Council Date: April 9, 2013

SUBJECT: Discussion and Possible Action Regarding the Sale of City-Owned Homes Located at 239, 263, and 279 Jackson Street to Habitat for Humanity East Bay/Silicon Valley for Rehabilitation and Resale to Lower Income First-Time Home Buyers, and Approval of Budget Modification No. 38

REPORT IN BRIEF
The City is considering selling three homes it owns on Jackson Street to Habitat for Humanity East Bay/Silicon Valley (Habitat) for rehabilitation and resale to lower-income, first-time home buyers. In order to make this project feasible, a budget modification is required to provide interim funding of $1.32 million from the Housing Mitigation Fund to allow Habitat to purchase the properties from the City at their current appraised values. Proceeds of the sale would be deposited into the Park Dedication Fund and would become available to fund park projects in the City. Most of this bridge loan would be repaid when Habitat completes the rehabilitation and sells the homes to eligible purchasers, estimated to occur in six to twelve months from acquisition. If the Habitat proposal is not approved, the alternative would be to sell the properties through the standard surplus property process, according to Council action in August 2012.

STAFF RECOMMENDATION
A. Conditionally approve sale of the city-owned homes on Jackson Street to Habitat under the terms provided in Attachment B, and authorize the City Manager to execute all legal documents required to sell the properties consistent with the term sheet, and in a final form to be approved by the City Attorney, once Habitat has met all conditions; and

B. Approve Budget Modification No. 38 to transfer $1.31 million from Housing Mitigation Fund reserves to the Park Dedication Fund to serve as a bridge loan to Habitat to purchase the homes located at 239, 263, and 279 Jackson Street, and to appropriate $10,000 from the Housing Mitigation Fund to fund closing costs.

BACKGROUND
Between 1981 and 1998, the City purchased three homes on Jackson Street adjacent to Murphy Park with the intention of expanding the park. However, these homes were not adjacent to each other, and the City has not acquired the remaining four homes along this block. For that reason, in 2009, as part of the
Parks of the Future study (RTC 09-183), Council directed staff to sell these homes as soon as home values recovered from the effects of the 2008-2010 recession. The home values began to recover in 2012.

In 2011, Habitat for Humanity East Bay/Silicon Valley (Habitat) contacted Housing staff to inquire if the City had any surplus properties that might be appropriate for a Habitat project. Staff reported that the homes on Jackson Street were on the City’s list of potential surplus properties, based on Council direction in 2009. Habitat expressed interest in acquiring and rehabilitating these homes for resale through Habitat’s homeownership program. In August 2012, during the hearing on RTC 12-199, Council agreed that home values had recovered adequately, and that the Jackson Street homes should be sold as soon as possible, and directed staff to begin negotiating with Habitat for Humanity regarding their interest in acquiring these homes. Staff has been exploring various acquisition options with Habitat since that time, and commissioned appraisals of the homes in December 2012.

EXISTING POLICY

Fiscal Policy 7.1D: Land Policies

D.1.4: The purchase, sale, or lease of real property where the purchase or sale price or lease cost is more than $75,000, per the Sunnyvale Municipal Code, shall be approved by the City Council.

General Plan, Housing Element

Goal B: Maintain and enhance the condition and affordability of existing housing in Sunnyvale.

2010-15 HUD Consolidated Plan

Goal A: Affordable Housing

Assist in the creation, improvement, and preservation of affordable housing for lower-income and special needs households.

DISCUSSION

Habitat has completed affordable home buyer projects in most areas of the county, except in Sunnyvale. Habitat has completed numerous projects in recent years using federal Neighborhood Stabilization Program (NSP) funds, primarily in the East Bay and in San Jose. Habitat has also nearly completed a project of four new homes in Cupertino on surplus property along Highway 85 provided to Habitat by the City of Cupertino.

Habitat has been seeking property for a potential Sunnyvale project for many years. Finally, when the Jackson Street homes were identified for potential surplus sale over a year ago, Habitat submitted a proposal for a three-home project in Sunnyvale in 2012. Habitat submitted a revised letter of interest on
February 7, 2013 (Attachment A). The revision primarily consisted of updating the estimated sales prices, after receiving the City-commissioned appraised value of each home as of December 18, 2012. The homes appraised at the following values, based on their current physical condition, and other standard appraisal variables such as traffic noise, age, and size.

<table>
<thead>
<tr>
<th>Address</th>
<th>Number of Bedrooms</th>
<th>Appraised Value</th>
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</thead>
<tbody>
<tr>
<td>239 Jackson Street</td>
<td>3</td>
<td>$450,000</td>
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<tr>
<td>263 Jackson Street</td>
<td>3</td>
<td>$440,000</td>
</tr>
<tr>
<td>279 Jackson Street</td>
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<td><strong>Total</strong></td>
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<tr>
<td>Estimated Closing Costs</td>
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<td><strong>$10,000</strong></td>
</tr>
<tr>
<td><strong>Total Acquisition Cost</strong></td>
<td></td>
<td><strong>$1,320,000</strong></td>
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</table>

Project Description
Habitat proposes to acquire all three homes from the City, rehabilitate them to like-new condition, screen and select eligible lower-income home buyers, and sell the homes to those buyers with affordable long-term financing, under Habitat’s standard self-help housing model. The homes would be resale-restricted for at least thirty years, much like the homes in the City’s Below Market Rate Home Ownership Program. The entire project is estimated to take approximately six months from time of City approval, although the proposed terms allow up to twelve months for completion in case of weather delays or any other unanticipated delays.

Project Financing
Because Habitat is not able to obtain all of the funds needed to buy the homes from the City until they are resold to the eligible buyers, Habitat has asked for a bridge loan from the City’s Housing Mitigation Fund to finance their acquisition of the properties. The proposed bridge loan would greatly minimize the project’s carrying costs during the several months needed to rehabilitate and resell the homes.

