



DATE: November 13, 2018

TO: Hayward Housing Authority Board

FROM: Hayward Housing Authority Executive Director

SUBJECT: Amendment of the Disposition, Development, and Loan Agreement with Habitat for Humanity East Bay to Extend the Development Schedule

RECOMMENDATION

That the Housing Authority Board adopts a resolution to amend the Disposition, Development, and Loan Agreement with Habitat for Humanity East Bay/Silicon Valley, Inc. for the disposition of certain real property located at 123-197 A Street to extend the development schedule.

SUMMARY

The Housing Authority entered into a Disposition, Development, and Loan Agreement (DDLA) with Habitat in 2014 for the development of 123-197 A street, also known as Sequoia Grove. However, delays caused by the dissolution of the Redevelopment Agency and site contamination have created a funding gap that has prevented the development of the project. Completion of the project was anticipated in January 2018, which means Habitat no longer has site control. Habitat intends to apply for Measure A1 bond funds to fund the project. To be eligible to apply, Habitat will have to demonstrate site control. Habitat has requested a four-year extension of the DDLA to document site control to apply for Measure A1 bond funds and to have sufficient time to complete the project.

BACKGROUND

In June of 2009, the former City of Hayward Redevelopment Agency (RDA) used Low and Moderate-Income Housing funds to acquire a 0.7-acre parcel of land located at 123-197 A Street from the City for the sum of \$705,000 to develop affordable housing.

On July 26, 2011, Council authorized staff to negotiate a Disposition and Development Agreement (DDA) with Habitat for Humanity to develop 10 for-sale housing units for low-income purchasers and to submit an application to the State Department of Housing and Community Development for funding under the Building Equity and Growth in Neighborhoods ("BEGIN").

As a result of the dissolution of the Redevelopment Agency, the Housing Authority was unable to enter into a DDA with Habitat for Humanity until the site was determined by the State's Department of Finance to be a housing asset. On June 24, 2014, the Housing Authority approved a \$600,000 loan of Authority funds for the project and approved a form of DDLA. On the same date, the City Council approved the DDLA because Section 33433 requires Council approval of the sale of property acquired with Agency funds and the site was acquired with former Redevelopment Agency funds.

While performing the environmental review of the site, Habitat identified contaminants. Delays related to the need to mitigate contaminants and the dissolution of the redevelopment agency increased project costs. These delays also caused the project to lose both the CALHOME and BEGIN funding due to the project's inability to meet expenditure deadlines.

DISCUSSION

Habitat has been diligent in pursuing the development of this project. The project was entitled on February 3, 2015 and Habitat will be ready to pull its site development and building permits after they secure the project financing and ownership is transferred from the Housing Authority to Habitat. The site is currently vacant and adjacent to a single-family residential neighborhood. Habitat intends to develop 10 two-story townhomes on the site. The project is comprised of two pairs of duplex units and three sets of triplex units on an oddly shaped parcel. The townhomes are well-designed, with high-quality architectural features that are consistent with the neighborhood character. The units will consist of three- and four-bedroom units intended for larger households. The two-story buildings will act as a buffer between A Street and the neighboring, existing single-family homes. The development will feature a common area with open space, a community garden area, a gathering area with benches, and surface parking spaces. This project will take a vacant parcel of land in the City and convert it into vibrant for-sale affordable housing that will contribute to the surrounding community.

The project has identified a funding source to cover the cost of mitigating the site contamination and the loss of the CalHome and BEGIN funding. Habitat will apply for Measure A1 Bond funds for the balance of the funds needed to complete the project. In order to apply for Measure A1 bond funds, the project must demonstrate site control. The DDLA anticipated project completion by January 15, 2018. In order to qualify for Measure A1 funds, the DDLA will need to be extended to demonstrate site control. Additionally, in order to complete the project, the extended DDLA will need to provide enough time to not only secure a financing commitment of Measure A1 bond funds but also complete requirements to transfer ownership of the property, secure financing to complete remediation, complete the remediation of the site, and complete construction of the property. The County has indicated that the request for proposal (RFP) for homeownership development will be released between December 2018 and June 2019. Habitat has requested a four-year extension of the DDLA to complete the project.

Staff recommends extending the DDLA for four years to enable Habitat for Humanity to compete for Measure A1 bond funds and complete a project that will provide opportunities for low income households to secure long-term stable housing.

ECONOMIC IMPACT

The project would contribute to the character and revitalization of the neighborhood by redeveloping a vacant infill site allowing for the development of 10 ownership homes available to low-income, first-time homebuyers. Residential development of higher densities (e.g., small lot, single-family homes) will generate higher overall land value than older traditional large lot detached single-family developments typical of this neighborhood.

Social research indicates that access to affordable housing can improve educational outcomes, increase health and wellbeing, boost economic activity, and lower the costs for state and local governments to provide emergency housing, mental health crisis services, emergency medical care, and other services to assist the homeless or families and individuals with a housing crisis. Additionally, there are some direct economic benefits of affordable housing including:

Increasing the Buying Power of Residents

Approximately 57% of Hayward renters are cost burdened by their rent. In other words, they spend over 30% of their household income on rent. Affordable housing increases the disposable income available to low income households. Many low-income households must make difficult trade-offs to meet their basic needs.¹ The increase in disposable income for low-income residents provides them with additional resources to spend on other basic needs such as food and clothing, which benefits local business.¹ Additionally, as the homebuyers' incomes increase, affordable home ownership will provide the homeowners stable housing costs that will further increase their disposable income to either spend on basic needs or invest in their future.

