



**DATE:** October 18, 2022

**TO:** Mayor and City Council

**FROM:** Assistant City Manager

**SUBJECT:** Allocation of Local Housing Trust Funds: (1) Adopt a Resolution Approving Allocation of the California State Department of Housing and Community Development Local Housing Trust Fund Grant Award to Mission Paradise in the Amount of \$1,150,000; and Authorizing the City Manager to Negotiate and Execute Loan Documents Between the City of Hayward and EAH, Inc. in an Amount Not-to-Exceed \$1,150,000 for the Development of Mission Paradise; and (2) Adopt a Resolution Approving Allocation of the California State Department of Housing and Community Development Local Housing Trust Fund Grant Award to Parcel Group 8 Affordable Housing in the Amount of \$2,645,161; and Authorizing the City Manager to Negotiate and Execute Loan Documents between the City of Hayward and Resources for Community Development in an Amount Not-to-Exceed \$2,645,161 for the Development of Parcel Group 8 Affordable Housing

## **RECOMMENDATION**

That the Council holds a public hearing and:

1. Adopts a resolution (Attachment II) to approve the allocation of California State Department of Housing and Community Development (HCD) Local Housing Trust Fund (LHTF) Program grant award to Mission Paradise in the amount of \$1,150,000; and to authorize the City Manager to negotiate and execute loan documents between the City of Hayward and EAH in an amount not-to-exceed \$1,150,000 for the development of Mission Paradise; and
2. Adopts a resolution (Attachment III) to approve the allocation of HCD LHTF Program grant award to Parcel Group 8 Affordable Housing in the amount of \$2,645,161; and to authorize the City Manager to negotiate and execute loan documents between the City of Hayward and Resources for Community Development (RCD) in an amount not-to-exceed \$2,645,161 for the development of Parcel Group 8 Affordable Housing.

## **SUMMARY**

Like many cities in the Bay Area, a rise in Hayward's population absent a corresponding rise in housing units has contributed to soaring home prices and a lack of affordable housing for our most vulnerable populations. Based on Council authority received on July 20, 2021, the City leveraged funds it allocated for EAH's Mission Paradise and RCD's Parcel Group 8 Affordable Housing as matching funds to successfully apply for the 2021 HCD LHTF Program Notice of Funding Availability (NOFA). The City applied for the LHTF intending to fund EAH's Mission Paradise and RCD's Parcel Group 8 because the projects met the funding requirements and the City's existing contributions to the projects made the application highly competitive for the funding award. On December 23, 2021, HCD awarded the City \$3,994,906, to be awarded consistent with the grant application. The purpose of this public hearing is to review and approve the projects proposed for LHTF allocations as required by HCD. Consistent with the funding application and award, the City proposes to allocate the LHTF funds and enter into loan agreements for the following amounts:

1. \$1,150,000 to EAH for the development of Mission Paradise which will provide 75 units of affordable senior housing; and
2. \$2,645,161 to RCD for the development of Parcel Group 8 Affordable Housing to provide 105 units of affordable housing.

The balance of the LHTF funds in the amount of \$199,745 will be utilized to cover the City's cost of administering the program.

## **BACKGROUND**

The LHTF Program NOFA was released on May 3, 2021, making approximately \$57 million in LHTF Program funding available for the 2021 program year for qualifying affordable housing projects in jurisdictions with new or existing Local Housing Trust Funds. The LHTF Program serves to promote and support affordable housing projects by providing dollar-for-dollar, matching grant funds to eligible LHTFs for construction loans or permanent financing loans to aid in new construction and/or rehabilitation of projects that serve extremely low- to moderate-income households. At a minimum, LHTFs must provide eligible matching funds for every dollar of LHTF program funds (Program Funds) awarded. Additionally, an equal amount of matching funds and Program Funds must be utilized for the same qualifying project. Based on the requirements of the LHTF Program NOFA, EAH's Mission Paradise and RCD's Parcel Group 8 Affordable Housing were identified as two existing affordable rental projects where the City already provided funding that could be leveraged to maximize the competitiveness of the City's LHTF Program application.

