

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



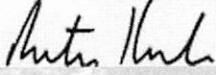
CE02 030105

Prepared by: Marjorie Matthews
Director, Office of
Affordable Housing

Submitted by: Jane Decker
Deputy County Executive

DATE: March 1, 2005

TO: Board of Supervisors

FROM: 
Peter Kutras Jr.
County Executive

SUBJECT: Report Back Regarding Use of Funds Generated by Sale of Excess County
Property located at the Southeast Corner of San Tomas Expressway and Monroe
Street

RECOMMENDED ACTION

Consider the following recommendations related to one-time revenues of \$5.4 million from the sale of County-owned property at the southeast corner of San Tomas Expressway and Monroe Street in the City of Santa Clara:

Possible action:

Meeting Date March 1, 2005

Processor name Kelly Munoz

Item Number 36

- a. Approve Request for Appropriation Modification No. 127 – \$5,395,312 transferring funds generated by the sale of excess County property from the General Fund to the Office of Affordable Housing and the Department of Roads and Airports. (4/5 Roll Call Vote)
- b. Approve recommendations for allocation of \$5,341,312 in sales proceeds for support of affording housing projects and staff and economic development projects in Fiscal Years 2006, 2007, and 2008.

FISCAL IMPLICATIONS

The County received \$5,400,000 in proceeds for the sale of excess County property, of which \$4,688 was used to pay title and escrow fees. The remaining \$5,395,312 was deposited in Fund 0001, the General Fund, pending recommendations for its use. Transfer of \$54,000 of the sale proceeds to the Department of Roads and Airports Fund 0023 provides reimbursement of costs associated with the sale of the property per direction from the Board of Supervisors. Transfer of the remaining \$5,341,312 to the Affordable Housing Fund will allow use of the funding as recommended for affordable housing projects, staff, and economic development activities. A portion of the funding will be allocated during the FY 2006 budget process, with remaining funds retained for use in subsequent fiscal years.

CONTRACT HISTORY

None.

REASONS FOR RECOMMENDATION

The Office of Affordable Housing (OAH) performed an analysis to ascertain the best use of one-time funds made available through the sale of excess County property at the corner of San Tomas Expressway and Monroe Street. Pursuant to direction from the Board of Supervisors provided at the meeting of August 17, 2004, all net proceeds of the sale were considered for affordable housing projects and staff, as well as economic development activities. An amount of \$4,688 was paid for title and escrow fees, and \$54,000 is required to reimburse the Department of Roads and Airports for engineering to redesign the interchange and make the property sale possible.

Meeting Date March 1, 2005

A total of \$5,341,312 is therefore available for consideration. Various uses of these funds are

Item Number 36

recommended for FY 2006 and subsequent fiscal years. FY 2006 recommendations, if approved by the Board of Supervisors, will be incorporated in the FY 2006 Recommended Budget. All proposed uses are summarized in Attachment A:

Funding for New Affordable Housing – \$3,055,312: It is recommended that 57% of the revenues be used to increase the County's ability to support affordable housing projects through the Affordable Housing Fund (AHF), bringing the total available project funding to \$18.7 million. The additional monies will make at least two additional rounds of funding possible with the next round following the recommendations of the Homeless Task Force. Successful completion of the first two rounds of funding has already provided \$10.6 million to 15 new housing projects, including \$500,000 to the Housing Trust for a first time homebuyer program. The projects have made possible the construction of 900 new housing units and 93 new transitional beds for extremely low income or homeless residents of Santa Clara County. The allocations from the AHF also immediately leveraged \$14 million from the State Multi-Family Housing Program.

Funding for Homeless Programs – \$1,300,000: The Cold Weather Shelter Program and the Transit Pass Program jointly cost approximately \$450,000 annually. These programs are administered through the Homeless Concerns unit of OAH, and are supported by the General Fund. It is recommended that the cost of these programs over the next three years be shifted to the AHF. Beginning in FY 2006, this would free \$450,000 per year (FY 2006 to FY 2008) in the General Fund for other County programs.

