



**DATE:** February 4, 2020

**TO:** Mayor and City Council

**FROM:** Deputy City Manager

**SUBJECT:** Financing of New Affordable Units at Mission Paradise and Pimentel Place: Adopt Resolutions Authorizing the City Manager to Apply as Joint Applicants with EAH Inc for the California State Department of Housing and Community Development (HCD) Infill Infrastructure Grant Program to Support Mission Paradise and Pimentel Place in Amounts Not-to-Exceed \$4 Million and \$6.5 Million Respectively

## **RECOMMENDATION**

That the Council:

1. Adopts a resolution (Attachment II) authorizing the City Manager to apply as a joint applicant with EAH, Inc. for the California State Department of Housing and Community Development (HCD) Infill Infrastructure Grant Program (IIG) in an amount not to exceed \$4 million to support the Mission Paradise infill development for 76 senior affordable housing units, and
2. Adopts a resolution (Attachment III) authorizing the City Manager to apply as a joint applicant with EAH, Inc. for HCD IIG in an amount not to exceed \$6.5 million to support the Pimentel Place infill development for 57 affordable housing units.

## **SUMMARY**

On October 30, 2019, HCD released the IIG Program Notice of Funding Availability (NOFA), which made available approximately \$194 million in funding for qualifying infill projects. City staff and EAH, Inc. have determined that Mission Paradise and Pimentel Place meet the eligibility requirements for the IIG Program and could receive up to \$10.5 million in grant money, collectively, to cover eligible project infrastructure costs. A successful application to HCD's IIG Program would provide additional funding needed to develop both projects. Since some of the eligible project costs are in the public right of way, the City must apply to HCD for IIG funds as a joint applicant with EAH, Inc. Staff recommends that the City, as a joint applicant with EAH, Inc., apply for and utilize the funds to cover the costs associated with the infrastructure improvements required for both projects.

## **BACKGROUND**

On April 30, 2018, the City issued a Notice of Funding Availability (NOFA) for affordable housing development projects. EAH, Inc. submitted proposals for two projects including: 1) Mission Paradise, formerly known as Mission Senior Paradise; and, 2) Pimentel Place, formerly known as Matsya Villas. Both projects were awarded funds under the City's NOFA and have continued to apply for funds from other available sources.

### **Mission Paradise**

On October 2, 2018, the City Council approved a \$2.5 million loan to EAH, Inc. for the development of Mission Paradise, which will provide 76 units of affordable senior housing. Subsequently, the project has been awarded almost \$4.6 million from Alameda County under the Measure A1 Bond Regional Pool.

Currently, EAH, Inc. is in the process of applying for additional federal and state funding sources such as the Low-Income Housing Tax Credit Program (LIHTC) and HCD's Multi-Family Housing Program (MHP) for Mission Paradise. Provided that the remaining funding applications are successful, construction is anticipated to commence in early 2021 with an estimated completion date in 2022.

### **Pimentel Place**

On October 2, 2018, the City 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. Subsequently, the project has been awarded over \$5.3 million from Alameda County under the Measure A1 Bond Regional Pool.

EAH, Inc. is currently in the process of applying to several state and federal funding sources including HCD's MHP, Housing for a Healthy California (HHC), and 4% LIHTC for Pimentel Place. Provided that the remaining funding applications are successful, construction is anticipated to commence in early 2021 with an estimated completion date in 2022.

### **Infrastructure Infill Grant NOFA**

On October 30, 2019, the IIG NOFA was released and made available approximately \$194 million in IIG funding for the 2019 program year for qualifying infill projects and areas. The IIG Program serves to promote and support residential or mixed-use infill development by providing grant assistance, available as gap funding, to aid new construction and rehabilitation of infrastructure. The maximum grant award for eligible infill projects is \$7.5 million to cover eligible infrastructure costs such as construction, rehabilitation, or other physical improvement of parks or open space, transit facilities, streets, and sidewalks. Additionally, there is a \$30 million cap for any eligible infill projects located in large jurisdictions. Alameda County is identified as a large jurisdiction with a population of more

than 250,000 in the current IIG Program NOFA. Applications are due on February 18, 2020 and funding awards are anticipated to be announced in late May 2020 based on the merits of the individual infill projects and areas.

## **DISCUSSION**

In response to the 2019 IIG Program NOFA, EAH, Inc. and staff have determined that Mission Paradise and Pimentel Place meet the eligibility requirements for the IIG Program and could receive up to \$10.5 million in grant money, collectively, to cover eligible project infrastructure costs. A successful application to HCD's IIG Program would provide additional needed project funding. A description of the IIG Program and the assistance it will provide to each of the projects is further described in the following sections.

### **Description of IIG Program Eligibility Criteria**

Under the IIG Program, grant funds are available as gap financing for infrastructure improvements necessary for residential or mixed-use infill development projects. Pursuant to the program guidelines, the project and its surrounding areas must have either been previously developed or be largely surrounded by urban development to be eligible to apply. The project must also demonstrate that IIG Program funds are reasonably necessary for project feasibility and no other source of funding is reasonably available. Eligible uses of the funds include the development or reconstruction of parks or open space, water, sewer or other utility service improvements, streets, roads, parking structures, transit linkages, transit shelters, traffic mitigation features, sidewalks, and streetscape improvements. The application selection criteria include project readiness, affordability, density, proximity and access to transit, parks, employment centers, and consistency with regional plans. Further, the IIG Program requires applications be submitted jointly with the project sponsor and a local jurisdiction when the eligible uses fall within the public right of way.