Total costs of the project are just over $1.8 million. A total of $1.32 million of Housing Mitigation Fund reserves would be appropriated initially. Of this amount, $1.31 million would serve as a bridge loan to Habitat to fund its purchase of the homes. Because these homes are owned by the Park Dedication Fund, this amount would be transferred to the Park Dedication Fund upon sale to Habitat. The remaining $10,000 would pay for closing costs. Habitat would make a payment of $1.07 million on the bridge loan to the Housing Mitigation Fund when the homes are resold to the home buyers, using the sales proceeds. The remaining $250,000 of the bridge loan principal would be forgiven in thirds ($83,333) upon resale of each home. The $250,000 to be forgiven from the bridge loan principal at project completion is the net
City assistance or “project subsidy” needed to make the project financially feasible.

As mentioned above, the project will cost slightly over $1.8 million, including property acquisition at $1.32 million and development costs of approximately $500,000. Habitat proposes to provide matching funds for the $500,000 in development costs from its own fundraising efforts and other affordable housing funders. Development costs consist of the rehabilitation work and associated soft costs, such as design, permit fees, security bonds and insurance, administration, marketing and home buyer outreach/education, and other miscellaneous costs.

The proposed term sheet (Attachment B) includes the proposed bridge loan described above. Project costs include property acquisition at $1.32 million, plus rehabilitation and soft costs of approximately $500,000, as shown on the Sources and Uses table provided in Exhibit A to the Term sheet. As noted above, Habitat proposes to provide matching funds for the remaining development costs of approximately $500,000.

Affordability Requirements
Upon resale of the homes to eligible home buyers, resale restrictions would be recorded against the homes to ensure their ongoing affordability. The proposed restrictions are nearly the same as those used to secure the affordable homes in the City’s Below Market Rate (BMR) Housing Program, which require that if the home is sold at any time during the thirty-year term of restrictions, it must be sold for an affordable price to an income-eligible household, as defined in the City’s program guidelines. The restrictions also require the home to be owned and occupied as the primary residence of the home buyer, and prohibit the homeowner from renting out the home. There are also requirements to maintain the home and the mortgage(s) in good standing.

Although the City’s BMR regulations require the BMR homes to be affordable to moderate-income households, Habitat generally aims to serve lower-income home buyers, therefore the Habitat restrictions are based on the lower-income limits, which are set at 80% of area median incomes. The low income limit for a household of four in Santa Clara County is currently $75,400 in gross (pre-tax) household income. The Habitat homes will be priced to be affordable to households earning 70% of area median income, with the exact prices to be finalized in several months, after all factors affecting pricing are verified, such as interest rates and availability of “soft” financing from other funding partners, such as AHP and/or the Housing Trust of Santa Clara County. Staff and Habitat have estimated potential resale proceeds based on conservative assumptions regarding these factors.

The other significant difference between the proposed Habitat restrictions and the City’s BMR resale restrictions is that Habitat, not the City, would retain
first right-of-refusal and cure rights to protect the home's affordability in the event of a default or resale by the homeowner. The City would have a second right-of-refusal for additional security in the event that Habitat was not able to exercise its option to purchase or cure for any reason. Staff recommends these provisions because Habitat routinely exercises its option to purchase homes it has developed and sold when homebuyers fall into financial difficulties, or wish to sell for other reasons. Habitat has its own funding sources for buying back the homes in order to resell them to another eligible lower income home buyer. This approach saves the City time and money, while achieving the same purpose of maintaining the affordability of the home.

**Relocation Assistance**

One of the three homes is currently occupied by a tenant. The other two homes have been vacant for some time. The proposed term sheet requires Habitat to provide relocation assistance to the tenant to cover estimated reasonable relocation costs, whether that relocation be temporary or permanent. The relocation would be limited to a temporary period if the tenant were able to buy one of the homes upon completion. The budget for estimated relocation costs is included in the soft costs line item of the Sources and Uses table provided in **Attachment B**.

The current tenant would be provided first priority to buy one of the homes if the tenant meets the eligibility and financing criteria for Habitat buyers. If the tenant did not qualify, the tenant could also apply to purchase a Below Market Rate (BMR) home through the City's standard BMR program. Resale BMR homes in particular are usually at least as affordable as the projected prices for the proposed Habitat homes, because Habitat's acquisition cost is based on their current market values, not BMR prices.

Habitat and City staff are committed to working with the tenant in the hopes the tenant will be able to buy one of the homes if the project is approved, however the final resale prices cannot be determined yet, due to remaining uncertainty about a few of the costs and funding amounts. Therefore it is impossible to pre-qualify any buyers until several months prior to completion of the homes, when all of the final costs and funding levels are known.

**Next Steps**

If Council approves the term sheet provided in **Attachment B**, staff will work with the City Attorney to finalize all the needed legal agreements to implement the project consistent with those terms.

**FISCAL IMPACT**

As previously mentioned, the Housing Mitigation Fund would incur an initial expense of $1.32 million, of which $1.31 million would be transferred to the Park Dedication Fund to serve as a bridge loan to Habitat to fund the purchase of the homes, and $10,000 would be for closing costs. Upon resale of the
homes, Habitat would repay $1.07 million of the bridge loan to the City’s Housing Mitigation Fund. The remaining balance of $250,000 would be forgiven, which represents the net fiscal impact to the City’s Housing Mitigation Fund. The Housing Mitigation Fund has the capacity to absorb this additional expenditure without impacting currently planned expenditures over the 20-year plan.

Budget Modification No. 38 has been prepared to transfer $1.31 million from Housing Mitigation Fund reserves to the Park Dedication Fund, and appropriate $10,000 from the Housing Mitigation Fund to fund closing costs.

**Budget Modification No. 38**  
**FY 2012/2013**

<table>
<thead>
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<th></th>
<th>Current</th>
<th>Increase/ (Decrease)</th>
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<tr>
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<tr>
<td>Transfers Out</td>
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<td></td>
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</tr>
<tr>
<td>Park Dedication Fund</td>
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<td>$1,310,000</td>
<td>$1,310,000</td>
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<td><strong>Expenditures</strong></td>
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<td></td>
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<tr>
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<td>Costs for the Sale of 239, 263, and 279 Jackson Street Homes</td>
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<tr>
<td><strong>Reserves</strong></td>
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<td>$4,287,000</td>
<td>($1,320,000)</td>
<td>$2,967,000</td>
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| **Park Dedication Fund**       |         |                      |         |
| Transfers In                   |         |                      |         |
| Housing Mitigation Fund        | $0      | $1,310,000           | $1,310,000 |
| **Reserves**                   |         |                      |         |
| 20-Year RAP                    | $4,090,412 | $1,310,000       | $5,400,412 |

Staff also recommends reserving $150,000 in First Time Home Buyer (FTHB) loan funds for this project, as the Habitat buyers typically need some down payment assistance to enable them to buy a home. The precise FTHB loan amounts will be determined in underwriting based on each home buyer’s need for down payment assistance, up to the City’s standard FTHB loan limit of $50,000 per home.

