



## HOUSING DIVISION

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### HOUSING COMMISSION STAFF REPORT

March 27, 2025

#### Subject

Fiscal Year (FY) 2025-26 Community Development Block Grant (CDBG) Program, Below Market Rate Affordable Housing Fund (BMR AHF), General Fund Human Services Grant (HSG), Permanent Local Housing Allocation (PLHA), and County funding allocations.

#### Recommended Action

Consider the FY 2025-26 CDBG, BMR AHF, General Fund HSG, PLHA, and County funding applications and make recommendations to City Council for final approval.

#### Background

An annual Notice of Funding Availability (NOFA) and Request for Proposals (RFP) (Attachment A) was issued on November 4, 2024, inviting applicants to apply for eligible public services (two-year funding cycle) and capital housing projects (one-year funding cycle) for the upcoming FY 25-26. The NOFA/RFP deadline ended on February 4, 2025. Housing Commission reviews CDBG, BMR AHF, and General Fund HSG applications and makes funding recommendations to the City Council. BMR AHF and HSG funding amounts for FY 25-26 are subject to City Council approval. CDBG funding amounts will be reduced or increased proportionately for FY 25-26 based on final HUD allocations. On May 11, 2017, the Housing Commission adopted Resolution 17-02 (CDBG Contingency Plan, Attachment B), in the event that the City receives more or less CDBG funding from the United States Department of Housing and Urban Development (HUD). Public service funding cycles have been determined by the timeframe in the City's 2025-2030 Consolidated Plan. The current cycle covered FY 25-26 and 26-27.

The Below Market Rate Affordable Housing Fund (BMR AHF) is a local funding source dedicated to increasing housing affordability within the City of Cupertino. The ten eligible activity uses for the fund are as follows: BMR Program Administration, Land Acquisition, New Construction, Acquisition and/or rehabilitation of buildings for permanent affordability, Preserving "at-risk" BMR Units, Substantial Rehabilitation, Rental Operating Subsidies, Down Payment Assistance, Direct gap financing, and Fair Housing. Thus, while awarding funds for the construction of new affordable housing, two activities which should be budgeted for are BMR Administration and Fair Housing enforcement. FY 25-26 will be the final year of a four-

year contract the City has enacted for BMR administration with Rise Housing. The costs of the contract are approximately \$300,000 per year. Fair Housing costs are approximately \$50,000 per year. In order to fulfill the City's commitment to the remainder of the administration contract, and to budget enough reserve funds to cover the costs associated with enacting new administration, fair housing, and other professional contracts until 2030, a minimum of \$1,800,000 would need to be maintained as a reserve.

The Permanent Local Housing Allocation (PLHA) fund is an entitlement formula grant awarded to cities to increase housing affordability from the California State Department of Housing and Community Development (HCD). Since 2021, the City entered into a consortium to allow the County of Santa Clara to jointly administer PLHA funds on behalf of the City alongside other participating jurisdictions throughout the County, under the condition that the funds be used only for the predevelopment and development of new affordable rental housing. As of 2025, the fund has not been spent and has collected \$908,683 but has been committed to the Charities Housing – Mary Ave project for predevelopment costs. Through this action, the Housing Commission may recommend awarding funds to either affordable housing development applicant to begin authorizing their use. A separate action to award funds will also be taken with the City Council and County Board of Supervisors at a later date.

The County of Santa Clara awarded the City of Cupertino a \$50,000 inventory grant in August 2024 to be used for supplementing services and support for residents experiencing homelessness. Previously, the City received a similar \$50,000 grant from the County in 2023 for services to the unhoused and awarded the funds to the West Valley Community Services for the Haven to Home and Rotating Safe Car Park programs. The 2024 funds have yet to be awarded. As the PLHA and the County funds were not included in the NOFA, the Commission may recommend to award these funds either to applicants that responded to the NOFA as well as other eligible and qualified nonprofit providers of services.

## Discussion

### ***CDBG Funding***

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. This is Cupertino's 21st year as an entitlement jurisdiction receiving a CDBG grant directly from HUD.

