraged from a conventional bank loan. For a non-homeless population, demand for studio units is limited. Individuals interested in studios most likely have a household income at or below 30%- 40% AMI of the area median income (AMI), with demand dropping precipitously above that income level. Studios targeted to households above 40% AMI will likely face significant challenges in leasing, prolonged vacancies, and may struggle to meet lease-up timelines required under the tax credit program.

Note that pivoting to a building that provides only 1-bedroom or studios units will require comprehensive overhaul of the current design, likely to trigger an additional ±\$350,000 in redesign fees and holding costs added to the project budget.

- Funding Competition:

Shifting to all one-bedroom or studio units would significantly reduce the project's competitiveness for tax credit financing. This consideration is especially critical given the intense competition for these resources: in the most recent funding round, only about 60% of applications were successful, leaving 63 projects unfunded.

A Large Family project on this site is well positioned to succeed in the highly competitive tax credit funding process because of a key site advantage: its location in a "Highest Opportunity Area." This designation is awarded to locations with high-quality amenities such as schools, parks, transit, and jobs. The state's scoring system awards an additional point to Large Family projects located in these areas, allowing them to achieve the maximum possible score of 120. (Special Needs projects with a set aside for 50% permanent supportive housing can also obtain this extra point. See Question #2 for current challenges in developing housing for populations that require rental subsidy support).

Projects compete for tax credits as one of several project types: Large Family, Senior, Special Needs, At Risk, and SRO. To qualify as a Large Family project, at least 25% of the units must be two-bedroom and another 25% three-bedroom. If the building were designed with only one-bedroom or studio units, it would no longer meet this threshold and would be ineligible to compete as a Large Family project. This would mean forfeiting the extra point and capping the project's score at 119 - placing it at a competitive disadvantage.

This distinction is critical. In the most recent funding round, every project in the Bay Area anticipated to receive an award of state tax credits scored 120 points. Projects scoring 119 points were only successful if they requested *no* state credits and competed solely for federal credits. This pattern has remained generally consistent in recent years, underscoring the importance of reaching the 120-point threshold. This development requires both federal and state credits to be financially viable, including approximately \$14.5 million in equity generated from state credits. If it cannot qualify as a Large Family project and score 120 points, it can improve its competitiveness as a 119-point project by eliminating its request for state credits. Doing so would mean losing \$14.5 million in equity, which would need to be replaced by City of Sunnyvale or other local funds.

- Design Considerations:

As noted above, the estimated number of one bedrooms and studios assume similar setbacks to the project as currently designed.

- Need & Demand:

MidPen's experience leasing general low-income units is that one- and two-bedroom units are consistently in highest demand, reflecting current trends in household size and composition. In contrast, studio units tend to have significantly lower demand. This is largely because one-bedroom units offer a notably higher quality of life, yet their restricted rents are only marginally higher than those of studios (at equivalent income bands). As a result, studios often experience higher turnover and vacancy rates.

For homeless populations, particularly those in permanent supportive housing (PSH), both studios and one-bedroom units are in demand. The exception is homeless veteran units – according to VA Palo Alto (which serves veterans in Santa Clara County), veterans strongly prefer 1-bedroom units and frequently reject studios to wait for a 1-bedroom to become available. See Question #2 for design considerations in homeless veteran housing.

Study Question #4: Height & Parking Reduction

Can the project reduce the height by 1 story by adding more units on ground floor and providing low or no parking?

Response:

The current proposal is a 6-story building with 122 units, comprised of approximately 25% three-bedroom units, 25% two-bedroom units, and the remainder are one-bedroom units. 65 parking spaces are proposed (0.53 parking ratio).

If no parking were provided on-site, the project could accommodate roughly 14 additional residential units on the ground floor with a mix of one-, two- and three-bedroom units, for a total of ±136 units on 6 stories. Reducing the building to five stories would eliminate 20 units from the sixth floor, resulting in ±116 units. MidPen believes that a family property adjacent to downtown would be best served by a parking ratio of roughly 0.5 to serve those residents who do need a car. However, a “no-parking” scenario may be operationally feasible if affordable off-site vehicular parking is available nearby, in which case impact to project financing and funding competitiveness would be marginal. We would note, however, that neighbors have voiced a strong preference for on-site parking and a tenet of MidPen’s good faith engagement with neighbors has been adhering to the 0.5 parking ratio minimum while also advancing complementary mobility solutions for future 295 S. Mathilda residents, such as transit passes, no car preferences, and shared parking.

If the ground floor units were all one-bedroom units, the unit count could increase to ±139 across 6 stories, or ±119 with five stories. However, MidPen does not recommend this approach, as the resulting unit mix would disqualify the project from competing as a Large Family project in a “Highest Resource” Opportunity Area, which affords the project with a significant competitive advantage in State funding applications.

