



**DATE:** December 19, 2024

**TO:** Housing Policy & Resource Committee

**FROM:** Acting Assistant City Manager

**SUBJECT:** Analysis of the City of Hayward's Competitiveness for State Funding for Affordable Housing Development

### **RECOMMENDATION**

That the Housing Policy & Resource Committee accepts this informational report on an analysis of the City of Hayward's competitiveness for receiving state funding relating to housing development projects.

### **SUMMARY**

This staff report discusses the City of Hayward's strengths and weaknesses related to its ability towards obtaining state funding for the development of affordable housing. Staff have reviewed several grants to identify common themes that would make the City competitive for future state funding opportunities.

Over the last six years, Hayward has supported five affordable housing projects, three of which have struggled to secure state funding. Additionally, the City will need to support additional projects in order to meet its Regional Housing Needs Allocation (RHNA) targets.

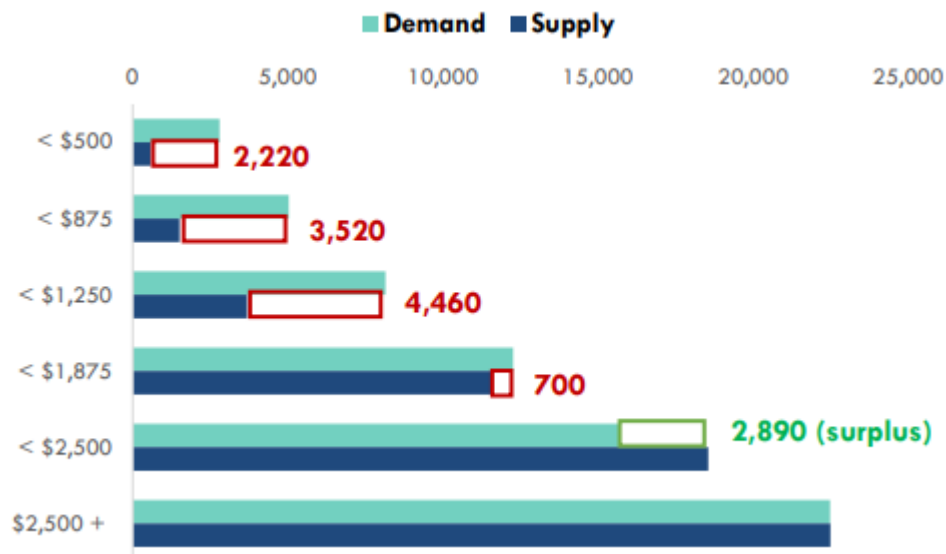
This report has also identified key strengths of the City's current eligibility and competitiveness for state funding, including its Pro-housing Designation, commitment to anti-displacement activities, and a variety of target demographics. However, the City faces several challenges, including limited general funds for housing production, the need for improved Greenhouse Gas (GHG) reduction activities through partnerships with transit agencies, and a decrease in inclusionary housing funds.

In addition, the report outlines several opportunities to enhance competitiveness, including reducing cost containment factors, and forming partnerships with transit agencies. Nonetheless, threats to the City's ability to secure state funding include its marginal rent-savings differential in Alameda County.

## BACKGROUND

The City's displacement study<sup>1</sup>, prepared by HR&A Advisors, draws a picture of low-income households, particularly renters and Black and Hispanic households, who are experiencing intense economic pressure and housing need in Hayward. Study findings demonstrate that those pressures have intensified in the last decade and have already resulted in a loss of low-income Hayward residents. Those who are still living in Hayward are struggling with cost burden, especially Black and Hispanic households, as housing supply does not align with household income. Figure 1 below illustrates the housing supply gap and a need to develop housing with rents below \$1,250 per month which equates to very-low-income housing.