The City anticipates that it will receive approximately \$387,000 in FY 25-26 CDBG entitlement funding. Program income in the amount of \$7,944 will be received and allocated from existing CDBG loan payoffs. HUD regulations implement maximum percentages that may be allocated to CDBG administration and public services. Of the total estimated funding, a maximum of 20% may be used for administrative costs to cover salary and benefits of staff who operate the CDBG program, a maximum of 15% may be used for public services, and the remaining 65% may be

used for capital housing projects. As noted earlier, CDBG funding amounts will be reduced or increased proportionately for FY 25-26 based on final HUD allocations and City Council approval.

<b>FY 25-26 CDBG Budget (est.)</b>	
Entitlement Amount (EN)	\$387,000.00
Program Income (FY 25-26)	\$7,944.00
Unexpended Funds	\$22,523.37
<b>Total Revenues</b>	<b>\$417,467.37</b>
Program Administration (20% EN)	\$77,400.00
Public Service (15% EN)	\$58,000.00
Capital/Housing Projects (65% EN + Unexpended Funds)	\$282,017.37
<b>Total Expenses</b>	<b>\$417,467.37</b>

HUD regulations require that eligible activities selected for funding must benefit very low and low-income households, eliminate a blighted area, or address an urgent (emergency) community need, and must also meet a national objective. In addition, only certain types of eligible activities qualify under the CDBG regulations. Examples of eligible activities are:

- Acquisition of Land
- Public improvements
- Public service activities
- Affordable housing developments
- Property acquisition for affordable housing
- Rehabilitation of affordable units

#### ***2025-26 CDBG Program Administration Funds***

An estimated total of \$77,400.00 will be used for CDBG program administration. The City will use these funds for administrative costs to cover salary and benefits of staff who operate the CDBG program.

#### ***2025-26 CDBG Capital Housing Project Funds (One-Year Funding Cycle)***

An estimated total of \$261,758.87 is available to be used for eligible CDBG capital housing projects. This consists of FY 25-26 funding and unexpended funding from prior years. City staff conducted extensive outreach and the NOFA/RFP was sent to over 250 contacts in the affordable housing community. The City received one application in this category totaling \$107,500.00. The City recommends awarding the excess of funds, or approximately \$174,517.37, to the Charities Housing Mary Ave project. The award is specifically for public infrastructure site work to reconfigure areas currently in the public right away necessary for the development of affordable housing. This includes but is not limited to redevelopment of the sidewalk, street parking spaces, bike lanes, curbs, and gutters. The Mary Ave award will be contingent on Charities Housing completing the necessary NEPA Environmental review for the project. The contingency will also include the ability of Charities Housing to satisfy the City's requirement to

spend down funds in accordance with HUD CDBG timeliness guidelines. If at any point in time, the City finds it necessary to reallocate the funds, either for an immediate drawdown or because the Mary Ave project is unable to acquire planning entitlement, the City will reserve the right to complete a Substantial Amendment to the FY 25-26 Annual Action Plan and will award the funds to the City Public Works Department for an applicable project. Funding recommendations are listed in the table below.

<b>1</b>	<b>CDBG Capital Housing Projects</b>				
	<b>FY 25-26 Application Summary</b>	<b>Funds Available</b>	<b>Funding Requests</b>	<b>Funding Award</b>	<b>FY 24-25 Funding Allocations</b>
a	Rebuilding Together Silicon Valley- Homeowner Repair and Rehabilitation Program		\$107,500.00	\$107,500.00	\$96,237.55
b	Charities Housing – Mary Ave		\$174,517.37	\$174,517.37	\$0
	<b>Sub-Total</b>	<b>\$282,017.37</b>	<b>\$282,017.37</b>	<b>\$282,017.37</b>	<b>\$96,237.55</b>

***2025-26 CDBG Public Service Funds (Two-Year Funding Cycle)***

An estimated total of \$58,000 is available to be used for eligible CDBG public service activities. The City received two applications in this category totaling \$109,494.00. Funding was decreased proportionally based on the City's Contingency Plan. Funding recommendations are listed in the table below.