The First Time Home Buyer loan funds will be included in the FY 2013/14 Recommended Budget because the loans will not be needed until next fiscal
year. The FTHB loans carry a 3% simple interest rate and are due in full upon sale or transfer, or in 30 years, so the actual revenues from these loans will be slightly higher than $150,000, depending on how soon they are repaid.

Thus, the total long-term commitment to this project from the Housing Mitigation Fund would equal $400,000, consisting of $150,000 for FTHB loans and the $250,000 project subsidy.

PUBLIC CONTACT
Public Contact was made by posting the Housing and Human Services Commission and Council agendas on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, on the City's website, and in the Office of the City Clerk. Property owners and residents within 300 feet of the project site were notified of the Council hearing by mail.

Provision of up to $400,000 in assistance to the project from the Housing Mitigation fund (consisting of $250,000 in project subsidy and $150,000 in FTHB funds) was considered by the Housing Commission during its meeting on February 27, 2013. The Commission voted 7-0 to recommend that Council provide up to $400,000 in Housing funds to assist this project, subject to Council approval of the sale of the properties to Habitat. The draft minutes of that meeting are provided in Attachment C.

ALTERNATIVES
1. A. Conditionally approve sale of the city-owned homes on Jackson Street to Habitat under the terms provided in Attachment B, and authorize the City Manager to execute all legal documents required to sell the properties consistent with the term sheet, and in a final form to be approved by the City Attorney, once Habitat has met all conditions; and
   B. Approve Budget Modification No. 38 to transfer $1.31 million from Housing Mitigation Fund reserves to the Park Dedication Fund to serve as a bridge loan to Habitat to purchase the homes located at 239, 263, and 279 Jackson Street, and to appropriate $10,000 from the Housing Mitigation Fund to fund closing costs.

2. Approve Alternative 1 with modifications, including possible changes to the terms provided Attachment B.

3. Do not approve sale to Habitat, and direct the sale of the properties through the standard surplus property sale method.

4. Provide other direction to staff regarding the properties.
**RECOMMENDATION**

Staff recommends Alternative 1. This project will provide much-needed homeownership opportunities for lower-income home buyers. The Jackson Street homes provide the most feasible site for a Habitat project according to the information currently available, and Habitat is ready to implement the project. Habitat has volunteers from throughout the Valley who are very eager to help complete this project, and many lower-income local residents are very interested in any affordable homeownership opportunities in Sunnyvale. These homes will also help the City meet a portion of its regional housing needs allocation (RHNA) for the 2009-2014 Housing Element Cycle. The project will also generate approximately $1.31 million for improvement of parks in Sunnyvale.

Reviewed by:

Hanson Hom, Director, Community Development
Prepared by: Suzanne Isé, Housing Officer

Reviewed by:

Kent Steffens, Director, Public Works

Reviewed by:

Grace Leung, Director, Finance

Approved by:

Gary M. Luebbers
City Manager

**Attachments**

A. Habitat Letter of Interest  
B. Term Sheet  
C. Draft Minutes of the Housing and Human Services Commission Meeting of February 27, 2013
Attachment A

Habitat for Humanity East Bay/Silicon Valley
Letter of Interest
February 7, 2013

VIA U.S. MAIL AND ELECTRONIC MAIL
Ms. Suzanne Ise
Housing Officer – City of Sunnyvale
Community Development Department Housing Division
456 W. Olive Ave.
PO Box 3707
Sunnyvale, CA 94088-3707

RE: Revised Letter of Interest – Jackson Street Renovations

Dear Suzanne,

Habitat for Humanity East Bay/Silicon Valley is pleased to express its continued interest in creating affordable housing opportunities from the three existing homes owned by the City of Sunnyvale at 239, 263, and 279 Jackson Street. Habitat originally expressed interest in these homes on July 2, 2012 and has since been working with City staff to refine how the renovation and sale of these homes could be structured to meet our mutual objectives. Habitat’s Board of Directors approved our funding contribution to this project in July 2012 and we are ready to move forward following City Council approval. The following is a brief revised proposal describing how Habitat would renovate the existing homes, qualify low-income families, and sell the homes as affordable units.

Habitat has been acquiring and renovating homes with NSP1, NSP2, CDBG, donations and other funds in various Bay Area communities and are very interested in applying our skills to the homes that are owned by the City on Jackson Street. Following City Council’s August 2012 approval to explore Habitat’s original proposal, Habitat met with City Staff several times, inspected the homes with our in-house construction staff and reached out to other funding sources to refine our scope of work and budget for the homes. Habitat’s proposes to renovate the homes and sell them to buyers earning between 60% and 80% of AMI, at prices calculated to keep their total housing costs under 35% of their income. Habitat would include resale restrictions for the new buyers in a form mutually acceptable to the City and Habitat, at a length determined by the City.

Habitat has complete preliminary inspections of all three homes on Jackson Street. Formal due diligence inspections such as pest, sewer, lead, asbestos, and fireplace inspections would occur after reaching a written agreement with the City. Based on our initial walk-throughs, our scope of work would likely include kitchen and bathroom upgrades, roof replacement, sewer lateral replacement, new HVAC, addressing dry rot and pest issues, plumbing and electrical upgrades/replacement, abatement of lead and asbestos, use of finishes that ensure high indoor air quality, and other water and energy efficiency measures. We work very hard to ensure our buyers are set up for long term homeownership success by renovating our homes with durable materials, addressing any systems issues in the homes, and making sure the homes are well insulated and water tight. Based on our initial inspections, we have budgeted
approximately $105,500 per home in improvements on average. This number would be refined after we review all inspection reports on the homes. Renovations could be under way within several months of signing an agreement with the City.