**Figure 1. Hayward Housing Supply Gap (2019)**



Like many other jurisdictions, the City fell short of meeting its Regional Housing Needs Allocation (RHNA) goal for affordable units in the 5<sup>th</sup> Cycle.<sup>2</sup> Table 1 provides RHNA compliance for the 5<sup>th</sup> Cycle by affordability level. Hayward exceeded the requirements for the development of above moderate housing but fell short in meeting the goal for very low-, low- and moderate-income households. However, during this time, the City supported a number of affordable housing project that will be reported early in the 6<sup>th</sup> Cycle. Table 2

<sup>1</sup> City of Hayward Displacement Study:  
<https://www.hayward-ca.gov/sites/default/files/documents/Hayward-Displacement-Study-w-Appendix.pdf>

<sup>2</sup> The Regional Housing Needs Allocation (RHNA) is a state-mandated process that requires Cities to determine the number of units and their affordability within the Cities' Housing Element. For more information on RHNA:  
<https://www.hcd.ca.gov/planning-and-community-development/regional-housing-needs-allocation>

shows 6<sup>th</sup> Cycle compliance to date with only one year reporting. Hayward’s 2023 Housing Element has identified 2,231 remaining RHNA units.<sup>3</sup> While the City did not meet its RHNA allocation requirements during the 5<sup>th</sup> Cycle of the Housing Element (2015-2023), the City had begun its 6<sup>th</sup> Cycle (2023-2031) with units produced in all income categories. However, there is only one more City supported affordable housing project in the development pipeline. To try meeting the City’s RHNA goal, the City will need to incentivize more affordable housing projects that will be competitive for state funding.

**Table 1. 5<sup>th</sup> Cycle RHNA compliance**

<b>INCOME CATEGORY</b>	<b>GOAL</b>	<b>UNITS PERMITTED</b>	<b>PERCENT ATTAINED</b>
Very Low	851	262	30.8%
Low	480	352	73.3%
Moderate	608	347	57.1%
Above Moderate	1981	3876	195.7%

**Table 2. RHNA Compliance at 12.5% of 6<sup>th</sup> Cycle**

<b>INCOME CATEGORY</b>	<b>GOAL</b>	<b>UNITS PERMITTED</b>	<b>PERCENT ATTAINED</b>
Very Low	1075	58	5.4%
Low	617	147	23.8%
Moderate	817	108	13.2%
Above Moderate	2115	329	15.6%

The following section discusses the extent to which Hayward is competitive for state funding related to housing. Staff has outlined strengths, weaknesses, opportunities, and threats related to the City’s ability to obtain funding.

**DISCUSSION**

Staff has reviewed several state grants (e.g., Multifamily Housing Program, National Housing Trust Fund Program, Affordable Housing & Sustainable Communities Program, and Local Housing Trust Fund), identifying common themes for maximizing scoring and competitiveness. For example, most grants require applicants to demonstrate how the grant would benefit the community with respect to a particular group in need. The City has previously done well with demonstrating this benefit. On the other hand, common requirements like matching non-federal funds to development projects have proven challenging for the City. The following Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis showcases how the City competes among different aspects for funding assistance.

## Strengths

*Pro-housing Designation.* The City expects to receive a Pro-housing Designation from the California Department of Housing and Community Development. This designation would enable the City to receive priority processing or funding points when applying for several funding programs, including AHSC, Infill Infrastructure Grant, Transformative Climate Communities, Solutions for Congested Corridors, Local Partnership Program, and Transit and Intercity Rail Capital Program. Achieving the Pro-housing Designation demonstrates that the City is actively pursuing its strategic priority to preserve, protect and produce housing. Furthermore, this designation positions the City to better address statewide housing shortages that the State has tasked local jurisdictions to address.

*Anti-Displacement Activities.* Grants may require Cities, which are often co-applicants for grant funding, to demonstrate how the City enacts anti-displacement activities. Hayward has multiple anti-displacement activities such as the rent dispute resolution process as prescribed in the Residential Rent Stabilization and Tenant Protection Ordinance (RRSO), the Tenant Relocation Assistance Ordinance (TRAO), and funding for eviction prevention services through Centro Legal. These institutional protections demonstrate the City's commitment to prevent displacement. By showcasing these efforts, the City can further demonstrate its commitment to anti-displacement and thus ensure greater housing stability with increased funding for affordable housing.