Improving Worker and Employer Attraction and Retention

Lack of affordable housing makes recruitment and retention of employees costlier to local employers.¹ Table 5 provides 2017 wages for a sampling of occupations in the Oakland-Hayward-Berkeley Metropolitan Area from the 2017 Employment and Wages from Occupational Employment Statistics (OES) survey conducted by the Bureau of Labor and Statistics. The lack of affordable housing could impact employment in industries that employ lower-income workers. Affordable ownership units provide long-term stable affordable housing that is likely to support employee retention.

¹ Enterprise. (2014). *Impacts of Affordable Housing on Families and Communities*. Retrieved from <https://www.enterprisecommunity.org/resources/impact-affordable-housing-families-and-communities-review-evidence-base-13210>

TABLE 5. 2017 WAGES BY OCCUPATION FOR OAKLAND-HAYWARD BERKELEY METROPOLITAN AREA AND IN RELATION TO INCOME LEVELS

OCCUPATION	ANNUAL MEAN WAGE	INCOME LEVEL 4-PERSON HOUSEHOLD
Sales and Related Occupations	\$47,360	Very-Low income
Community and Social Services	\$57,870	Very-Low income
Installation, Maintenance, and Repair Occupations	\$58,820	Very-Low income
Education, Training and Library	\$62,125	Very-low Income
Construction and Extraction	\$68,180	Low Income
Business and Financial Operations Occupations	\$89,530	Low Income

Fiscal Impacts for Local Governments

A report by the California Legislative Analyst’s Office determined that there is limited fiscal incentive to approve housing because compared to commercial development, housing development creates increased demands for public services and infrastructure while tax revenue is insufficient to cover the costs.² While there is concern that affordable housing produces insufficient tax revenue to support the demands for City services, it will cover its costs for all fee based and usage services such as planning, permit, and utility fees. Also, because affordable housing provides safe, stable housing, it may reduce the need for emergency services arising from unsafe living conditions. Studies have indicated that safe, stable, and affordable housing improves certain health and education outcomes³. While affordable housing may not produce substantial tax revenue relative to commercial development or other housing, considering the benefits of employee retention, increased buying power, and the social benefits of stabilizing housing for Hayward residents, it provides other economic benefits and social benefits that will improve the quality of life for Hayward residents.

FISCAL IMPACT

There is no fiscal impact associated with this agenda item.

STRATEGIC INITIATIVES

Supporting the development of affordable housing supports the Complete Communities strategic initiative. The purpose of the Complete Communities initiative is to create and support structures, services, and amenities to provide inclusive and equitable access with the

² Legislative Analyst's Office. (2015). *California's High Housing Costs: Causes and Consequences*. Retrieved from <https://lao.ca.gov/reports/2015/finance/housing-costs/housing-costs.pdf>

³ Enterprise. (2014). *Impacts of Affordable Housing on Families and Communities*. Retrieved from <https://www.enterprisecommunity.org/resources/impact-affordable-housing-families-and-communities-review-evidence-base-13210>

goal of becoming a thriving and promising place to live, work, and play for all. This item supports the following goal and objectives:

Goal 2: Provide a mix of housing stock for all Hayward residents and community members, including the expansion of affordable housing opportunities and resources.

Objective 1: Centralize and expand housing services.

Objective 2: Facilitate the development of diverse housing types that serve the needs of all populations.

Objective 4: Increase the supply of affordable, safe and resilient housing in Hayward.

SUSTAINABILITY FEATURES

Habitat will incorporate green building materials and techniques in its construction practices above what is required by building code, so each home will be energy efficient and will provide a healthy environment for its residents. Green elements will include photovoltaic solar panels, radiant-barrier roof sheathing, double-pane, low-e windows, raised heel trusses, and recycling or reuse of more than 90% of construction waste. All of the landscaped areas will have drought tolerant and/or native landscaping. Habitat intends to get the homes certified as sustainable through Build-It-Green's Green Point Rated Program.

PUBLIC CONTACT

On June 18, 2012, staff and Habitat for Humanity held a community meeting to present the Project proposal and Habitat's qualifications to the Burbank Neighborhood Forum. The proposal was well received by the attendees who were thankful with City and Habitat staff for the opportunity to comment on a new development in their neighborhood. Two hundred and eighty-eight notices of the 2014 approvals were sent to all property owners and residents within a 300-foot radius of the project site on November 24, 2014 and published in The Daily Review newspaper on January 17, 2015. No comments were received at the time this staff report was completed.

NEXT STEPS

Staff will work with Habitat to update the development schedule based on the anticipated RFP for Measure A1 bond funds for the development of affordable ownership housing and prepare amendments to the DDLA for execution by the Executive Director of the Housing Authority. After Habitat has secured financing for the project and completed other requirements of the DDLA, ownership of the property will be transferred to Habitat for Humanity. Habitat for Humanity will complete the site remediation and proceed with construction of the project. Per the proposed amendments, the project will be completed within four years.

Prepared by: Christina Morales, Housing Division Manager

Recommended by: Jennifer Ott, Deputy City Manager

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', written in a cursive style.

Kelly McAdoo, Executive Director