



COMMUNITY DEVELOPMENT DEPARTMENT

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CITY COUNCIL STAFF REPORT

April 15, 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

Authorize the City Manager to execute the FY 2025-26 CDBG, BMR AHF, General Fund HSG, PLHA, and County funding agreements.

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. The 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 than anticipated 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 activities 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 also 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 by the California State Department of Housing and Community Development (HCD) to cities to increase housing affordability. Since 2021, the City has been part of 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 collected \$908,683 which has been committed to the Charities Housing – Mary Ave project for predevelopment costs. The City Council may award funds to affirm the commitment and begin authorizing their use. A separate action to award funds will be brought to the 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. In 2023, the City received a similar \$50,000 grant from the County 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. Since the PLHA and the County funds were not included in the NOFA, the City Council may award these funds either to applicants that responded to the NOFA or other eligible and qualified nonprofit providers.

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 rather than through the County. Entitlement grants are largely allocated on a formula basis, based on several objective measures of community needs, including the extent of poverty, population, 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 also 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.

FY 25-26 CDBG Budget (est.)	
Entitlement Amount (EN)	\$387,000.00
Program Income (FY 25-26)	\$7,944.00
Unexpended Funds	\$22,523.37
Total Revenues	\$417,467.37
Program Administration (20% EN)	\$77,400.00
Public Service (15% EN)	\$58,000.00
Capital/Housing Projects (65% EN + Unexpended Funds)	\$282,067.37
Total Expenses	\$417,467.37

HUD regulations require that eligible activities selected for funding must benefit very low and low-income households, or 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 the 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 \$282,067.37 will be available 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 from Rebuilding Together Silicon Valley. The Housing Commission recommends awarding the excess of funds, or approximately \$174,567.37, 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 funding award will be contingent on Charities Housing completing the necessary National Environmental Policy Act (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 draw-down or because the Mary Ave project is unable to acquire planning entitlements, 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.

1	CDBG Capital Housing Projects				
	FY 25-26 Application Summary	Funds Available	Funding Requests	Funding Award	FY 24-25 Funding Allocations
a	Rebuilding Together Silicon Valley- Homeowner Repair and Rehabilitation Program		\$107,500.00	\$107,500.00	\$96,237.55
b	Charities Housing – Mary Ave		\$174,567.37	\$174,567.37	\$0
	Sub-Total	\$282,067.37	\$282,067.37	\$282,067.37	\$96,237.55

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: those which benefit low and moderate income households in alignment with a CDBG priority set by the City's 5-Year CDBG Consolidated Plan. 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.

2	CDBG Public Services				
	FY 25-26 Application Summary	Funds Available	Funding Requests	Funding Award	FY 24-25 Funding Allocations
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

Sub-Total	\$58,000.00	\$109,494.00	\$58,000.00	\$27,188.00
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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 projects. 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.

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

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 fair housing expenses. In accordance with the staff recommendation, the Housing Commission 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, with 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.

Regardless of funding awards, staff will continue to support both the Mary Ave and Wolf Rd 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 entitlements the City will reserve the right to “uncommit” the funds and return them to the BMR fund balance. If the City receives additional BMR funds previously unaccounted for prior to the next NOFA, staff may recommend awarding additional funds at a future Housing Commission meeting using the same applications submitted, if necessary. The Housing Commission recommends that BMR funds, below, be committed in the following amounts, with commitments becoming awards, which authorize loan agreement execution, contingent on the developers 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	\$1,916,800.00	\$0
b	Eden Housing, Inc. – Wolf Rd		\$4,800,000	\$1,083,200.00	\$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 those for 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
Sub-Total		\$129,000.00	\$161,380.00	\$129,000.00	\$100,321.89

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 Housing Commission considered both applicants for the BMR AHF funds as potential recipients of PLHA funding but recommended that all of the available PLHA funding be awarded to the Mary Ave project, as shown 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	\$908,683.00	\$0
	Sub-Total	\$908,683.00	\$908,683.00	\$908,683.00	\$0

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. The Housing Commission 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. The 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
	Sub-Total	\$50,000.00	\$50,000.00	\$50,000.00	\$24,678.11

Reasons for Recommendation

The Housing Commission held a public hearing on March 27, 2025, to consider funding applications for the CDBG, BMR AHF, HSG, PLHA, and County funding programs. The Commission recommended approval of the proposed FY 2024-25 funding allocations above.

Sustainability Impact

No sustainability impact.

Fiscal Impact

CDBG programs and projects are funded by HUD (Federal) grant funds. PLHA programs and projects are funded by HCD (State) grant funds. BMR AHF public services and projects are funded by City 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.

City Work Program (CWP) Item/Description

Yes, FY 24-25

Preserve existing and develop new BMR/ELI Housing: Explore opportunities to preserve existing expiring BMR housing. Develop ELI (Extremely Low Income) and BMR housing units for Developmentally disabled individuals (IDD) on City-Owned property as well as the County-owned sites.

Council Goal:

Housing

California Environmental Quality Act

No California Environmental Quality Act impact.

Prepared by: Nicky Vu, Senior Housing Coordinator

Reviewed by: Benjamin Fu, Director of Community Development

Tina Kapoor, Deputy City Manager

Floy Andrews, City Attorney

Approved for Submission by: Pamela Wu, City Manager

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, HSG, PLHA, and County Funding Application

Summary