<b>2</b>	<b>CDBG Public Services</b>				
	<b>FY 25-26 Application Summary</b>	<b>Funds Available</b>	<b>Funding Requests</b>	<b>Funding Award</b>	<b>FY 24-25 Funding Allocations</b>
a	Live Oak Adult Day Services		\$22,000.00	\$18,000.00	\$9,414.00
b	West Valley Community Services (WVCS) – Community Access to Resources and Education Program (CARE)		\$87,494.00	\$40,000.00	\$17,774.00
	<b>Sub-Total</b>	<b>\$58,000.00</b>	<b>\$109,494.00</b>	<b>\$58,000.00</b>	<b>\$27,188.00</b>

***2025-26 BMR AHF Public Services (Two-Year Funding Cycle)***

The BMR AHF receives its revenue from the payment of housing mitigation fees from non-residential (commercial, retail, hotel, research and development (R&D) and industrial) and residential development. Formal agreements and monitoring are required for this program, but the requirements are less stringent than federal funding. A total of \$50,000 is available to be used for eligible BMR AHF public services. The City received one application in this category totaling \$50,000.00. Funding recommendations are listed in the table below.

<b>3</b>	<b>BMR AHF Public Services</b>				
	<b>FY 25-26 Application Summary</b>	<b>Funds Available</b>	<b>Funding Requests</b>	<b>Funding Award</b>	<b>FY 24-25 Funding Allocations</b>
a	Project Sentinel – Fair Housing Activities		\$50,000.00	\$50,000.00	\$50,000.00
	<b>Sub-Total</b>	<b>\$50,000.00</b>	<b>\$50,000.00</b>	<b>\$50,000.00</b>	<b>\$50,000.00</b>

***2025-26 BMR AHF Capital Housing Project Funds (One-Year Funding Cycle)***

The City estimates up to \$4,800,000 will be available to fund eligible BMR AHF projects for FY 25-26 prior to accounting for administrative and other expenses. As previously stated, staff recommends that a minimum of \$1,800,000 be reserved to budget for these other expenses until the year 2030. Therefore, the City in practice has \$3,000,000 to award for affordable housing projects. The City received two applications for FY 25-26 BMR AHF Capital Housing Projects. The first application, Charities Housing – Mary Ave, proposes 40 units, with 19 very low-income units, 20 extremely low-income units, and one manager unit. Within the affordable unit mix, 19 units will be reserved for individuals with intellectual or developmental disabilities. The second application, Eden Housing – Wolf Rd, proposes 249 units built across two phases. The first phase will contain 101 units of mixed-income housing for school district employees, will contain approximately 34 low income units and 67 moderate income units. The second phase will contain 148 units, with 60 very low-income units, 86 low-income units, and two manager units.

Staff recommendations are based on numerous criteria that include but not limited to the following: number of affordable units provided, level of affordability reached, special needs populations served, consistency with long range housing goals, availability of other funding, project readiness, community feedback, financial viability, and project feasibility. Regardless of award, staff will continue to support both projects through technical assistance to the developers and supporting applications for additional funding from state and federal sources such as Project Homekey+, Affordable Housing Sustainable Communities (AHSC), Local Housing Trust Fund (LHTF), Section 8 Project Based Vouchers (PBV), and other opportunities as they become available.

If either project is unable to acquire planning entitlement, or the City receives additional BMR funds previously unaccounted for, the City will reserve the right to either uncommit funds committed to either project to be returned to the BMR fund balance, or to recommend awarding additional funds at a future Housing Commission meeting. Staff recommends that BMR funds below be committed at the following amounts, with award contingent on the developer's attaining planning entitlements.

4	BMR AHF Capital Housing Projects				
	FY 25-26 Application Summary	Funds Available	Funding Requests	Funding Commitment	FY 24-25 Funding Allocations
a	Charities Housing – Mary Ave		\$4,400,000	\$1,000,000.00	\$0
b	Eden Housing, Inc. – Wolf Rd		\$4,800,000	\$2,000,000.00	\$0
Sub-Total			\$3,000,000	\$9,200,000	\$3,000,000.00

***2025-26 General Fund HSG Public Services (Two-Year Funding Cycle)***

The General Fund HSG program is funded by the City's General Fund. Formal agreements and monitoring are required for this program, but the requirements are less stringent than federal funding. A total of \$129,000 is available to be used for eligible General Fund HSG public service activities. The City received three applications in this category totaling \$161,380. Funding recommendations are listed in the table below.

