



DATE: July 7, 2020

TO: Mayor and City Council

FROM: Deputy City Manager

SUBJECT: Adopt a Resolution Authorizing the City Manager to: (1) Apply for and Enter into a Standard Agreement with the California State Department of Housing and Community Development Local Housing Trust Fund Program for an Amount Not to Exceed \$5 Million to Support EAH's Mission Paradise and Pimentel Place Affordable Housing Projects; (2) Accept and Appropriate Any Awarded Funds in the Amount Not-to-Exceed \$5 Million

RECOMMENDATION

That the Council adopts a resolution (Attachment II) authorizing the City Manager to:

1. Apply for the California State Department of Housing and Community Development (HCD) Local Housing Trust Fund (LHTF) Program in an amount not-to-exceed \$5 million to support Mission Paradise and Pimentel Place; and if the grant funds are awarded,
2. Enter into and execute a Standard Agreement with the California State Department of Housing and Community Development Local Housing Trust Fund Program; and
3. Accept and appropriate any awarded funds in an amount not-to-exceed \$5 million.

SUMMARY

On April 30, 2020, HCD released the LHTF Program Notice of Funding Availability (NOFA), which made available approximately \$57 million in funding for qualifying affordable housing projects in jurisdictions with new or existing Local Housing Trust Funds (LHTF). City staff has determined that EAH's currently proposed Mission Paradise and Pimentel Place affordable housing projects that were awarded City funds in 2018 for a total of 133 units meet the eligibility requirements for the LHTF Program and could receive up to \$3.3 million in grant money, collectively, to cover eligible project costs. As required by the LHTF Program, the City's already \$3.3 million in awarded local trust funds will provide eligible matching funds for EAH's LHTF Program grant applications for these projects. Staff recommends that the City apply to HCD's LHTF Program for the maximum amount of \$5 million to provide flexibility for these and other potential projects. A successful application for the EAH projects will provide additional

funding in the amount of \$1.3 million for Mission Paradise and \$2 million for Pimental Place needed to develop 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., consisting of \$1.3 million from the Inclusionary Housing Trust Fund and \$1.2 million from CDBG and HOME, 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 the Mission Paradise project. Provided that the remaining funding applications are successful, including the LHTF application, construction is anticipated to commence in early 2021 with an estimated completion date in 2022. Only the \$1.3 million in Inclusionary Housing Trust Funds awarded by the City to EAH in 2018 is eligible for matching funds for the State's LHTF grant program.

Pimentel Place

On October 2, 2018, the City Council approved a \$2 million loan from the Inclusionary Housing Trust Fund 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 and over \$4 million from HCD's Infill Infrastructure Grant Program.

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 the Pimentel Place project. Provided that the remaining funding applications are successful, including the LHTF application, construction is anticipated to commence in early 2021 with an estimated completion date in 2022. The entire \$2 million in Inclusionary Housing Trust Funds awarded by the City to EAH in 2018 is eligible for matching funds for the State's LHTF grant program.

Local Housing Trust Fund Program NOFA

On April 30, 2020, the LHTF Program NOFA was released and it made available approximately \$57 million in LHTF Program funding for the 2020 program year for qualifying affordable

housing projects in jurisdictions with new or existing Local Housing Trust Funds (LHTF). 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. LHTFs must provide eligible matching funds for every dollar of LHTF Program grant funds (“Program Funds”). Additionally, an equal amount of matching funds and Program Funds must be utilized for the same qualifying project. The maximum grant award for eligible LHTFs is \$5 million. Applications are due on August 3, 2020 and funding awards are anticipated to be announced in October 2020.

DISCUSSION

In response to the 2020 LHTF Program NOFA, EAH, Inc. and staff have determined that the affordable rental housing developments, Mission Paradise and Pimentel Place, meet the eligibility requirements for the LHTF Program and could receive up to \$3.3 million in grant money, collectively, to cover eligible project costs (i.e., \$1.3 million for Mission Paradise and \$2 million for Pimentel Place based on the City’s awarded Inclusionary Housing Trust Funds). Staff also recommends that the City apply to HCD’s LHTF Program for the maximum amount of \$5 million to provide flexibility for these and other potential projects. A successful application to HCD’s LHTF Program would provide EAH with additional needed project funding. A description of the LHTF Program and the eligible projects are further described in the following sections.

LHTF Program Eligibility Criteria

The LHTF Program is available to new LHTFs organized, funded, and operated no more than 12 months prior to the April 30, 2020 NOFA release date, or an existing LHTF organized, funded and operated more than 12 months prior to the April 30, 2020 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. Cities must provide eligible matching funds for every dollar of Program Funds requested. Matching funds must also be utilized on a dollar-for-dollar basis for the same eligible project for which Program Funds are used. 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. **Table 1** provides the income limits associated with each income category for Alameda County.