## **Projects and City Funds**

On April 30, 2018, the City issued a NOFA for affordable housing development projects. EAH's project, Mission Paradise, was awarded funds under the City's NOFA and on October 2, 2018, the Council approved a \$2.5 million loan to EAH, consisting of \$1.3 million from the Inclusionary Housing Trust Fund and \$1.2 million from Community Development Block Grant (CDBG) and

HOME funds for the development of Mission Paradise. Mission Paradise will provide 76 units of affordable, rental senior housing.

On May 4, 2021, the Council authorized the City Manager to award additional funding of up to \$4.9 million from the City's Inclusionary Housing Trust Fund to four existing affordable housing projects that are near construction, including Mission Paradise and the Parcel Group 8 Affordable Housing project in order to address existing financing gaps and improve competitiveness for State funding. Based on Council authority and to meet the conditions of funding requirements for the LHTF Program, the City allocated an additional \$2.48 million from the Inclusionary Housing Trust Fund to Mission Paradise and \$2 million to the Parcel Group 8 Affordable Housing project.

Additionally, on June 28, 2022, Council authorized the sale of approximately 2.36 acres of real property located at Grove Way and Foothill Boulevard (Parcel Group 8) to RCD for the development of the Parcel Group 8 Affordable Housing for a total purchase price of \$0. The City's dedicated land value increased the City's contribution to the project and improved the City's competitiveness for funding in its LHTF Program application.

Based on Council authority received on July 20, 2021, the City applied to the 2021 LHTF Program NOFA, leveraging the Inclusionary Housing Trust Funds and the value of the donated land for the Mission Paradise and Parcel Group 8 Affordable Housing projects to maximize the competitiveness of the City's application. On December 23, 2021, the City was awarded \$3,994,906 from HCD's Local Housing Trust Fund Program and on September 26, 2022, the City entered into a Standard Agreement with HCD. The awarded LHTF Program funds will help address funding gaps for the identified rental affordable housing projects, providing an additional \$1,550,000 in funding for Mission Paradise and an additional \$2,654,161 in funding for Parcel Group 8 Affordable Housing project with the balance of the funds used by the City to administer the Local Housing Trust Fund Program.

## **DISCUSSION**

By leveraging the Inclusionary Housing Trust Funds and donated land to the Mission Paradise and Parcel Group 8 Affordable Housing projects as matching funds, the City successfully applied to the 2021 LHTF Program NOFA and was awarded \$3,994,906 on December 23, 2021. Local funding provided by the City helps to leverage state funds such as the LHTF so that developers can secure the financing needed to begin construction. These affordable housing projects will help to fill the housing supply gap which has caused housing instability for many residents and help the City comply with its Regional Housing Needs Allocation (RHNA) compliance goals. Both projects are more fully described below.

### **Project Descriptions**

Mission Paradise. Mission Paradise is a proposed 76-unit residential apartment building located at Mission Boulevard and Webster and Hancock Streets. Currently, the site is a vacant lot. The project will provide approximately 76 units of affordable housing to low-income seniors, age 62 and older.

All units, excluding the manager's unit, will serve income eligible households from 20% to 80% AMI levels. The project's unit mix includes: 65 one-bedroom apartments; 10 two-bedroom apartments; and one on-site manager's unit. Additionally, the project amenities will include on-site laundry facilities, community room, computer learning center, an outdoor roof deck, and exercise area and an on-site resource coordinator to provide coordination of services related to health, nutrition, education, employment, transit, and other services for residents.

Mission Paradise has secured all other financing and is anticipated to start construction in November 2022.

Parcel Group 8 Affordable Housing Project. Parcel Group 8 Affordable Housing is located at Grove Way and Foothill Blvd. The project will provide approximately 94 units of new affordable housing units and rehabilitate and convert 11 units of existing housing to affordable housing. All units, excluding the manager's unit, will serve income eligible households from 20% AMI to 60% AMI. The project's unit mix includes: 44 studio apartments, 22 one-bedroom apartments; 28 two-bedroom apartments; 10 three-bedroom apartments; and one on-site manager's unit.