It is anticipated that after three years, the operation of cold weather shelters may be replaced by more appropriate housing for the chronically homeless population. The federal government has placed a high priority on ending chronic homelessness, and the County is seeking a stronger position for federal funding through preparation of the 10 Year Plan to End Homelessness. In addition, by establishing the Affordable Housing Fund, the Board of Supervisors has focused on assisting with the development of permanent housing for extremely low income and unhoused individuals.

Funding for OAH Staffing – \$312,000: It is recommended that the AHF administrative support amount be increased to \$612,000 for FY 2006, based on two factors.

Processor name Kelly Munoz

Item Number 36

First, the initial assumption of annual administrative support of \$300,000 was subject to change as needs and resources were better defined. This level of funding was established prior to allocation of any rounds of affordable housing funding and without knowledge of the level of activity required to administer the capital projects. OAH now requires a higher level of administration, based on the expanded mission of the office and the number and complexity of new loans and grants. One Management Analyst has been reassigned full time from the Housing and Community Development Program to manage the 15-project portfolio and prepare for future funding rounds. Accounting and clerical services are also required on an on-going basis at a level not envisioned at the outset of the program.

A second factor is the steady decline in federal HCD funding, from \$3.6 million in FY 2000 to \$3.1 million in FY 2006. While every effort has been made to maximize federal administrative dollars, these funds are no longer sufficient to cover all HCD operating costs. Total administrative costs for the HCD Program in FY 2006 are estimated at \$963,000, while total federal administrative funding available will be \$651,000, leaving a shortfall of \$312,000. This gap will be bridged in FY2006 with an increase from the Affordable Housing Fund for administrative support, providing a short term solution that will not impact the General Fund.

A longer term solution is needed that addresses the underlying structural issues of the County's HCD Program. Unfortunately, the amount of funding allowed by HUD for administrative costs has not kept up with the cost of program activity. For the first time in FY 2006, Santa Clara County will fall below the funding threshold for the ESG grant and will not receive this funding. Even more worrisome, the President is proposing significant reductions in CDBG grants throughout the nation and shifting the focus of such programs from housing to economic development.

The County administers HCD funds for seven cities and through a competitive process allocates grants to about 40 housing related non-profit projects organizations each year. Every year's distribution creates about 45 allocations, some as small as \$3,500, and each requiring a separate contract and subsequent monitoring.

This level of activity is no longer sustainable within the cap of federal administrative funding. In the coming year, the administration will evaluate the structure of the HCD Program and recommend to the Board viable alternative strategies for administration of federal HCD

Item Number 36

grants.

Reserve for Economic Development and OAH programming – \$624,000: It is recommended that \$624,000 be placed in reserve as part of the FY 2006 budget. Such a reserve would allow for future supplements to OAH resources in the event that a restructuring of the HCD Program does not entirely close the funding gap in FY2007 and FY 2008, and would also provide support for economic development activities currently supported by the General Fund.

BACKGROUND

On August 17, 2004, the Board of Supervisors authorized the sale of excess County property located at the southeast corner of San Tomas Expressway and Monroe Street in the City of Santa Clara. The parcel was originally purchased with revenues from County General Obligation Bonds issued in the 1960s for the purpose of financing the construction of the County expressway system. Development of a modified interchange design caused a 2.474-acre portion of the property to become excess.

The City of Santa Clara expressed interest in purchasing the excess parcel. Given the size and location of the parcel and its intended use by the City for affordable housing, the Board directed the Administration to negotiate the sale and dedicate all proceeds to be used for affordable housing projects and staff as well as economic development activities. On January 21, 2005, the Administration executed the sale of the property to the City of Santa Clara for a sum of \$5,400,000.

CONSEQUENCES OF NEGATIVE ACTION

If the recommended actions are not approved, the Affordable Housing Fund will not receive additional revenue for new housing development, homeless programs will continue to need full support from the General Fund, and a portion of the administrative costs of the HCD program could become a cost to the General Fund in FY 2006.

STEPS FOLLOWING APPROVAL

There is no action required by the Clerk of the Board for this item.

Meeting Date March 1, 2005

ATTACHMENTS

Processor name Kelly Munoz

Item Number 36

- Att. A – Recommended Use of Sales Proceeds
- Monroe Property Sale



Meeting Date March 1, 2005

Processor name Kelly Munoz

Item Number 36