Habitat proposes to act as general contractor/developer of the three homes while the City maintains ownership during the renovation process. This will help save many thousands of dollars on total development costs as Habitat will be able to finance the renovation with its own fundraising efforts instead of taking out a construction loan with large interest payments. It will also save money in title and escrow fees and property taxes. Habitat is qualified to do this work under a general contractor’s license and also has in-house staff who identify prospective homebuyers. We hold orientations and workshops as well as provide credit counseling for future homebuyers whose credit needs improvement. In finding homebuyers, we would work with the City and neighborhood groups.

In our current proposal, Habitat would contribute $300,000 ($100,000 per home) in fundraising towards the development of these three homes. Affordable Housing Program financing would also be applied for from the Federal Home Loan Bank. The Housing Trust of Santa Clara County has also provided a soft commitment of providing downpayment assistance funds in the amount of $150,000 towards the total program ($50,000 per home). Habitat requests approximately $316,000 ($105,333 per home) from the City of Sunnyvale to be provided from City funds or required fees from market rate developers to support affordable housing within the City. A portion of this amount would be a downpayment assistance loan that would get paid back to the City or transferred to a future owner if the homes were to sell. This current City contribution is significantly less than that shown in our initial proposal. Lastly, financing would include an affordable, fixed rate mortgage obtained by Habitat for the buyer from a third party lender. Please see the attached summary sources and uses for the three homes. Note that the purchase prices reflect the values shown in recent appraisals obtained by the City.

Habitat’s renovations engage the community in a number of ways by having most of the renovation work completed by community volunteers and by requiring that all homeowners contribute 250 hours of sweat-equity on their home. Many of our regular volunteers have expressed excitement at being able to work on a development in Sunnyvale and our outreach and fundraising efforts are poised to start as soon as possible after approval.

Habitat is well qualified to partner with the City of Sunnyvale in turning the Jackson Street homes into sustainable, affordable housing. Please feel free to contact me at 510.251.6304 x 363 or dstimpson@habitatebsv.org (or Alyssa Thunberg at x361 or athunberg@habitatebsv.org) if you have any questions regarding this proposal. We look forward to working with you to renovate these homes.

Respectfully,

Douglas Stimpson
Vice President, Real Estate Development
Habitat for Humanity East Bay/Silicon Valley
City of Sunnyvale
Habitat for Humanity East Bay/Silicon Valley
Jackson Street Homes Proposed Term Sheet

DRAFT

Term Sheet
For Disposition and Development Agreement

Seller: City of Sunnyvale ("City")

Developer: Habitat for Humanity East Bay/Silicon Valley, Inc. ("Habitat")

Properties: 239, 263, & 279 Jackson Street, Sunnyvale, CA

Purpose: To sell Properties to Habitat for renovation and sale to Eligible Purchasers

Sale Prices:
- 239 Jackson Street: $450,000
- 263 Jackson Street: $440,000
- 279 Jackson Street: $420,000
- Closing Costs: $10,000

Total: $1.32 Million

Financing:
1. City Housing Mitigation Fund (HMF) Bridge Loan: $1,320,000 at 0% interest for up to twelve months to be used to pay City Parks Fund to acquire Properties. Principal balance shall be due and payable to City from available sales proceeds upon resale of each home to an Eligible Purchaser. Any remaining principal balance, up to a maximum of $250,000 total, may be forgiven by the City in thirds upon resale of each home (up to $83,333 per home, based on final sales proceeds available for City loan repayment).
2. Reservation of First Time Home Buyer (FTHB) Loan Funds: Up to $150,000 for FTHB Loans for Eligible Purchasers of the Properties, with a maximum FTHB loan of $50,000 per Eligible Purchaser. FTHB funds will be made available to Habitat during construction to fund renovation costs and will be converted to FTHB loans to the Purchasers at resale. Final FTHB loan commitments will be made to Purchasers upon approval of Purchasers and completion of sweat equity requirements.

Term: Commencing on the date of execution of a Disposition and Development Agreement (DDA) containing these terms, and terminating as to each separate Property on the date of sale of each Property to an Eligible Purchaser, but not to exceed a total term of twelve months. In the event of any unavoidable short-term delays in project completion, the Term may be extended by mutual agreement for an additional six months with written approval of the City Manager and the President & CEO of Habitat. If the Properties have not been sold by the end of Term, as may be extended, this Agreement shall terminate and the Properties shall revert to City ownership, and Habitat shall be repaid its initial investment of funds, unless the Parties agree on an alternate disposition of the Properties. Such alternate disposition shall be mutually approved by City Council and by the Habitat Board of Directors.

Program Structure:

a) Habitat completes due diligence and prepares final scopes of work and final budgets.
b) City reviews and approves final scopes of work and final budgets.
c) City sells the Properties to Habitat and provides Financing as described above.
d) Habitat renovates properties with prospective Eligible Purchasers, volunteers and subcontractors.
e) Habitat selects homeowners and presents them to City for approval.

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City of Sunnyvale  
Habitat for Humanity East Bay/Silicon Valley  
Jackson Street Homes Proposed Term Sheet

f) Habitat will use its matching funds and/or line of credit to fund the rehabilitation work and related costs included in the budget.

g) Interest payments on funds drawn from Habitat’s line of credit to pay for the rehabilitation work and related costs are included in the Project Budget as eligible project soft costs.

h) Habitat arranges first and subordinate (HTSC, AHP) mortgage financing for Eligible Purchasers, in addition to City FTHB financing noted above.

i) Upon renovation completion by Habitat, completion of sweat equity by Eligible Purchasers, and final City approval, Habitat sells homes to Eligible Purchasers.

Habitat Responsibilities:
Habitat shall complete hazardous materials (lead paint and asbestos), pest reports, and other property inspection reports. The final scope of renovation work will be completed after receipt of such reports. A preliminary scope is shown on Attachment A. Habitat shall purchase the properties from the City after completing due diligence and finalizing the scopes of work. Habitat will take full responsibility for administering the relocation process for the tenant currently occupying one of the homes, including providing all relocation notices, housing counseling, temporary or permanent rental assistance, assistance in evaluating comparable housing options, first priority to buy one of the completed homes, if qualified, and other assistance customarily provided under state relocation law. The tenant will be relocated either temporarily or permanently before escrow is opened on the new home sale to allow Habitat to rehabilitate the home. Habitat will renovate the homes based on the scope and budget approved by the City. Habitat will select homebuyers for the Properties and work with each family to complete 250 hours of sweat equity per family. Habitat will fund its $300,000 commitment as a grant to the project. Habitat will arrange first and subordinate financing and will sell the completed homes to Eligible Purchasers.