5	General Fund HSG Public Services				
	FY 25-26 Application Summary	Funds Available	Funding Requests	Funding Award	FY 24-25 Funding Allocations
a	Catholic Charities of Santa Clara County – Long Term Care Ombudsman Program		\$12,000.00	\$11,000.00	\$10,000.00
b	Senior Adults Legal Assistance (SALA) – Legal Assistance to Cupertino Elders		\$19,500.00	\$18,000.00	\$16,287.55
c	West Valley Community Services – Haven to Home		\$129,880.00	\$100,000.00	\$74,034.34
<b>Sub-Total</b>		<b>\$129,000.00</b>	<b>\$161,380.00</b>	<b>\$129,000.00</b>	<b>\$100,321.89</b>

***2021-25 PLHA Affordable Rental Housing Funds (Four-Year Funding Cycle)***

The PLHA funding, which is awarded to the City of Cupertino and administered by the County of Santa Clara has accumulated \$908,683 to be spent for predevelopment and development of new affordable rental housing. The City considered both applicants for the BMR AHF funds as potential recipients of PLHA funding. Funding recommendations are listed in the table below.

6	PLHA Affordable Housing Projects				
	FY 25-26 Application Summary	Funds Available	Funding Requests	Funding Award	FY 24-25 Funding Allocations
a	Charities Housing – Mary Ave		\$908,683.00	\$608,683.00	\$0
b	Eden Housing – Wolf Rd		\$908,683.00	\$300,000.00	\$0
<b>Sub-Total</b>		<b>\$908,683.00</b>	<b>\$908,683.00</b>	<b>\$908,683.00</b>	<b>\$0</b>

***2025-27 County of Santa Clara Funds (Two-Year Funding Cycle)***

The Santa Clara County funding, which was awarded to the City of Cupertino in the amount of \$50,000, is reserved for services that support the unhoused. The Maitri women’s domestic violence shelter did not respond to the NOFA, making them ineligible to receive CDBG or HSG funding. However, the organization continues to have a funding gap of \$25,000 per year. Staff recommends awarding the \$50,000 in County funds to Maitri as a two-year agreement (\$25,000 per year) to cover the funding gap and align their award with the two-year public service grants. Funding recommendation is listed in the table below.

7	Santa Clara County Funding Unhoused Programs				
	FY 25-27 Application Summary	Funds Available	Funding Requests	Funding Award	FY 24-25 Funding Allocations
a	Maitri		\$50,000.00	\$50,000.00	\$24,678.11
<b>Sub-Total</b>		<b>\$50,000.00</b>	<b>\$50,000.00</b>	<b>\$50,000.00</b>	<b>\$24,678.11</b>

**Fiscal Impact**

CDBG programs and projects are funded by HUD grant funds. PLHA programs and projects are funded by HCD grant funds. BMR AHF public services and projects are funded by housing mitigation fees collected from residential and non-residential development projects. General Fund HSG activities are funded through the City’s General Fund. County funding was received through an inventory grant from District 5 of the Santa Clara County Board of Supervisors. Budget allocations for approved funding allocations will be included for City Council’s approval as part of the proposed and final budget.

**Analysis**

Attachment E provides a summary of the CDBG, BMR AHF, and HSG funding applications.

### Process

A public meeting will be held at a future City Council meeting. All required HUD notices will be published in the Cupertino Courier newspaper in advance announcing upcoming CDBG public hearings.

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<u>Approved for Submission by:</u>	Benjamin Fu, Director of Community Development

### Attachments:

- A - FY 2025-26 NOFA/RFP
- B - Housing Commission Resolution 17-02 (CDBG Contingency Plan)
- C- PLHA Cupertino County Consortium Agreement Amendment 1
- D- FY 2024-25 County of Santa Clara Unhoused Program Funding Agreement
- E - FY 2025-26 CDBG, BMR AHF, and HSG Funding Application Summary