*Target Demographics.* Hayward has many communities in need (e.g., low-income seniors and families), which state funding intends to benefit. Having many target demographics that the City can cater to opens more opportunities for the City to be eligible for grants.

*Applicant Experience.* Developers, and the City as a co-applicant, have excelled in demonstrating that they have the experience managing a grant and developing projects. This strength may ensure that future development projects will continue to receive the maximum points possible for future grant applications.

## Weaknesses

*Greenhouse Gas (GHG) Reduction Activities.* The City has lost points in a prior application for the AHSC program because it could not demonstrate sufficient GHG reduction activities. Many housing development grant funding opportunities are tied to a community's ability to build housing that simultaneously increases its sustainability activities. Affordable housing projects that are especially successful are located close to transit projects that will reduce GHG emissions, but the availability of land dictates the location of the project.

*Limited Affordable Housing Trust Funds.* Over the last couple of years, payment of affordable housing in-lieu fees has slowed because developments have largely been providing affordable units to comply with the City's Affordable Housing Ordinance. The

City does not have sufficient housing resources to make an affordable housing project competitive for state funding.

*Limited General Funds.* Many of these grants require or strongly recommend that Cities match funds using general funds to remain competitive. The City has operated under a tight general fund budget, so providing an annual allocation of funds may be difficult as the City navigates financially difficult times.

### Opportunities

*Partnerships with Transit Agencies.* Since grant funding may be tied to GHG reductions (e.g., AHSC), transit agency partnerships offer a robust pathway to ensure that the City could satisfy the GHG reduction criteria and earn more points.

*Annual Allocation of Affordable Housing Funds.* The City may allocate a portion of the general funds each year to increase funding for regular affordable housing Notice of Funding Availability. Increasing the City's investment in affordable housing projects allocation would improve competitiveness for state funding and ensure an ongoing pipeline of projects, which will improve the City's ability to meet its RHNA goals.

*Surplus Land.* Like funding commitments, City land donations can improve a projects competitiveness for state funding. The City has the opportunity to prioritize affordable housing on any surplus land it has available.

### Threats

*Rent-Savings Benefit.* Often, tie-breaking features in grants involve rent-savings benefits. Such benefits are the differential between market rent and the rent for affordable housing. In Alameda County, this differential is smaller than other regions due to the high area median income. Furthermore, tiebreakers prioritize rental assistance from Project Based Section 8 Vouchers, which are high in demand. Thus, the small differential and the lack of a sufficient number of Project Based Section 8 vouchers serve as double-penalization during such tie-breaking events for grant funding. Unless addressed at a regional scale (e.g., increase in number of Project Based Section 8 Vouchers from the federal government) and effective rents for affordable housing decrease, this rent-savings benefit may remain a concern.

## **ECONOMIC IMPACT**

This informational report does not propose any substantial legislative changes that would create any new or differing economic impact.

## **STRATEGIC ROADMAP**

This agenda item supports the Strategic Priority of Preserve, Protect & Produce Housing. This item is not specifically related to a project identified in the Strategic Roadmap. Staff is bringing forth this item as an informational item for possible future discussions with the full City Council.

## **FISCAL IMPACT**

This informational report does not propose any changes or additions that would create a fiscal impact on the City's General Fund.

## **PUBLIC CONTACT**

Staff has reached out to several affordable housing developers that worked on funding projects located in the City of Hayward. Staff interviewed a member of the Resources for Community Development team to obtain feedback on criteria that make the City of Hayward competitive and disadvantaged for receiving state funding for housing. No additional stakeholder engagement has been conducted.

## **NEXT STEPS**

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Approved by:



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