



**DATE:** April 19, 2022

**TO:** Mayor and City Council

**FROM:** Assistant City Manager

**SUBJECT:** Adopt a Resolution Authorizing the City Manager to Apply as Joint Applicant with EAH, Inc for the California State Department of Housing and Community Development California Housing Accelerator Program

### **RECOMMENDATION**

That the Council adopts a resolution (Attachment II) authorizing the City Manager to apply as a joint applicant with EAH, Inc. for the State of California Housing and Community Development Department (HCD) California Housing Accelerator Program (CHA Program) in an amount not to exceed \$50 million to support the Pimentel Place development of 57 affordable housing units.

### **SUMMARY**

In October 2021, HCD announced the availability of approximately \$1.6 billion under the CHA Program for the purpose of supporting shovel-ready projects that are unable to move forward due to funding gaps that resulted from their inability to access tax-exempt bond allocations or low-income housing tax credits. City staff and EAH, Inc. have determined that Pimentel Place meets the eligibility requirements for the CHA Program and could receive up to \$50 million in grant money to cover eligible project costs. A successful application to HCD's CHA Program would close the funding gap for Pimentel Place and would allow for the project to quickly begin construction. Staff recommends that the City, as a joint applicant with EAH, Inc., apply for the CHA Program to support the development for 57 units of affordable housing at Pimentel Place.

### **BACKGROUND**

On April 30, 2018, the City issued a Notice of Funding Availability (NOFA) for affordable housing development projects. EAH, Inc. submitted a proposal for Pimentel Place, formerly known as Matsya Villas, and was awarded funding from the City's NOFA. The project has since then advanced by securing funding from other available sources. On August 20, 2021, Pimentel Place received approval of planning entitlements through the streamlining provisions of SB 35.

**Housing Element and Regional Housing Needs Allocation Compliance**

Local jurisdictions report progress annually on meeting their RHNA goals. **Table 1** demonstrates progress made toward meeting Hayward’s RHNA goals for the period between 2015-2023 as of the last report year (2020) and estimates potential for compliance by including approved projects and projects pending approval. Permits to construct the units must be issued to count toward the City’s RHNA goals. Pimentel Place will add 57 affordable housing units to the City’s housing stock, which would help the City to meet its RHNA goals for low- and very low-income households. The income targeting is expected to change based on the requirements of all the funding sources utilized to fully fund the project. The most restrictive income targeting will apply. Generally, projects with low average affordability levels are more competitive for state funding sources, which means the project may serve a lower-income population than initially proposed. Pimentel Place will help the City meet the following goals established in the City’s Housing Element:

- Assist in the development of housing affordable to low- and moderate-income households;
- Promote equal housing opportunities for all persons; and
- Provide for the special housing needs of seniors, persons with disabilities, large families with children, single female-headed households, and persons who are homeless.

**Table 1 - 2023 RHNA Goal Progress in the City of Hayward**

Income Category	Unit Goal	Reported 2020		Approved		Pending Approval		Estimated Compliance		Estimated Deficiency	
		Units	% of Goal	Units	% of Goal	Units	% of Goal	Units	% of Goal	Units	% of Goal
<b>Very low</b>	851	65	8%	251	29%	145	17%	461	54%	390	46%
<b>Low</b>	480	153	32%	315	66%	84	18%	552	115%	0	0
<b>Moderate</b>	608	72	12%	95	16%	43	7%	210	35%	398	65%
<b>Above Moderate</b>	1981	2171								0	0

As of 2020, the City already exceeded its goal for above moderate income units. If permits are issued for all projects currently in the development pipeline, the City is on track to comply with both the low-income category and the above moderate-income category.

**Project Funding to Date**

On October 2, 2018, the Council approved a \$2 million loan to EAH, Inc. for the development of Pimentel Place, which will provide 57 units of affordable housing to very low- and low-income households. Since the City funding approval, the project has been awarded:

- Over \$5.3 million under the Measure A1 Rental Housing Development Regional Pool
- \$400,000 in HOME funds from Alameda County
- Over \$8 million from the Multifamily Housing Program
- Over \$4 million from the Infill Infrastructure Grant Program
- Approximately \$7 million from the Housing for Healthy California Program

EAH, Inc. has been proactively pursuing applicable funding sources.

### **Housing Accelerator Program**

There is a backlog of affordable housing developments with HCD awards that are shovel-ready and that are unable to move forward due to funding gaps resulting from the current shortfall of available bond allocations and low-income housing tax credits, especially 4% tax credits. On September 16, 2021, the State announced availability of approximately \$1.6 billion in CHA program funding for eligible projects to help address the state's long-term affordable housing crisis. Funding available under the CHA Program is from the Coronavirus State Fiscal Recovery Fund, established by the Federal American Rescue Plan Act of 2021. The CHA Program's purpose is to enable eligible projects to quickly begin construction and reduce the amount of time and money spent on producing affordable housing with the overarching goal to accelerate development of new affordable housing for those most in need.

