

Further, all HOME funds, but for an annual 10 percent reservation for HOME administrative costs, must be committed within 24 months of the grantee's grant agreement with the U.S. Department of Housing and Urban Development (HUD). Otherwise, those funds are susceptible to recapture by HUD and the City's HOME grant reduced proportionately.

A mid-year review of HOME financial records determined that:

- Approximately \$158,773 in Fiscal 2006-07 and \$158,241 in Fiscal 2007-08 HOME funds have been reserved for a CHDO;
- In addition, \$886,610 in HOME funds (\$80,374 from Fiscal Year 2006-07 and \$806,236 this program year) need to be obligated; and
- Program Income of \$516,087 will need to be used prior to expending other HOME funds.

DISCUSSION

In recent years, the City has committed its HOME funds for the acquisition and rehabilitation of rental properties in the Tamerlane focus neighborhood. To do so, the City deferred four program years of HOME allocations (Fiscal 2002-2005) by demonstrating to HUD that the City had a substantial surplus of prior years' expenditures of HOME funds eclipsing the minimum CHDO reservation amounts. However, the past surplus of CHDO expenditures is exhausted, and it is now necessary for the commitment of HOME funds, including an obligation to a CHDO.

Substantial Amendment #1

A public hearing is required whenever a budget amendment for any adopted federal grant program (HOME) in the City's Action Plan exceeds 30 percent of the grant award. The proposed increase in HOME funding for the Multifamily Housing Acquisition and/or Rehabilitation (from \$1,049,448 to \$1,719,711), consequently, triggers a hearing to consider an amendment to the Annual Action Plan.

CHDO Reservation Agreement

It is within this context that the City staff is recommending that the City Council approve a CHDO Reservation Agreement with the Jamboree Housing Corporation. The Developer recently submitted an unsolicited proposal to acquire and rehabilitate substandard rental properties in one of the City's focus neighborhoods or project areas, with HOME funds serving as a source of gap financing. The City has previously contracted with the Developer to acquire, rehabilitate and operate several other affordable housing projects in the Stuart Drive (42 rental units) and the Buena Clinton (16 rental units) focus neighborhoods. These are well maintained and absent substantive findings during monitoring.

The CHDO Reservation Agreement is the mechanism to conditionally commit HOME funds with a CHDO and thereby preserve HOME funds from de-obligation by HUD.

The City and the selected Developer are afforded sufficient time then to identify a housing site and to negotiate the salient terms of a subsequent Affordable Housing Agreement for future Council consideration.

CHDO Operating Agreement

Under HOME regulations (24 CFR 92.208), the City may use up to five percent of its annual HOME allocation to defray the operating expenses of the Jamboree Housing Corporation as a certified CHDO. The City grant is in accordance with HOME requirements and constitutes five percent of the Fiscal 2007-08 HOME allocation or \$52,000. Eligible operating expenses, defined as reasonable and necessary costs for the operation of a CHDO, may be used to defray general operating assistance (e.g., salaries and benefits, taxes and insurance) to a CHDO already receiving HOME funds to develop affordable housing. The attached Operating Expenses Agreement with Jamboree Housing Corporation sets forth the specific eligible program expenses and budgeted amounts for each item in the program budget.

ANALYSIS/FISCAL IMPACT

This project advances the City of Garden Grove's stated obligation to utilize HOME funds provided through the federal Department of Housing and Urban Development (HUD) to preserve and expand the supply of quality affordable housing. City Council has consistently set aside a portion of the City's annual HOME entitlement grant towards affordable housing of this type in the City of Garden Grove.

The total amount of HOME funds committed under the CHDO Reservation Agreement is \$1,667,711 (the total amount later obligated under an Affordable Housing Agreement would be predicated upon the amount of warranted assistance to develop a project and could include Fiscal 2008 HOME funds if warranted). This amount represents HOME program income plus the remaining balance of two program years of HOME allocations, less administrative funds. Expenditure of HOME funds pursuant to the CHDO Reservation Agreement is contingent upon the following:

- Selection of a mutually acceptable Property within a City focus neighborhood or a Redevelopment Project Area;
- City Council approval of an Affordable Housing Agreement between the City and Jamboree Housing Corporation;
- The CHDO Reservation Agreement terminates should the CHDO and City not successfully negotiate an Affordable Housing Agreement within the six-month negotiating period, unless extended by mutual agreement; and
- By entering into the CHDO Reservation Agreement, the City avoids the recapture of HOME monies earmarked for a CHDO, as well as all other HOME project-related funds required to be committed within 24 months of the HOME Agreement between the City and HUD.

By approving the CHDO Operating Expenses Agreement, Jamboree Housing Corporation can be reimbursed for administrative costs incurred in negotiations. The total amount of HOME funds committed under the CHDO Operating Expenses Agreement is \$52,000.

COMMUNITY VISION IMPLEMENTATION

Obligation of HOME funds with Jamboree Housing Corporation meets the goals of the Community Vision by ensuring quality housing opportunities in the community, without unduly burdening existing residents through the development of standard, affordable housing.

RECOMMENDATION

Staff recommends that the City Council:

- Conduct a public hearing and accept public comments regarding proposed Substantial Amendment Number 1;
- Approve Substantial Amendment Number 1 at the close of the public hearing;
- Approve the attached CHDO Reservation Agreement for \$1,667,711 and the CHDO Operating Expenses Agreement for \$52,000, each between the City and Jamboree Housing Corporation; and
- Authorize the City Manager and City Clerk to execute the Agreements and all other documents necessary to implement the Agreements.



SUSAN EMERY
Community Development Director



By: Allison Mills
Senior Project Manager

Approved for Agenda Listing



Matthew Ferial
City Manager

Attachment 1: Substantial Amendment #1 to Fiscal 2007-08 Annual Action Plan
Attachment 2: CHDO Reservation Agreement
Attachment 3: CHDO Operating Expenses Agreement