Table 1. 2020 California Department of Housing and Community Development Income Limits

| Household Size | 1 | 2 | 3 | 4 | 5 |
|---------------------------------|--------|--------|--------|--------|--------|
| Extremely Low Income 30% AMI | 27,450 | 31,350 | 35,250 | 39,150 | 42,300 |
| Very Low Income | 45,700 | 52,200 | 58,750 | 65,250 | 70,500 |

| | | | | | |
|-----------------------------|---------|---------|---------|---------|---------|
| 50% AMI | | | | | |
| Low Income 80% AMI | 73,100 | 83,550 | 94,000 | 104,400 | 112,800 |
| Median Income 100% AMI | 83,450 | 95,350 | 107,300 | 119,200 | 128,750 |
| Moderate Income 120% AMI | 100,150 | 114,450 | 128,750 | 143,050 | 154,500 |

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-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 has committed nearly \$1.3 million to Mission Paradise from the Inclusionary Housing Trust Fund, which can be used as 100% matching funds for LHTF Program funds.

Pimentel Place. Pimentel Place is located at 2nd 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 sq. ft. 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.

All units, excluding the manager’s unit, will serve income eligible households in the 20% to 60% AMI levels. The project’s unit mix includes: 11 one-bedroom apartments; 27 two-bedroom apartments; 18 three-bedroom apartments; and one on-site manager’s unit.

The City has committed \$2 million to Pimentel Place from the Inclusionary Housing Trust Fund, which can be used as 100% matching fund for LHTF Program funds.

Application Evaluation

The City’s Inclusionary Housing Trust fund qualifies the City as a Local Housing Trust Fund. Providing funding for the construction of Mission Senior and Pimentel places is an eligible use for the LHTF Program funds. The City has already committed the required matching funds for these projects to be eligible for LHTF Program funds. Collectively, the proposed projects meet

the income targeting requirements established by the LHTF Program. **Table 2** summarizes the total funding request and demonstrates compliance with the income targeting requirements. The projects exceed the funding requirements for extremely low-income units by almost 10% and do not exceed the maximum targeting for moderate income units as there are no moderate-income units in the projects. Staff has determined that the City and these two projects meet the requirements to be eligible for LHTF Program funds.

Table 2. Funding Requests and Income Levels Served by Project

| Project | Matching Funds | Program Funds ¹ | Total Funds | ≤ 30% AMI | ≤50% AMI | ≤ 60% AMI | ≤ 80% AMI | Manager Unit | Total Affordable Units |
|-------------------|--------------------|----------------------------|--------------------|--------------|--------------|--------------|--------------|--------------|------------------------|
| Mission Paradise | \$1,284,720 | \$1,284,720 | \$2,569,440 | 36 | 20 | 5 | 14 | 1 | 75 |
| Pimentel Place | \$2,000,000 | \$2,000,000 | \$4,000,000 | 16 | 20 | 20 | 0 | 1 | 56 |
| Total | \$3,284,720 | \$3,284,720 | \$6,569,440 | 52 | 40 | 25 | 14 | 2 | 131 |
| % of Total | 50% | 50% | 100% | 39.7% | 30.5% | 19.1% | 10.7% | N/A | 100% |

¹City will utilize 5% of Program Funds for administrative costs

Housing Element and Regional Housing Needs Allocation Compliance

Local jurisdictions report progress annually on meeting their RHNA goals. **Table 3** demonstrates progress made toward meeting Hayward’s RHNA goals for the period between 2015-2023 as of the last report year (2019) 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 over 10% of its RHNA goals for very low-income households and over 8% 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 3. 2023 RHNA Goal Progress in the City of Hayward

| Income Category | Unit Goal | Reported 2019 | | 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% | 351 | 41% | 61 | 7% | 452 | 53% | 399 | 47% |
| Low | 480 | 39 | 8% | 216 | 45% | 122 | 25% | 377 | 79% | 103 | 21% |

| | | | | | | | | | | | |
|-----------------------|------|------|-----|-------|-----|----|------|-------|------|-----|-----|
| Moderate | 608 | 27 | 4% | 61 | 10% | 0 | 0.0% | 88 | 14% | 520 | 86% |
| Above Moderate | 1981 | 1902 | 96% | 1,755 | 89% | 74 | 4% | 3,731 | 188% | 0 | N/A |

Prior to seeking approval from City Council on July 7, 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.

FISCAL IMPACT

The \$3.3 million LHTF grant application for the EAH projects requires a 100% match of \$3.3 million from the City’s Inclusionary Housing Trust Fund, which was already awarded by Council on October 2, 2018. Acceptance and appropriation of the LHTF grant will be used to support EAH’s Mission Paradise and Pimentel Place affordable housing projects. The funds will be allocated to the City by the State and then the City will allocate the funds to EAH. As a result, there will be no net fiscal impact associated with this agenda item.

Should the City receive the LHTF grant, the City will establish a new special revenue fund, to accept, appropriate, and administer the funds consistent with the grant requirements. Staff recommends that the City apply to HCD’s LHTF Program for the maximum amount of \$5 million to provide flexibility for these and other potential projects. If the City is awarded the full \$5 million grant, staff will return to Council if additional appropriation authority is needed for the additional grant funds.

STRATEGIC ROADMAP

This agenda item supports the Strategic Priority of Preserve, Protect & Produce Housing. Specifically, this item supports the following projects:

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

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, staff will work with EAH, Inc. to prepare and submit the LHTF Program applications before the August 3, 2020 deadline. If grant funds are awarded, the City will enter into a standard agreement and other necessary documents with the Department.

Prepared by: Doris Tang, Management Analyst
Christina Morales, Housing Manager

Recommended by: Jennifer Ott, Deputy City Manager

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', is written over a horizontal line.

Kelly McAdoo, City Manager