The project amenities include approximately 10,000 square feet of common open space, including a play area for families, passive open space and preservation of existing camphor trees within the courtyard; a community room; shared laundry; secure bike parking; and resident services. RCD offers free, voluntary support services to all residents to assist with housing retention, economic stability, health and wellness, and community development. RCD also contracts with service providers to provide additional, tailored support to formerly homeless households.

Parcel Group 8 Affordable Housing is applying for state funding in 2023 and has a construction start target of 2024.

### **LHTF Program Eligibility Criteria and Leveraging City Dollars**

The LHTF Program is available to new and existing LHTFs organized, funded, and operated prior to the May 3, 2021 NOFA release date. Under the LHTF Program, grant funds can be used to provide construction or permanent loans for costs related to predevelopment, acquisition, construction, and rehabilitation of eligible projects.

#### *Deeper Income Targeting*

At least 30 percent of Program Funds and matching funds must be used on eligible projects that are affordable to, and restricted for, Extremely Low-Income Households with household income of no more than 30% of Area Median Income (AMI). No more than 20 percent of Program Funds and matching funds can be expended on eligible projects that are affordable to, and restricted for, Moderate-Income Households with household income of no more than 120% AMI. The remaining Program Funds and matching funds must be used for eligible projects that are affordable to, and restricted for, Low-Income Households with household income of no more than 80% AMI. The AMI targets of both Mission Paradise and Parcel Group 8 Affordable

Housing allowed the City's application to qualify under this criteria. **Table 1** provides the income limits associated with each income category for Alameda County.

**Table 1.** 2022 California Department of Housing and Community Development Income Limits<sup>1</sup>

Household Size	1	2	3	4	5
Extremely Low Income 30% AMI	30,000	34,300	38,600	42,850	46,300
Very Low Income 50% AMI	50,000	57,150	64,300	71,400	77,150
Low Income 80% AMI	76,750	87,700	98,650	109,600	118,400
Median Income 100% AMI	99,950	114,250	128,500	142,800	154,200
Moderate Income 120% AMI	119,950	137,100	154,200	171,350	185,050

### *Matching Funds*

At a minimum, cities must provide a dollar of eligible matching funds for every dollar of Program Funds requested. Higher scores are awarded to applications with a higher ratio of City provided matching funds to requested Program Funds (i.e., providing three dollars (\$3) of City matching funds for every one dollar (\$1) of Program Funds requested). Applications also score higher if a higher percentage of matching funds does not come from residential local impact fees. Matching funds must be utilized on a dollar-for-dollar basis for the same eligible project for which Program Funds are used.

Combined, the City is contributing \$11,984,720 of matching funds to the two identified projects which is \$3 for every \$1 the City requested and was awarded in its application (\$3,994,906). Additionally, 52% of the City's matching funds consisted of donated land which counts as a source of funding that does not come from residential local impact fees, significantly increasing the competitiveness of the City's application and contributing to its ultimate success. As a condition of the grant award, the City has to ensure that the developer serves the target populations proposed and that the City awards funds to the projects in the proportional amounts identified in the application.

The City will also provide \$1.2 million in CDBG and HOME funds to Mission Paradise, but funds restricted for housing use by state or federal law (i.e. Home, CDBG, redevelopment agency low- and moderate-income housing fund set-aside) are not eligible as matching funds per the LHTF Program guidelines. Although these funds could not be leveraged in the LHTF application, these funds still play a critical role to help affordable projects leverage other state funds and private investment. In total, these two projects will leverage approximately \$181 million of funds from the City of Hayward.

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

<sup>1</sup> CA HCD: <https://www.hcd.ca.gov/docs/grants-and-funding/inc2k22.pdf>

Local jurisdictions report progress annually on meeting their RHNA goals. **Table 2** demonstrates current progress made toward meeting Hayward’s RHNA goals for the period between 2015-2023 as of the last report year (2021) and estimates potential for compliance by including approved projects and projects pending approval. Permits to construct the units must be issued in order to count toward the City’s RHNA goals.

