



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO COUNCIL

SUBJECT

Loan Amendment to Increase Community Development Block Grant Loan to Crescent Terrace, Inc. from \$500,000 to \$600,000 for Crescent Terrace Rehabilitation Project and Budget Modification No. 44

BACKGROUND

Crescent Terrace is a three-story, 48-unit affordable rental housing project for low-income seniors located at 130 Crescent Avenue in Sunnyvale. The property is owned by Crescent Terrace, Inc., an affiliate of MidPen Housing Corporation, a non-profit affordable housing developer. MidPen applied for City financing for rehabilitation of Crescent Terrace in response to a Request for Proposals for Community Development Block Grant (CDBG) and HOME Funds issued by the Housing Division in January 2015.

On May 5, 2015, Council conditionally approved a loan of \$500,000 in CDBG funds (the "CDBG loan") and \$550,000 in HOME funds to Crescent Terrace, Inc. for this project as part of the 2015 HUD Action Plan (RTC 15-0158). That funding was included as a capital project in the FY 2015/16 Projects Budget approved by Council in June 2015 (RTC 15-0158). On April 19, 2016, Council approved the form of the loan agreements between the City and Crescent Terrace, Inc. (RTC 16-319) consistent with the project's budget, and the project work began shortly after that.

EXISTING POLICY

General Plan: Housing Element

Policy B.3: Strengthen multi-family neighborhoods through partnership with non-profit housing organizations in the acquisition and rehabilitation of older residential properties and maintenance as long-term affordable housing.

2015-2020 Sunnyvale Consolidated Plan

Goal A.1.a: Provide financial and/or technical assistance to qualified affordable housing developers for rehabilitation, construction and/or preservation of affordable rental housing and/or site acquisition.

Pursuant to Sunnyvale Charter Section 1305, at any meeting after the adoption of the budget, the City Council may amend or supplement the budget by motion adopted by affirmative votes of at least four members so as to authorize the transfer of unused balances appropriated for one purpose to another, or to appropriate available revenue not included in the budget.

ENVIRONMENTAL REVIEW

This project is exempt from the requirements of the California Environmental Quality Act (CEQA) as a Class 1 project involving only rehabilitation of existing structures. (CEQA Guidelines section 15301 (d).) Under the National Environmental Policy Act (NEPA), the rehabilitation of multifamily residential

buildings is categorically excluded pursuant to section 58.35 (a)(3)(ii) of Title 24 of the Code of Federal Regulations.

DISCUSSION

In October 2016, the sole elevator at Crescent Terrace failed, requiring a major mechanical overhaul that was not included in the rehabilitation scope of work. This problem was unexpected, as the elevator has been regularly serviced and maintained. Initial emergency repairs were completed to get the elevator working again, but final replacement of parts and related upgrades of the electrical and fire alarm systems is pending manufacture of certain elevator parts off-site and scheduling the installation. MidPen has requested City approval to modify the rehabilitation scope of work to include the elevator work that remains to be done, and to increase the project budget and CDBG loan amount to cover the costs of those items. MidPen will also be committing additional matching funds to fully cover the cost of these repairs.

Shortly after staff received news of the elevator failure and the project's need for additional funding, staff was notified by the Housing and Urban Development (HUD) field staff in San Francisco that HUD headquarters in D.C. had changed the formula for calculating local entitlement grantees' (cities and counties) "timeliness" of CDBG expenditures. This change was to include not only entitlement grant funds in the formula for tracking timeliness, but also funds in the grantees' revolving loan funds (RLF). The RLF was not previously subject to any expenditure deadlines.

Based on this new timeliness formula, staff estimates that the City needs to expend approximately \$100,000 more from the RLF than what is currently budgeted during the last quarter of FY 2016/17 in order to avoid performance sanctions by HUD that will apply if the new timeliness measure is not met. As the Crescent Terrace project is already in progress, this additional funding can be expended quickly to pay for the elevator repair work and serves the stated purposes for the funds. The project's budget cannot be increased by much more than \$100,000 without triggering the need for a formal Action Plan amendment, which requires a 30-day noticing period and additional time for HUD approval, which would delay the process so much that the City would still be unable to meet the timeliness deadline.

