



COMMUNITY DEVELOPMENT DEPARTMENT

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CITY COUNCIL STAFF REPORT

May 19, 2026

Subject

Authorization to execute amendment to Greenwood Court Community Development Block Grant (CDBG) loan agreement to extend affordability restrictions by ninety-nine (99) years.

Recommended Action

Authorize the City Manager to execute the amendment to extend the term of the CDBG loan agreement to the West Valley Community Services (WVCS) for rehabilitation of the low-income rental units at Greenwood Court to preserve affordability restrictions for an additional ninety-nine (99) years.

Executive Summary

On June 14, 1996, the City of Cupertino executed a 30-year CDBG loan agreement with the WVCS (previously known as Cupertino Community Services) in the amount of \$320,000 to rehabilitate the apartment building at 10311 Greenwood Court. In return, the agreement included affordability restrictions for the four (4) units in the property to be rented only to low- and very low-income households (defined by the Department of Housing and Urban Development (HUD) as below 80% Area Median Income and 50% Area Median Income, respectively) for the term of the loan. The loan was set to accrue interest at a rate of 3%, bringing steady program income to the City of Cupertino in the amount of approximately \$7,500 per year. The loan is currently set to expire on June 14, 2026, resulting in the remainder of the loan to be due and payable and the affordability restriction to expire on the expiration date. A proposal (Attachment A) was made to WVCS to amend the agreement by extending the terms of the loan for an additional 99 years. This would subsequently extend the affordability terms until 2125 for no additional cost to the City, while bringing an overall net gain of approximately \$35,000 to CDBG program income due to additional interest collected on future payments.

Reasons for Recommendation

CDBG affordability restrictions on the four (4) units at 10311 Greenwood Court will remain active until 2125 with the execution of the loan extension. This will allow the City to continue to collect payment on the remaining balance, which also continue to accrue 3% interest. This will net an overall gain for the City's CDBG program income as opposed to allowing the agreement to expire and collecting the remainder due on June 14, 2026. A

mutually beneficial amendment between WVCS and the City for extension has been proposed. Furthermore, executing an amendment to extend the loan will contribute to the City's affordable housing preservation goals in the Housing Element (Strategy HE 3.3.2, Preservation of At-Risk Housing Units), without incurring any additional costs.

Background

CDBG Loan

HUD annually allocates CDBG funding to local jurisdictions for community development activities. Cupertino is one of nine entitlement jurisdictions within Santa Clara County. Jurisdictions typically must have a population of 50,000 or more to qualify as an "entitlement jurisdiction" that receives grant funding directly from HUD. Entitlement grants are largely allocated on a formula basis, based on several objective measures of community needs, including the extent of poverty, populations, housing overcrowding, age of housing, and extent of population growth lag in relationship to other metropolitan areas.

On June 14, 1996, the City of Cupertino executed a loan (Attachment B) with Cupertino Community Services (now known as West Valley Community Services) to rehabilitate four (4) units at 10811 Greenwood Court. The terms of the loan included a \$320,000 contribution from the City's CDBG fund. The loan would accrue 3% interest in the course of 30 years. The agreement included affordability restrictions, which maintained that the units at the property may only be occupied by low- and very low-income households throughout the life of the agreement. Since execution of this loan, the City has received steady program income payments from WVCS of approximately \$7,500 per year. As of January 2026, \$106,919.61 of the original loan principle remains.

10811 Greenwood Court

Upon execution of the agreement, the property has been continuously occupied by Cupertino households below the required income thresholds for two low-income and two very-low income units. To ensure affordability, tenants are only charged up to 30% of their monthly income for rent, per the agreement. Tenants of the property are also offered supportive services through West Valley Community Service's multiple social assistance and case management programs, effectively making it one of Cupertino's few transitional housing. In 2017, the City of Cupertino executed a BMR grant agreement (Attachment C) with WVCS to deepen the affordability restrictions of 10811 Greenwood Court, to two very low-income units and two extremely low-income (below 30% Area Median Income) units and extended affordability restrictions to 2116. In addition to extending the term of the loan to 2125, amendment of the CDBG loan will also revise the CDBG affordability restrictions to match the deepened affordability restrictions of the new agreement, removing any inconsistencies.

In 2010, WVCS received a \$100,000 grant from the Housing Trust of Silicon Valley (HTSV), then known as the Housing Trust of Santa Clara County, for capital improvements to the property. The Housing Trust has agreed to subordinate their grant position on the deed

of trust to the proposed extension of the City's CDBG loan and to the affordability covenant restriction to maintain the property as affordable for a term of 99 years. Execution of the proposed amendment will be conditioned on HTSV fulfilling their agreement to subordinate to the City.

Housing Element

In the 2023-2031 City of Cupertino Housing Element, Strategy HE 3.2.2 (Preservation of At-Risk Housing Units) explicitly identifies 10811 Greenwood Court as an at-risk property to be preserved for low-income housing. Execution of an amendment to extend the existing loan will concurrently extend affordability restrictions, which will further demonstrate the City's commitment to furthering the goals of this strategy, without needing to incur the high costs of rehabilitation or acquisition, typically associated with affordable housing preservation.

Discussion

Fiscal Benefit

WVCS is in good standing with the City of Cupertino in regard to upholding expectations of the initial CDBG loan. They have made annual payments to the City based on the terms of the original agreement, which has brought regular program income to supplement the City's CDBG entitlement from HUD, therefore benefiting the City's housing and public service programs. Regular payments would be expected to continue with the extension of the loan, and the remaining principle would continue to collect 3% interest. Overall, this would allow the City to continue to collect a steady stream of approximately \$35,000 of additional program income over a long-term period, resulting in a net gain in total funds received. Conversely, allowing the initial loan to expire would result in the City receiving a single payment on the remainder of the loan balance and forgoing the additional proceeds from potential interest collected. Furthermore, it is administratively beneficial to the City to avoid large lump sum payments for the CDBG program, as HUD regulations penalize cities who maintain large unexpended funding reserves.

California Environmental Quality Act

No California Environmental Quality Act impact.

Sustainability Impact

No sustainability impact.

Fiscal Impact

An increase in additional program income received by the City of approximately \$35,000 in interest collected, for a grand total of approximately \$142,000 over the life of the loan.

City Work Program (CWP) Item/Description

Preserve existing and develop new BMR/ELI Housing.

City Council Goal

Housing.

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Floy Andrews, Interim City Attorney

Approved for Submission by: Tina Kapoor, City Manager

Attachments:

A – Draft CDBG Loan Amendment for 10311 Greenwood Court

B – Greenwood Court CDBG Rehab Loan Agreement

C – Greenwood Court BMR Grant Agreement