City Responsibilities:
City to sell the Properties to Habitat with the Financing described above to facilitate the acquisition and renovation. City shall review in a timely way all submittals from Habitat. Final scopes of work, final budgets, change orders, and Eligible Purchasers are subject to City approval, which is not to be unreasonably withheld, conditioned or delayed. City will fund the Bridge Loan and FTHB funds to the project as described in the Financing section. If Habitat is able to secure AHP funding or other down payment assistance funds for the project, up to $45,000 of such funds shall be used toward repayment of the Bridge Loan upon resale of each home, until all available funds have been fully utilized.

Eligible Purchasers:
Eligible Purchasers shall be Lower Income, First Time Home Buyer Households as defined in the Sunnyvale Municipal Code, with gross combined household incomes at or below 80% of Area Median Income, and who otherwise meet Habitat’s homeowner selection guidelines (including signing Habitat’s Partnership Agreement). Any tenant household lawfully occupying one of the Properties and in good standing under their City lease at time of Habitat’s acquisition shall be provided a first right of refusal to purchase any one of the homes, provided such tenant household meets the project’s Eligibility Standards and can qualify for adequate financing for the purchase, as mutually determined by Habitat and the City. Eligible Lower Income Households who live or work in Sunnyvale, as defined in Sunnyvale Municipal Code Chapter 19.67 and the Below Market Rate Home Buyer Program Guidelines, shall receive priority over non-Sunnyvale applicants in Habitat’s buyer selection process, either through a priority lottery pool or similar mechanism in a manner that complies with fair housing laws.
Resale Proceeds:

239 and 263 Jackson Street: $450,000 each
279 Jackson Street: $413,000

Habitat shall receive sales proceeds in the amounts shown above upon resale to each buyer. Each buyer shall provide a down payment equivalent to $3,000 in sweat equity. Habitat will arrange for down payment assistance/gap financing of an average of $100,000 per home, using the City FTHB funds, and/or AHP or Housing Trust funds, which may be assumable by subsequent Eligible Purchasers, at lenders’ option. Sales proceeds shall be used to repay City Bridge Loan as described in the Financing section in the amount of approximately $1.07 million. If approved by junior lenders, a portion of the gap financing may be considered a revocable grant / forgivable loan assumable by subsequent buyers, and therefore not included as part of the contract sales price in the escrow documents.

Project Budgets:
A preliminary budget for the project is provided in the attached Exhibit A: Sources and Uses. Project cost estimates will be finalized upon completion of the final property inspections and scopes of work, and incorporated into the budget, with City approval. The budget includes up to $40,000 for tenant relocation assistance within the “Soft Costs” line item.

Change Orders:
Changes in scope from the final approved scope or increases in the total renovation budgets for each Property in excess of 10% shall require City review and approval.

Cost Overruns/Savings:
Cost overruns and cost savings shall be shared equally between City and Habitat to the extent City financing is available as provided herein. Any additional costs beyond that amount shall be paid for through additional fundraising or other financing obtained by Habitat.

Construction: Habitat is the General Contractor for the project and will use volunteer labor and will hire subcontractors as appropriate to complete the renovations.

Insurance:
Habitat will furnish insurance as follows: Certificate of Insurance with general liability insurance coverage of $2,000,000.00 minimum. Said policy shall name the City of Sunnyvale as an additional insured (A separate endorsement sheet is required with the insurance policy, and the location and job description must be included on the policy).

Bonding: Habitat will furnish bonding as follows: One bond in the amount of 100% of renovation costs for faithful performance and warranty, the other in the amount of 100% of renovation costs for labor and material payment.

Resale Restrictions:
An affordable housing resale restriction with a term of at least 30 years as agreed upon by Habitat and the City shall be recorded on each Property at closing to Eligible Purchasers.

Force Majeure:
A standard Force Majeure clause will be included.

Other terms: Other terms as are customary in transactions of this type.
EXHIBIT A

SOURCES AND USES
Exhibit A: 
Sources and Uses

Sources & Uses for Proposed Habitat for Humanity EB/SV Project
239, 263, 279 Jackson Street, Sunnyvale

<table>
<thead>
<tr>
<th>Sources</th>
<th>Interim Financing</th>
<th>Partial Repayment of Bridge Loan at Resale</th>
<th>Permanent Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Bridge Loan</td>
<td>$1,320,000</td>
<td>$(1,070,000)</td>
<td>$250,000</td>
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<tr>
<td>Downpayment Assistance</td>
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<tr>
<td>Funds *</td>
<td></td>
<td>$300,000</td>
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<tr>
<td>Habitat Grant</td>
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<td>First Mortgage Loan Funds</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$1,854,000</strong></td>
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* Downpayment Assistance Funds Detail

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<tr>
<th>Lender</th>
<th>Up To:</th>
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<tr>
<td>City FTHB</td>
<td>$105,000</td>
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<tr>
<td>AHP *</td>
<td>$45,000</td>
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<tr>
<td>Housing Trust</td>
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<td><strong>Total</strong></td>
<td>$300,000</td>
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* If not awarded, City FTHB will be increased by $45,000

<table>
<thead>
<tr>
<th>Uses</th>
<th>Total</th>
<th>Acquisition Phase</th>
<th>Rehabilitation Phase</th>
<th>Resale Phase</th>
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<tr>
<td>Site Acquisition</td>
<td>$1,310,000</td>
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<td>Rehabilitation (Hard Costs)</td>
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<td>Soft Costs (Fees, Relocation, Escrow, Design)</td>
<td>$91,000</td>
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<tr>
<td>Contingency</td>
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<tr>
<td>Administration</td>
<td>$90,000</td>
<td>-</td>
<td>$60,000</td>
<td>$30,000</td>
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<td><strong>Total</strong></td>
<td>$1,854,000</td>
<td>$1,320,000</td>
<td>$501,000</td>
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Attachment C

Draft Minutes of the Housing and Human Services Commission
Meeting of February 27, 2013
The Housing and Human Services Commission met in regular session in the Council Chambers, 456 W. Olive Avenue at 7 pm with Chair Dietrich presiding.