Mission Paradise and the Parcel Group 8 Affordable Housing Project will add a total of 179 affordable housing units to the City’s housing stock, which would help the City meet over 17% of its RHNA goals for very low-income households and over 6% of its RHNA goal for low-income households. Additionally, both projects 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 2. 2023 RHNA Goal Progress in the City of Hayward**

Income Category	Unit Goal	Reported 2021		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	168	20%	306	36%	10	1%	484	57%	367	43%
<b>Low</b>	480	174	36%	226	46%	1	0%	401	84%	79	16%
<b>Moderate</b>	608	128	21%	66	11%	0	0%	194	32%	414	68%

## ECONOMIC IMPACT

Social research indicates that access to affordable housing can improve education 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 experiencing a housing crisis. The rent for affordable housing is relative to income levels versus market prices which reduces rent burden. This increases available income to pay for other basic needs or save for other financial goals such as furthering education or homeownership. Stabilizing housing costs can be the first step to creating opportunities for personal economic advancement.

## FISCAL IMPACT

There are sufficient funds budgeted in the FY 2023 operating budget to cover the costs associated with the loan fund awards associated with both projects. The City funding referenced in the report has been allocated and encumbered in previous fiscal years. Table 3 summarizes the City funding commitment by project and source. The funds identified below include the matching funds required by HCD.

**Table 3. City Funding Commitment by Project and Funding Source**

Project	CDBG	HOME	Inclusionary Housing Trust Fund	Land <sup>1</sup>	LHTF Program	Total
Mission Paradise	\$800,000	\$415,280	\$3,764,720	\$0	\$1,150,000	\$6,130,000
Parcel Group 8 AH	\$0	\$0	\$2,000,000	\$6,220,000	\$2,645,161	\$10,865,161
<b>Total</b>	<b>\$800,000</b>	<b>\$415,280</b>	<b>\$5,764,720</b>	<b>\$6,220,000</b>	<b>\$3,795,161</b>	<b>\$16,995,161</b>

<sup>1</sup>Based on appraisal report dated July 22, 2021.

If approved, acceptance and appropriation of the LHTF Grant will be allocated specifically to Mission Paradise and the Parcel Group 8 Affordable Housing Project.

Consistent with the grant requirements, the City will establish a new special revenue fund to accept, appropriate, and administer the funds and allocate funds to the identified eligible projects.

## **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**

Staff engaged different community stakeholders through both the displacement study and the Let's House Hayward! Strategic Plan process. Through the displacement study, HR&A Advisors interviewed local developers and service providers to gain a more qualitative understanding of displacement trends and housing needs. Through the Let's House Hayward! planning process, staff and the consultant Homebase held virtual forums and interviews with individuals with lived experience of homelessness, homeless services providers, members of the business community, City staff, and other Hayward residents. Feedback ranged widely and is still being integrated, but initial findings demonstrate that community members broadly favored efforts to prevent displacement and to increase affordable housing development for the City's most vulnerable residents.

Additionally, staff received extensive feedback from current tenants and property owners during the 2018 Residential Rent Stabilization and Tenant Protection Ordinance outreach process. Tenant feedback focused on housing affordability and safety, while landlords and realtors discussed the needs to increase supply of affordable and market rate housing in Hayward.

In accordance with entitlement requirements, notices for Mission Paradise 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 held public outreach meetings to introduce the organization and the proposed project to the community, and to solicit input from the community. Similarly, City staff and RCD held public outreach meetings to introduce the organization and the proposed project to the community, and to solicit input from the community and will continue to work with the community as the development of the project advances.

## **NEXT STEPS**

For Mission Paradise, staff will work with the developer to enter into loan agreements for the City financing and Local Housing Trust Funds, monitor construction and lease-up, and monitor ongoing compliance with the City's affordable housing requirements.

For the Parcel Group 8 Affordable Housing project, the City will support the developer with their funding applications. Once all financing is secured and all other conditions to sell the land are met, the City will transfer ownership to the developer so they can begin construction. Similar to Mission Paradise, City staff will monitor construction and lease-up and monitor ongoing compliance with the City's affordable housing requirements

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