If the project removed the 6th floor and retained 65 parking spaces on the ground floor, it would result in 102 units on 5 stories and a parking ratio of 0.64.

Table A: Height & Parking Reduction Scenarios

Scenario	# Units	# Stories	# Parking	Parking Ratio
Current Proposal	122	6	65	0.53
Replace Parking w/Mix of 1-2-3 Bdrm Units, 6 Stories	136	6	0	0
Replace Parking w/Mix of 1-2-3 Bdrm Units, 5 Stories	116	5	0	0
Replace Parking with 1-Bdrm Units, 6 Stories	139	6	0	0
Replace Parking with 1-Bdrm Units, 5 Stories	119	5	0	0
Remove 6th Floor, Retain Parking as Currently Proposed	102	5	65	0.64

- Regulatory Considerations: Not Applicable
- Financing Implications:

If maintaining a 6-story building, converting ground-floor parking to residential units would increase total project costs by approximately \$4M due to additional framing and finish work to construct units in lieu of an open garage. However, the cost per unit will see a reduction because the cost of land, concrete, site work and other fixed costs would be spread across more units.

If reducing the building by 1 story to 5-stories and replacing parking with residential units, the total project cost would be reduced by approximately \$2.5M. The cost per unit would be roughly the same since most, but not all, of the units lost from the 6th floor are added to the ground floor.

If reducing the building by 1 story to 5-stories and maintaining 65 parking spaces, the total project cost would be reduced by approximately \$6.5M. The cost per unit would increase since the fixed cost of land and the expense of ground floor concrete will be spread across fewer units.

- Funding Competition:

MidPen does not recommend adding only one-bedroom units, as the resulting unit mix would preclude the project from competing as a Large Family project in a “Highest Resource” Opportunity Area, which affords the projects with a significant competitive advantage. See response to Question #3 for a discussion of trade-offs relating to the creation of more 1-bedroom units versus meeting the requirements of a Large Family project which require 25% two-bedroom units and 25% three-bedroom units. Not competing as a Large Family project introduces a significant competitive disadvantage.

Reducing the total number of units creates a notable disadvantage in state funding applications, which favor larger projects for their efficiency in the tiebreaker calculation. Similarly, increasing the cost per unit introduces a material competitive disadvantage. The extent of these impacts will depend on how we compare to other projects competing for funds, and if other cost cutting measures can be identified, such as simplifying the exterior building finishes. Recent trends show unit counts rising among tax credit applicants; in the latest cycle, non-rural projects awarded tax credits averaged 141 units.

- Design Considerations:

While the upper floors primarily contain residential units, a significant portion of the ground floor is occupied by common area uses including management offices, lobby, and maintenance/utility spaces. Some ground floor areas also do not have access to light and air as required for residential units. As a result, the ground floor cannot accommodate as many residential units compared to the upper floors.

- Need & Demand:

MidPen believes that a family property adjacent to downtown would be best served with a parking ratio of approximately 0.5 to serve those residents who do need a car. We also note that several nearby neighbors have also voiced strong preference for on-site parking. If no on-site parking is provided, residents' mobility needs can also be supported with off-site vehicular parking at nearby lots. The financial impact of such an arrangement can be analyzed more completely once we have additional information on potential off-site parking availability, associated costs, and any applicable requirements. We are actively gathering these details to ensure a thorough and accurate analysis. If affordable off-site parking is confirmed, the overall financing implications of providing no-onsite parking would likely be minimal.

Study Question #5: Building Height on Charles Street

Can the height on Charles Street be reduced to no more than 35 ft?

Response:

Yes - the structure facing Charles Street, which is 3 stories tall, can be reduced to a maximum height of 35ft measured from the ground floor plane to top of parapet. Note that when measured from top of curb, the height could be a few inches taller in some areas because the curb follows minor natural grade variations across the site. This lower height can be accomplished by utilizing a shorter, non-standard ceiling height that is still code compliant at select units facing Charles Street.

- Regulatory Considerations: Not Applicable
- Financing Implications:
Additional cost associated with creating a non-standard ceiling height in some locations is negligible and has no notable impact on financing.
- Funding Competition: No impact to funding application competitiveness.
- Design Considerations: No additional considerations to note.
- Need & Demand: Not Applicable

Appendix A

Overview of Current Affordable Housing Finance Landscape - Q4 2025 MidPen Housing Policy Team

Santa Clara County

In 2016, voters in Santa Clara County passed Measure A – a \$950 million affordable housing bond, with funds to be used for building and preserving affordable housing, particularly for vulnerable populations such as seniors, veterans and unhoused individuals as well as for the provision of supportive services. As of 2024, Measure A funding has been completely allocated. The County’s sources to fund affordable housing remain largely uncertain at the moment, especially with a \$20 billion regional housing bond being removed from the November 2024 ballot before the August deadline. Had the regional housing bond been placed on the ballot and passed, Santa Clara County would have received \$2.4 billion in proceeds for the development of affordable housing.