### **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, for a term of 55 years. Additionally, the project will have to provide at-least 6% of the units affordable to low- and very low-income seniors in perpetuity in compliance with the Affordable Housing Ordinance.

All units, excluding the manager's unit, will serve income eligible households earning a range from \$17,360 to \$79,360 (20% to 80% AMI levels). **Table 3** provides the income limits associated with each income category for Alameda County. The project's unit mix includes: 65 one-bedrooms; 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.

The City and EAH, Inc. would request \$4 million from the IIG Program to cover the following eligible project costs at Mission Paradise:

- Soil treatment/soil preparation;
- Offsite concrete (sidewalk, curb, gutter);
- Onsite concrete (retaining walls, walkways, ramps);
- Wet utilities (sanitary sewer, storm draining, domestic and irrigation water);
- Dry utilities – Joint trench; and,
- PG&E and other utility fees.

Pimentel Place: 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, and 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 have to provide at least 6% of the units affordable to low- and very low-income seniors in perpetuity in compliance with the Affordable Housing Ordinance. All units, excluding the manager's unit, will serve income eligible households earning a range from \$17,360 to \$99,120 (20% to 50% AMI levels). **Table 3** 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.

The City and EAH, Inc. would request \$6.5 million from the IIG Program to cover the following eligible project costs at Pimentel Place:

- Soil treatment;
- Concrete offsite;
- Striping in garage;
- Wet utilities;
- Dry utilities (Joint trench and undergrounding of power lines);
- PG&E connection fees; and,
- Construction of structured parking.

**Table 3 – California Tax Credit Allocation Committee 2019 Maximum Income Levels \***

<b>Income Level</b>	<b>One Person</b>	<b>Two Person</b>	<b>Three Person</b>	<b>Four Person</b>	<b>Five Person</b>	<b>Six Person</b>	<b>Seven Person</b>	<b>Eight Person</b>
100%	\$86,800	\$99,200	\$111,600	\$123,900	\$133,900	\$143,800	\$153,700	\$163,600
80%	\$69,440	\$79,360	\$89,280	\$99,120	\$107,120	\$115,040	\$122,960	\$130,880
70%	\$60,760	\$69,440	\$78,120	\$86,730	\$93,730	\$100,660	\$107,590	\$114,520
60%	\$52,080	\$59,520	\$66,960	\$74,340	\$80,340	\$86,280	\$92,220	\$98,160
55%	\$47,740	\$54,560	\$61,380	\$68,145	\$73,645	\$79,090	\$84,535	\$89,980
50%	\$43,400	\$49,600	\$55,800	\$61,950	\$66,950	\$71,900	\$76,850	\$81,800
45%	\$39,060	\$44,640	\$50,220	\$55,755	\$60,255	\$64,710	\$69,165	\$73,620
40%	\$34,720	\$39,680	\$44,640	\$49,560	\$53,560	\$57,520	\$61,480	\$65,440
35%	\$30,380	\$34,720	\$39,060	\$43,365	\$46,865	\$50,330	\$53,795	\$57,260
30%	\$26,040	\$29,760	\$33,480	\$37,170	\$40,170	\$43,140	\$46,110	\$49,080
20%	\$17,360	\$19,840	\$22,320	\$24,780	\$26,780	\$28,760	\$30,740	\$32,720

Notes: \* For project's that place in service on or after 4/24/19+.

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

Local jurisdictions report progress annually on meeting their RHNA goals. **Table 4** demonstrates progress made toward meeting Hayward’s RHNA goals for the period between 2015-2023 as of the last report year (2018) 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 Pimentel Place will add a total of 131 affordable housing units to the City’s housing stock, which would help the City to meet almost 10% of its RHNA goals for low- and very low-income households. Note, staff has identified affordability levels based on income targeting submitted under the City’s NOFA. However, 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. 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 4 - 2023 RHNA Goal Progress in the City of Hayward**

Income Category	Unit Goal	Reported 2018		Approved		Pending Approval		Estimated Compliance		Estimated Deficiency	
		Units	% of goal	Units	% of goal	Units	% of goal	Units	% of goal	Units	% of goal
Very low	851	40	5%	224	26%	103	12%	444	52%	407	48%
Low	480	19	4%	241	50%	22	5%	314	65%	166	35%
Moderate	608	0	0%	40	7%	21	3%	61	10%	547	90%
Above Moderate	1981	873	44%	2,617	132%	318	16%	3,808	<b>192%</b>	<b>0</b>	<b>N/A</b>

Prior to seeking approval from City Council on February 4, 2020, staff will submit a Grant Review Application to the City’s Grant Administrative Committee for approval as per Section 3.6 - Grant Management Policy of the City Administrative Rules. Departments seeking grant funding opportunities are required to submit a grant application for review and recommendation of approval.

**ECONOMIC IMPACT**

The proposed affordable units support housing stability and will reduce the cost burden for very low- and low-income Hayward residents for 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 payee. 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 IIG grant 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 INITIATIVES**

This agenda item 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 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 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.

## **PUBLIC CONTACT**

In accordance with entitlement requirements, notices of both projects 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, EAH, Inc. will prepare and submit the IIG Program application before the February 18, 2020 deadline. As an IIG Program requirement, if grant funds are awarded, staff will coordinate with EAH, Inc. to draft and enter into a standard agreement and all other necessary documents for the disbursement of funds to implement the infrastructure improvements related to the Projects.

*Prepared by:* Jane Kim, Housing Development Specialist

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

Approved by:



---

Kelly McAdoo, City Manager