The meeting was called to order at 7:04 pm.

ROLL CALL

Board/Commission Members Present:
Eric Anderson, Dennis Chiu, Hannalore Dietrich, Patti Evans, Diana Gilbert, Younil Jeong, and Barbara Schmidt.

Board/Commission Members Absent: None

Council Liaison: Vice Mayor James Griffith (present) arrived at 7:30 pm.

Staff Present: Housing Officer Suzanne Isé and Housing Programs Technician Edith Alanis.

Others: Representatives from 25 non-profit agencies and other members of the public.

PUBLIC ANNOUNCEMENTS
None

CONSENT CALENDAR

Chair Dietrich asked for a motion to approve the consent calendar.

**Commissioner Schmidt moved and Vice Chair Evans seconded to approve the consent calendar, which contained the minutes of November 14, 2012 meeting.**

Motions passed unanimously 7-0-0.

PUBLIC COMMENTS

Mr. Shane Jacksteit, Sunnyvale business owner and member of Sunnyvale Community Services (SCS) Board of Directors, spoke in support of SCS and highlighted the need to address homelessness and hunger in Sunnyvale. He also invited the Commissioners to join on any given Monday morning at 6:30 am to help unload the bags of produce from the delivery truck and distribute them to families that would otherwise go hungry.

Ms. Boo Bullis, member of the Advisory Council to the Silicon Valley Council of Aging and long standing member of the Geriatric Treatment Team of North County, encouraged the Commissioners to recommend funding for Project Sentinel to assist senior residents with their crisis of finding affordable housing. She provided a graph to the Commissioners of information
Ms. Lisa South is a Second Harvest Food Bank volunteer who delivers food bags to seniors. She shared the story of Paul, a 65-year-old Sunnyvale resident, who became homeless a month ago because he could not maintain the place where he lived. She expressed frustration at the lack of affordable housing and resources for those who are homeless or at risk of becoming homeless. Every place she called referred her to someone else. Eventually, she connected with SCS and they provided a week of stay at a low cost hotel and then the Salvation Army provided three more days. He is back at the Armory which will be closing soon and he doesn’t want to be homeless. Lastly, she commented that conditions at the Armory are sad and very crowded.

**SCHEDULED PRESENTATION**
Presentation of CDBG/HOME Human Services and Capital Project Funding Proposals.

Housing Officer Suzanne Isé explained that the scheduled presentations were by all the agencies that submitted a proposal for funding of human services activities or capital projects, and reminded everyone that there would be no action taken on this item.

The following agencies were represented and provided brief presentations.