State of California

While the 2025-2026 state budget came a long way since the Governor’s January proposal which didn’t contain any funding for housing, the investments allocated in this year’s budget are modest—\$500M for the state-enhanced Low Income Housing Tax Credits and \$120M for the Multifamily Housing Program—and are barely enough to keep the affordable housing pipeline moving. One bright spot that arose out of this year’s budget was the reauthorization of the Cap-and-Trade program (now known as the Cap and Invest program) which allocates as much as \$800 million to the Affordable Housing and Sustainable Communities (AHSC) program locally. However, it is important to note that the sector generally needs about \$2.5B annually to maintain production of the pipeline. This does not include growing the pipeline further to meet California’s actual need for affordable homes.

To keep state affordable housing funding from drying up, Assemblymember Buffy Wicks and Senator Christopher Cabaldon authored AB 736 and SB 417 this past legislative session – which collectively comprise the Affordable Housing Bond Act of 2026. These legislative vehicles authorize \$10 billion in general obligation bonds to provide funding for multifamily housing, homeownership opportunities, and supportive housing for individuals experiencing homelessness. While AB 736 and SB 417 did not advance out of the Senate Rules Committee this past session, we expect legislators to make movement on these bills early next year, in time to have the statewide housing bond placed on the November 2026 ballot.

On the services front, California has a significant challenge ahead in adapting to federal change. Medi-Cal funding is currently shared roughly 50-50 between the state and federal government, but federal changes to Medicaid require the State Legislature to revisit the state budget passed as it assumed previous federal subsidies. Additional Medicaid changes include work requirements, re-verification of eligibility every 6 months, a cap on the amount the state can tax to fund Medi-Cal, and penalties for states that provide healthcare to undocumented individuals and families. It is a priority for MidPen’s Resident Services team to identify mission-aligned partners to support residents in maintaining eligibility for these programs once reforms/new requirements hit.

Many of these changes go into effect by late 2026. The State will be working on the specifics of implementation over the next year, and we expect the Legislature and Governor to be dealing with the budget ramifications for years to come. The weakening of the Medicaid social safety net particularly affects permanent supportive housing work, which more heavily relies on 3rd party contracts to ensure residents have the support they need to thrive and remain stably housed.

Although the State will engage in filling the gap, Counties have a lot of exposure. They are also strategizing on what these changes mean for them, and how they will need to act to preserve more local levels of service for vulnerable community members. One noteworthy local response is from the Santa Clara County Board of Supervisors, who placed a five-year, 5/8-cent sales tax on the November 2025 ballot (Measure A) to provide emergency funding to prevent hospital and emergency department closures. Measure A has since passed and will provide financial support in mitigating cuts to local services. The passage of the H.R. 1 in the 119th Congress is projected to reduce Medicaid (Medi-Cal) funding to Santa Clara County's public hospitals by over \$1B annually, which is gravely concerning given approximately 465,000 county residents rely on Medi-Cal. Notably, approximately one-third of MidPen residents reside in Santa Clara County.

Federal

H.R. 1 of the 119th Congress passed reconciliation and was signed into law on July 4, 2025. The impact that this bill will have on our residents, our sector, and our communities cannot be overstated. In addition to a \$5 trillion extension of the federal debt limit, the bill cuts over \$1 trillion in funding for vital safety net programs, including Medicaid and the Supplemental Nutrition Assistance Program (SNAP). These cuts will have devastating consequences for millions of Californians; approximately 2/3 of MidPen residents are enrolled or eligible for Medi-Cal (California's version of Medicaid) and SNAP. Even with these "cost-saving" cuts, the nonpartisan Congressional Budget Office (CBO) estimates the bill will add over \$3.9 trillion to the federal deficit over the next decade.

On the budget front, the President's proposal which came out in May was a shock to many – drastic cuts across the board including a shift to block grant rental assistance and devolve these programs to states. It wasn't until July that we saw a formal response from Congress, and fortunately the Administration's proposal received considerable pushback. The House Transportation, Housing, and Urban Development (THUD) budget cut spending by under 5%, compared to the 44% cut in the Administration's budget. This included a shift to the Tenant-Based Voucher program and maintenance of the Project-Based Voucher program. The Senate version slightly increased HUD funding above House levels but also restored funding to other housing production programs that had previously been zeroed out. Neither the House nor Senate versions included time limits for receiving rental assistance, such as the two-year cap proposed by the Administration. As a result of this budget, rental subsidies that were previously awarded under the Tenant-Based Voucher and Project-Based Voucher programs are safe-guarded, but no funds are available for new rental subsidies.

While these budget line items look very different than they did in the Administration's budget, and a slight increase is better than a cut, we know that flat funding doesn't keep up with inflation and represents a decrease in terms of real dollars.