### **DISCUSSION**

In response to the CHA Program, EAH Inc. and staff have determined that Pimentel Place meets the eligibility requirements for the CHA Program and could receive up to \$50 million in grant money to cover eligible project costs. A successful application to the CHA Program would provide additional needed project funding to close the funding gap and quickly begin construction. A description of the CHA Program and the assistance it will provide to the project is further described in the following sections.

#### **Description of the Program Eligibility Criteria**

Under the CHA Program, grant funds are available to eligible multifamily housing projects that have already been awarded one or more sources of state funding but need additional funding to complete the project due to the insufficient supply of bonds and tax credits available.

HCD developed a list of projects eligible under the CHA Program, known as the "Multifamily Pipeline Tracker." The program requires that a project must have an existing HCD loan commitment from one or more HCD loan programs and provide evidence that the project will have complete financing and all entitlement approvals necessary to start construction within 180 days of award. Funding is exclusively for eligible costs categorized under the federal low-income housing tax credit program, including, but not limited to, commercial costs and reasonable reserves.

#### **Project Description**

Pimentel Place is located at 2<sup>nd</sup> and C Streets. The site is currently a vacant lot following the demolition of a vacant commercial building in 2019. The project will consist of 57 units of residential apartments with two non-residential spaces, 800 sf and 1600 sq. ft. in size. The

project amenities include on-site laundry facilities, community room, computer learning center, indoor kids' play area, an outdoor roof deck, and an on-site resource coordinator to provide coordination of services related to health, nutrition, education, employment, transit, and other services for residents.

The project will provide approximately 56 units of affordable housing for a term of 55 years. Additionally, the project will provide at least 6% of the units affordable to low- and very low-income households in perpetuity in compliance with the City's Affordable Housing Ordinance. All units, excluding the manager's unit, will serve income eligible households earning a range from \$19,180 to \$109,600 (20% to 80% AMI levels). Attachment III provides the income limits associated with each income category for Alameda County. The project's unit mix includes: 11 one-bedroom apartments; 27 two-bedroom apartments; and 18 three-bedroom apartments; and one on-site manager's unit.

EAH submitted their application on April 8, 2022 without the City's authorizing resolution because HCD just recently determined that the City was required to be joint applicant and party to the standard agreement with HCD and EAH, Inc. In order to meet the application deadline, HCD allowed EAH, Inc. to submit a letter from the City confirming it would request approval of the authorizing resolution following submittal of the application. If this resolution is approved tonight, staff will transmit the authorizing resolution to HCD. Funding awards are anticipated in late June 2022 with funds encumbered through an executed standard agreement no later than June 30, 2024. Provided that the CHA Program application is successful, the project anticipates construction to commence in Summer 2023.

### **ECONOMIC IMPACT**

The proposed affordable units support housing stability and will reduce the cost burden for very low- and low-income Hayward residents for a minimum of 55 years.

### **FISCAL IMPACT**

There is no fiscal impact associated with this agenda item. If awarded, the grant funds will reimburse costs directly to the EAH, Inc. While the City will be party to the standard agreement with HCD, EAH, Inc. will cover the costs associated with the development of both projects and will be reimbursed directly. All financing documents with respect to the issuance of the grant funds will contain clear disclaimers that the CHA funds are not obligations of the City or the State of California, but are to be paid for solely by EAH, Inc. Staff has requested authority to receive the grant award to conform with the template resolution provided by the State but does not anticipate the need to receive the grant funds since the City will not be paying for the project costs.

### **STRATEGIC ROADMAP**

This agenda item supports the Strategic Priority of Preserve, Protect & Produce Housing. Specifically, this item supports the implementation of the following project(s):

Project 8, Part 8b: Apply for state housing funding to support strategic partnerships and Council Priorities.

## **PUBLIC CONTACT**

In accordance with entitlement requirements, notices for this project were sent out to all property owners within a 300-foot radius of the project site. Additionally, as a requirement of the 2018 NOFA, EAH, Inc. held public outreach meetings to introduce the organization and the proposed project to the community, and to solicit input from the community.

## **NEXT STEPS**

If authorized, staff will transmit the authorizing resolution to HCD. If awarded grants, staff will coordinate with EAH, Inc. to draft and enter into a standard agreement and all other necessary documents for the disbursement of funds.

*Prepared by:* Jane Kim, Housing Development Specialist

*Recommended by:* Christina Morales, Housing Division Manager  
Jennifer Ott, Assistant City Manager

Approved by:



---

Kelly McAdoo, City Manager