Staff has drafted an amendment to the current CDBG Loan documents (Attachment 1) to increase the loan amount by \$100,000, for a total of \$600,000 in CDBG funds for the project. An updated scope of work and budget incorporating the elevator repairs and the additional \$100,000 in CDBG funds.

The Crescent Terrace project scope originally consisted of moderate rehabilitation work to the roof, decking, and unit interiors as well as improvements to lighting, energy efficiency, ventilation, accessibility, pathways and landscaping. Even with the additional CDBG funding, certain less urgent items cannot remain in the revised scope of work due to the additional costs of the elevator work and associated cost impacts. These items include: a solar hot water system, laundry and trash room ventilation upgrades, new building signage, and exterior improvements to walkways, landscaping, site lighting, parking lot lights, and replacement of patio lights. These improvements would have reduced the property's energy and water usage and improved the external appearance and disabled/senior accessibility features.

As that work would benefit the property's tenants greatly, reduce the property's utility expenses, and address goals of the City's Climate Action Plan, staff has encouraged MidPen staff to consider

developing a proposal for a second phase of work at this property to include these items and apply for any funding that may be available next fiscal year.

FISCAL IMPACT

The recommended action will not impact the City's General Fund. Funding for the proposed \$100,000 increase to the Crescent Terrace project budget is available in the CDBG RLF reserve (Fund 110-200), but has not yet been appropriated to a project, so a budget modification is required as well as the loan amendment. The RLF can only be used for Housing Rehabilitation Program expenditures: rehabilitation loans to eligible borrowers and program operations. When these loans are repaid to the City, the funds are deposited back into the RLF and later reused to provide new loans, consistent with CDBG and City policies.

The project budget currently includes an appropriation of \$1,050,000 for the Crescent Terrace project, consisting of \$500,000 in CDBG funds and \$550,000 in HOME funds. The proposed increase would raise that to a total of \$1,150,000 by an increase of \$100,000 from the RLF reserve.

Budget Modification No. 44 has been prepared to appropriate an additional \$100,000 in CDBG funding to 831740 Crescent Terrace Senior Housing Rehabilitation.

Budget Modification No. 44 FY 2016/17

	Current	Increase/ (Decrease)	Revised
Community Development Block Grant Fund/Revolving Loan Sub-Fund			
<u>Reserves</u>			
20-Year RAP	\$159,232	(\$100,000)	\$59,232
<u>Expenditures</u>			
Transfer to the HOME Fund (Project 831740 - Crescent Terrace Sr. Housing Rehabilitation)	\$500,000	\$100,000	\$600,000
HOME Fund			
<u>Revenue</u>			
Transfer in from Community Development Block Grant Fund/Revolving Loan Sub- Fund (Project 831740)	\$500,000	\$100,000	\$600,000
<u>Expenditures</u>			
Project 831740 - Crescent Terrace Sr. Housing Rehabilitation	\$1,050,000	\$100,000	\$1,150,000

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

RECOMMENDATION

Approve Budget Modification No. 44 in the amount of \$100,000 and the Amendment to the Deed of Trust, Regulatory Agreement and Loan Documents with Crescent Terrace, Inc., to increase the CDBG loan amount to \$600,000, in substantially the form provided in Attachment 1 to the report, and authorize the City Manager to execute the Amendment in final form as approved by the City Attorney.

Approval of the Amendment between the City and Crescent Terrace, Inc., will provide additional CDBG funding to complete the remaining work to preserve Crescent Terrace as quality affordable rental housing for lower-income seniors, with reliable elevator access. This action will contribute toward the City's Housing Element and Consolidated Plan goals to improve and preserve affordable rental housing for lower-income seniors and maintain housing accessibility.

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Reviewed by: Suzanne Isé, Housing Officer

Reviewed by: Kenn Lee, Assistant Director, Finance

Reviewed by: Trudi Ryan, Director, Community Development

Reviewed by: Kent Steffens, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENT

1. Loan Amendment