<table>
<thead>
<tr>
<th>Agency/Speaker</th>
<th>Summary of Presentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>InnVision Shelter Network</td>
<td>The merger of Shelter Network and InnVision resulted in an agency able to provide wrap-around services for all clients to address behavioral health, substance abuse and mental problems. Clients are referred to any services that they may need, including legal, physical health, or anything that represents a barrier to self-sufficiency.</td>
</tr>
<tr>
<td>Robert Vernon, Associate Director of Shelter Services</td>
<td></td>
</tr>
<tr>
<td>First United Methodist Church</td>
<td>The Senior Nutrition Program provides nutritious hot meals, Monday-Friday to seniors age 60 or older in a congregate setting. Seniors are also encouraged to participate in educational programs which focus on healthy eating. There is a volunteer dance band every day to promote recreational and physical activity. Additionally, they provide referrals to address any other needs; e.g. legal aid, transportation, etc. In July, they will be celebrating their 40th anniversary.</td>
</tr>
<tr>
<td>Tom Morse, Acting Site Manager</td>
<td></td>
</tr>
<tr>
<td>West Valley Community Services (WVCS)</td>
<td>Haven to Home program provides supportive services for homeless families and individuals who are chronically homeless or have recently become homeless. She shared the story of a woman who was pregnant and homeless because of domestic abuse when she started working with the case manager. She was placed in the transitional housing program and had a place to move to when she had her baby. She also noted that WVCS staff do outreach around the Sunnyvale Library and City Hall in response to the City’s request.</td>
</tr>
<tr>
<td>Sujatha Venkatraman, Director Stability Support Services</td>
<td></td>
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<tr>
<td>Agency/Speaker</td>
<td>Summary of Presentation</td>
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<tr>
<td>Sunnyvale Community Services (SCS)</td>
<td>SCS’s monthly food program provides bags of food once a month and fresh produce up to 5 times a month. The number of bags is determined by the number of people in the household. 96% of SCS’s clients are extremely-low to low-income and 44% of SCS’s clients are children. She noted that the people with the lowest paid jobs have not gotten raises, but their cost of living has increased. Rents have increased on average by 34% in the last year.</td>
</tr>
<tr>
<td>The Health Trust</td>
<td>The Meals-on-Wheels program is the only home delivery program in Santa Clara County offering hot meals to homebound low-income seniors and disabled adults who cannot cook or shop for themselves. In addition to the meal that is delivered, the driver also does a wellness check to alert of anything out of the ordinary or any unsafe conditions. 70% of their clients live alone and 50% have no family members nearby. This service meets their nutritional and personal connection needs and enables them to stay in their homes as long as possible.</td>
</tr>
<tr>
<td>Abilities United</td>
<td>Abilities United serves people with developmental and physical challenges and provide the training, education and support they need to lead the lives they choose and to be a part of the community. The Adult Development services include employment services, independent living skills, and adult day activity for those who cannot be employed or live independently, to enable their families to work. The Community Connections program participants go out into the community and volunteer at non-profits such as SCS and InnVision. She shared the story of one client who was born with Down syndrome and has been a client since he was six months old. Today, he lives in his own apartment and has had a job for over ten years.</td>
</tr>
<tr>
<td>MayView Community Health Center</td>
<td>MayView Community Health Center provides general medical care, preventative care, and case management for chronic disease. Recently they added behavioral health services as an integrated approach after learning that their clients were not keeping their appointments when referred to other providers. The demand for this services has increased in Sunnyvale, the clinic used to be open 3 days per week and is now open 5 days per week. They plan to add another full time physician at the Columbia Neighborhood Center (CNC) where they serve approximately 1200 patients and provide 3000 medical visits. 40% of these clients are uninsured, 40% are children, 60% are women, and 93% are under the federal poverty level.</td>
</tr>
<tr>
<td>Charities Housing</td>
<td>Charities Housing requested funding for a 60-unit development for extremely-low and very-low-income individuals. It would provide permanent affordable housing with rents ranging from $200-$800 per month.</td>
</tr>
<tr>
<td>Agency/Speaker</td>
<td>Summary of Presentation</td>
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<td>---------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------</td>
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<tr>
<td><strong>Silicon Valley Independent Living Center</strong></td>
<td>Since 1976, they have been the only independent living center that serves the entire Santa Clara County. They serve people with all disabilities and ages and from all cultures. The majority of the staff and board members are persons with disabilities. They believe that the best advice that their clients can receive can only come from another disabled person. They assist in finding accessible, affordable, suitable housing for low- to extremely-low-income clients. SCS has offered office space to provide these services in Sunnyvale.</td>
</tr>
<tr>
<td>Nayana Shah &amp; Debra Sue Stevens</td>
<td></td>
</tr>
<tr>
<td><strong>Catholic Charities of Santa Clara County</strong></td>
<td>The Day Break Cares program goal is to optimize the well-being of seniors by reducing social isolation in the home and to support the family care-givers to maintain a successful home care environment and prevent premature institutionalization of aging seniors. The adult day care center offers socialization, music therapy, recreational activities and physical activities at the older adult and provides much needed respite for home caregivers.</td>
</tr>
<tr>
<td>Tammie Pitkin, Deputy Director of Day Break Cares Program</td>
<td></td>
</tr>
<tr>
<td><strong>Bill Wilson Center</strong></td>
<td>Bill Wilson provides counseling for youth and their families. They have already served more people in the first six months of this year than in all of last year. The youth served may have experienced domestic violence in their homes, child abuse or substance abuse, and some are homeless. The counseling they receive is aimed at preventing long term problems; they are referred to case management to address a full range of needs.</td>
</tr>
<tr>
<td>Judy Whittier, Director of Community Resources</td>
<td></td>
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<tr>
<td><strong>EHC LifeBuilders</strong></td>
<td>EHC provides services to the homeless and those who are at risk of becoming homeless. The goal is to improve self-sufficiency and housing stability by providing case management support working towards permanent supportive housing. The essential access service emergency shelter is offered through the cold weather shelter at the Armory and the year-round shelter in San Jose.</td>
</tr>
<tr>
<td>Hilary Barroga, Director of Programs</td>
<td></td>
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<tr>
<td><strong>Lighthouse of Hope</strong></td>
<td>Lighthouse of Hope is based in Sunnyvale and currently provides in-school services to high school students in San Jose. They are seeking seed money to start programs at Homestead and Fremont High Schools in Sunnyvale.</td>
</tr>
<tr>
<td>Gloria Baxter, Executive Director</td>
<td></td>
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<tr>
<td><strong>YWCA of Silicon Valley</strong></td>
<td>The Support Network Department provides essential domestic violence services, such as: a toll-free, 24-hour crisis line with bilingual crisis counselors, confidential emergency shelter for up to 60 days, counseling, legal advocacy including court accompaniment and temporary restraining orders, individual and group therapy, children’s play and art therapy, preventative education, safety planning, and information and referrals.</td>
</tr>
<tr>
<td>Adriana Caldera, Director, Domestic Violence Department</td>
<td></td>
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<tr>
<td>Agency/Speaker</td>
<td>Summary of Presentation</td>
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<tr>
<td><strong>Catholic Charities of Santa Clara County</strong>&lt;br&gt;Olivia Garcia, Field Ombudsman</td>
<td>The Long Term Care Ombudsman is the only agency authorized by the federal Older Americans Act and the state Older Californians Act to advocate for the rights of seniors and disabled residents in long term care facilities. Services can be accessed through their crisis line 24 hours a day, 7 days a week. They are mandated to make unannounced facility visits, resolve complaints, investigate and report abuse allegations, witness advanced health care directives; and educate skilled nursing home staff on ways to prevent abuse.</td>
</tr>
<tr>
<td><strong>Outreach &amp; Escort</strong>&lt;br&gt;Lien Nguyen, Senior Mobility Manager/STAR Program Coordinator</td>
<td>The Senior Transportation Program provides affordable and reliable transportation for seniors in Sunnyvale. This service is critical because the majority of the rides are for doctor or health related appointments, since many of the seniors served live alone or their caregivers need to work and cannot take them.</td>
</tr>
<tr>
<td><strong>Project Sentinel</strong>&lt;br&gt;Ann Marquart, Executive Director &amp; Anky van Duersen, Coordinator for Tenant-Landlord Services</td>
<td>Project Sentinel provides tenant-landlord dispute resolution services for tenants, landlords and property managers. Most current complaints are about increasing rents, which people can't afford. Rents are increasing and people are not able to keep up with them. Project Sentinel provides lists of below-market-rate rentals, assists in de-escalating conflict situations and provides eviction prevention services. SCS has offered to provide office space for Project Sentinel to meet Sunnyvale clients.</td>
</tr>
<tr>
<td><strong>Downtown Streets Team (DST)</strong>&lt;br&gt;Andrew Hening, Manager of Employment Services</td>
<td>DST implements an economic development work experience program under contract with SCS focused on homeless clients. Homeless individuals volunteer with DST in an effort to regain their self-esteem and motivation to re-enter the work force. Currently they are working with 15 clients to clean Fair Oaks Park and the Sunnyvale Armory, and have another 15 prospective team members on their waiting list. The program goal is to help 10 individuals get jobs and reach out to 15 local businesses to expedite the interview and hiring process for DST members. The funding requested is to continue the program begun in 2012. DST is also providing case management services for clients of the City's new Tenant-Based Rental Assistance program, many of whom are also DST team members.</td>
</tr>
<tr>
<td><strong>Family and Children Services (FCS)</strong>&lt;br&gt;Maritza Henry, Director of School-based Services</td>
<td>FCS provides individual and family counseling services, crisis intervention, conflict resolution, and community resources referrals for at-risk, extremely-low-income and underserved youth and families in North Sunnyvale. They address depression, anxiety, self-esteem, self-harm, suicidal ideation, acculturation, school-based concerns, teen pregnancy scares, family violence and abuse, substance abuse, gangs, divorce, separation, grief, and poverty.</td>
</tr>
<tr>
<td>Agency/Speaker</td>
<td>Summary of Presentation</td>
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</tr>
<tr>
<td>Health Mobile</td>
<td>Also known as the Tooth Mobile, this program maintains a fully licensed set of mobile units that provide accessible, affordable, comprehensive dental care. The funding request is to help provide service at five Sunnyvale schools, which would help families by not having to take the children out of school and/or have to take time off from work.</td>
</tr>
<tr>
<td>Senior Adults Legal Assistance (SALA)</td>
<td>SALA provides free legal services county-wide, targeting clients that are very low-income or at-risk of abuse, institutionalization or isolation. SALA is the only agency designated to provide these services under the Older Americans Act. SALA provides service twice a month at SCS by appointment. SALA also provides home visits to Sunnyvale seniors who are homebound, or in nursing homes, and serve clients who have emergencies by phone. Seniors are often victims of elder abuse or domestic violence usually by someone living in their home, adult children, grandchildren, tenants, and caregivers. SALA also assists with basic planning for incapacity and end of life.</td>
</tr>
<tr>
<td>Santa Clara Family Health Foundation (SCFHF)</td>
<td>SCFHF is funded with foundation grants. The Healthy Kids Program provides comprehensive health insurance coverage for low-income children up to age 19 who otherwise do not qualify for any federal or state programs. Currently there are 356 Sunnyvale children enrolled in this program.</td>
</tr>
<tr>
<td>Law Foundation of Silicon Valley</td>
<td>The Law Foundation Silicon Valley submitted a proposal to provide fair housing services in collaboration with Project Sentinel. Project Sentinel would provide education, screening and investigative services while Fair Housing Law Project would provide legal advice, settlement, and legal representation to victims of housing discrimination. This model has been very successful for the past 15 years in San Jose. There is a housing crisis and the most disadvantaged (elder, disabled, families with children, minority households) are discriminated against most often.</td>
</tr>
<tr>
<td>Live Oak Adult Day Services</td>
<td>Live Oak offers day care to frail dependent seniors who need care 24 hours a day, to provide a much needed break for the home caregivers. A day at Live Oak includes a nutritious breakfast and lunch; birthday celebrations; art, pet and music therapy; and inter-generational activities with children. Clients receive a lot of individual attention from staff. Many of the seniors are brought to the facility by Outreach and Escort.</td>
</tr>
<tr>
<td>Vision Literacy</td>
<td>Vision Literacy offers adult and family literacy services through the use of trained and supportive volunteers at the Columbia Middle School Library. They are one of only six programs accredited in California and the only one in the Bay Area. The program consists of five 8-week sessions per year. Individuals that go through this program are reported to become more involved in the community; some attend college; and some parents are able to talk to their children's teachers for the first time.</td>
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</tbody>
</table>
Ms. Isé thanked all the presenters and Chair Dietrich called for a ten-minute break.

