



## Agenda Report

19-644

Agenda Date: 6/25/2019

### REPORT TO COUNCIL

#### SUBJECT

Action on Amendment No. 1 to the Agreement for Services with Housing Trust Silicon Valley for the City's Below Market Purchase Program

#### BACKGROUND

The City of Santa Clara has operated a Below-Market Price Purchase (BMP) Program since 1995 to help low- and moderate-income families achieve the goal of homeownership and to fulfill State mandates to produce housing for all income levels.

The City updated its Housing Element in December 2014, and in February 2015 the California Department of Housing and Community Development determined that the City's Housing Element complies with state law. The Housing Element includes an affordable housing policy that requires "developers of residential developments of 10 or more units to provide at least 10 percent of their units at prices affordable to very low, low and moderate-income households." Specifically, under this policy, for-sale housing developers were required to designate at least 10 percent of the total units in an approved project as BMP units to be sold to qualified buyers.

Through the adoption of the City's Affordable Housing Ordinance in February 2018, the inclusionary requirement for homeownership requirements increased from 10 to 15 percent. The new requirements expanded the production of affordably units to include a combination an inclusionary requirement for both rental and for-sale residential projects and impact fees for smaller projects and nonresidential projects. The Ordinance is intended to provide both a steady stream of inclusionary affordable housing units and revenue to fund the provision of affordable housing projects across the City.

The City's BMP Program is administered by the City's Housing and Community Services Division, with certain functions delegated under a service contract to an outside entity. On April 24, 2018, the City issued a Request For Proposals for administration of the BMP Program and selected the Housing Trust Silicon Valley (HTSV) to help administer the Program. Under the agreement with HTSV, the City administers the land use entitlement process and approval of a Developer Affordable Housing Agreement (AHA) and the agreement between the buyer and developer to purchase the unit at an affordable price. HTSV acts as the City's exclusive marketing agent for the sale of the BMP units and manages homebuyer workshops, applicant eligibility and qualification, and facilitates the sale of the BMP units. HTSV also has ongoing responsibilities for monitoring developer and homebuyer compliance with the BMP Program terms and for managing resale of the BMP units.

#### DISCUSSION

HTSV is among the largest housing trusts in the nation financing affordable housing, assisting first-time homebuyers and providing homeless assistance grants. Nationally recognized for its efforts to

make housing more affordable in the greater Silicon Valley/Bay Area, HTSV was the first non-profit Community Development Financial Institution (CDFI) to be rated by Standard & Poor's with a high investment grade rating of AA-, indicating HTSV's financial strength and reliability. In the last four years, HTSV has successfully assisted the City by administering and closing escrow on 30 BMP units and is preparing to market an estimated seven units that are scheduled to be completed this next fiscal year. As part of the Agreement, HTSV also maintains a program website, coordinates quarterly homebuyer workshops, oversees screening and eligibility, and maintains a waitlist of pre-approved prospective buyers.

On June 26, 2018, the City Council approved a one-year agreement with HTSV for FY 2018/19, with the option to renew for two (2) one-year periods. Renewing the Agreement with Housing Trust Silicon Valley for the City's BMP Program will provide continuity of service for the marketing of upcoming for-sale units and enable the City to meet its performance obligations, as established in the City's Affordable Housing Ordinance for inclusionary housing with respective private housing developers.

HTSV has demonstrated the ability to successfully deliver services as described in the Agreement, and extension of the Agreement will provide for the continuous delivery of this City service. Therefore, staff recommends that the Council approve the proposed amendment to the City's Agreement with HTSV (Amendment No. 1, attached as Exhibit 1) to continue administration of the City's BMP Program for an additional year.

### **ENVIRONMENTAL REVIEW**

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(5) in that it is a governmental organizational or administrative activity that will not result in direct or indirect changes in the environment.

### **FISCAL IMPACT**

The total cost of Amendment No. 1 to the Agreement with Housing Trust Silicon Valley to undertake responsibilities for administering the City of Santa Clara BMP Program shall not exceed \$200,000 over a one-year period subject to budget appropriations. This agreement provides for BMP sales transaction fees that will not exceed \$12,050 per unit for both re-sale and new unit transactions as well as a \$7,033 monthly program administration fee. It is estimated that HTSV will handle approximately 7-9 transactions this coming fiscal year.

Funding for this agreement is included as part of the Proposed Fiscal Year 2019/20 and 2020/21 Biennial Operating Budget in the City's Affordable Housing Fund Contractual Services account.

Additionally, the agreement includes a fee increase that is not to exceed 3% per year if the City exercises its option to renew under the terms of this Agreement.

### **COORDINATION**

This report has been coordinated with the Finance Department and the City Attorney's Office.

### **PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board

outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email [clerk@santaclaraca.gov](mailto:clerk@santaclaraca.gov) <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

**RECOMMENDATION**

Approve and authorize the City Manager to execute Amendment No. 1 to the Agreement for the Performance of Services with Housing Trust Silicon Valley in an amount not to exceed \$200,000, and all related documents for the provision of administrative services for the Below Market Purchase Program effective July 1, 2019.

Reviewed by: Andrew Crabtree, Director, Community Development

Approved by: Deanna J. Santana, City Manager

**ATTACHMENTS**

1. Amendment No. 1 to the Agreement with HTSV - BMP
2. Agreement with HTSV - BMP