PUBLIC HEARINGS/GENERAL BUSINESS


Ms. Isé gave a brief report on the proposed project and explained that it is still in the preliminary stage. She added that this was not a request for a formal funding commitment, but a request for a recommendation from the Commissioners regarding the use of housing funds to assist the project, if Council approves the sale to Habitat for Humanity.

She explained that the City purchased three homes on Jackson Street adjacent to Murphy Park years ago with the intention of expanding the park. However, these homes were not adjacent to each other, and in the intervening years the City has not acquired the remaining homes along this block.

In 2009, as part of the Parks of the Future study, Council directed staff to sell these homes as soon as home values recovered from the recent recession.

The project would consist of selling the homes to Habitat for Humanity, which would rehabilitate the homes and then sell them to lower-income home buyers. City and Habitat staff inspected the homes and determined that they were suitable for rehabilitation, rather than demolition and reconstruction. The rehabilitation costs for each home would range from $80,000 to $100,000. The homes would be sold to lower-income first-time homebuyers under the standard Habitat self-help model, which requires the homebuyer to provide approximately 500 hours of volunteer labor to complete the rehabilitation.

Habitat’s Project Manager, Alyssa Thunberg, gave a short presentation about the work that Habitat does. She noted that the East Bay and Silicon Valley affiliates have recently merged. They have served more than 300 home buyers in their 25-year history and they have a less than 1% rate of foreclosure. A post move-in survey of the home owners assisted shows that a majority of them say that having a home and a stable living situation has not only improved their general quality of life, but also their children do better in school, are more likely to go to college, and earn more money. It is a great benefit to the community.

After some discussion and several clarification questions of Ms. Isé and Ms. Thunberg, Chair Dietrich asked for a motion.

**Commissioner Anderson moved and Commissioner Chiu seconded to recommend to Council to provide up to $400,000 in City Housing funds to assist the Habitat for Humanity project, subject to Council approval of the project.**

**Motion passed unanimously 7-0-0.**

NON-AGENDA ITEMS AND COMMENTS
Vice Mayor James Griffith, liaison to the Commission, shared that he may arrive a few minutes late to some of the Housing and Human Services Commission meetings due to another meeting he attends on the same evening.

B/C Members Oral Comments
Commissioner Gilbert asked for more information on what happens next with the human services and capital projects funding. Ms. Isé gave a brief overview of the process and timeline leading to submitting the Action Plan to City Council for approval in May.

Commissioners discussed and decided that they wanted to visit the new applicants that have not previously been funded by the City.

Vice Mayor Griffith suggested the Commissioners take extreme caution to avoid violating the Brown Act (regarding open meeting requirements) by not discussing Commission business via email, engaging in serial meetings, or other meetings involving a quorum of the Commission (4 or more).

STAFF Oral Comments
None

INFORMATION ONLY ITEMS
None

ADJOURNMENT

The meeting adjourned at 9:34 p.m.

Respectfully submitted,

Suzanne Isé
Housing Officer