



DATE: April 19, 2022

TO: Housing Authority Board /Mayor and City Council

FROM: Housing Authority Executive Director/City Manager

SUBJECT: Adopt Resolutions Authorizing the City Manager/Housing Authority Executive Director to Execute a Second Amendment to the Disposition, Development, and Loan Agreement with Habitat for Humanity East Bay to Extend the Development Schedule for the Property Located at 123-197 A Street (A & Walnut/Sequoia Grove)

RECOMMENDATION

That the Council:

1. Adopts a resolution (Attachment II) authorizing the City Manager to negotiate and execute an Affordable Housing Cooperation Agreement between the City of Hayward and the Housing Authority permitting the Housing Authority to implement a loan in the amount of \$200,000 from the Inclusionary Housing Trust Fund under the existing Disposition, Development, and Loan Agreement.

That the Housing Authority Board:

1. Adopts a resolution (Attachment III) authorizing the Executive Director to negotiate and execute an Affordable Housing Cooperation Agreement between the Housing Authority and the City of Hayward permitting the Housing Authority to implement a loan in the amount of \$200,000 from the Inclusionary Housing Trust Fund under the existing Disposition, Development, and Loan Agreement; and
2. Adopts a resolution (Attachment IV) authorizing the execution of a second amendment to the Disposition, Development, and Loan Agreement for the A & Walnut/Sequoia Grove Habitat for Humanity Housing Development to extend the development schedule and increase the loan amount to \$800,000.

SUMMARY

The Housing Authority entered into a Disposition, Development, and Loan Agreement (DDLA) with Habitat for Humanity (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 created a funding gap that prevented the development of the project. In 2018, the Housing Authority approved an amendment to the DDLA in order for

Habitat to secure Measure A1 bond funds to fill the development gap and extended the anticipated completion date of the project from January 2018 to January 2022. Alameda County still has not issued the Request for Proposal (RFP) for homeownership development funds, which has further inhibited the Sequoia Grove project from obtaining all of the funding needed to implement the project. In 2021, the Council authorized additional funding from the Inclusionary Housing Trust Fund to help existing affordable housing projects in Hayward fill funding gaps and \$200,000 has been earmarked for Sequoia Grove. Even with the City's additional investment as well as other funds secured by Habitat, a financing gap remains. It is anticipated that the County's RFP will be issued this year and Habitat will need to demonstrate site control under the DDLA in order to be eligible. Habitat has requested a three-year extension of the development schedule in 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 then City of Hayward Redevelopment Agency (the "former RDA") used Low and Moderate-Income Housing funds to acquire from the City a 0.7-acre parcel of land located at 123-197 A Street for the sum of \$705,000 for the purpose of developing affordable housing.

Consequently, on July 26, 2011, Council authorized staff to negotiate a Disposition and Development Agreement (DDA) with Habitat 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. Additionally, the Housing Authority had to identify sufficient funds for the project. On June 24, 2014, the Housing Authority approved a \$600,000 loan of Authority funds for the project and approved the form of the DDLA. Also on the same date, the Council approved the DDLA because the site was acquired with former Redevelopment Agency funds, and Health and Safety Code Section 33433 requires Council approval of the sale of property acquired with Agency funds.

While performing the environmental review of the site, as required by the DDLA, Habitat identified contaminants. The mitigation measures required to address the contaminants delayed development and further increased project costs. The delays caused by the dissolution of the Redevelopment Agency and the site contamination also caused the project to lose both CalHome and BEGIN funding due to the project's inability to meet expenditure deadlines.

In 2018, Habitat identified Alameda County Measure A1 bond funds as a funding source to mitigate the funding gap from the additional costs related to the site contamination and the loss of the CalHome and BEGIN funding. In order to be eligible to apply, Habitat needed to show site control, which necessitated an extension of the DDLA to provide time for Habitat to

secure the County funding and complete the project. On November 13, 2018, the Housing Authority approved an amendment extending the term and performance milestones in the DDLA up to four (4) years.

On May 4, 2021, Council approved up to \$4.9 million in funding from the City's Inclusionary Housing Trust Fund to help fill funding gaps for four existing affordable housing projects in Hayward, which included Sequoia Grove. Funds in the Inclusionary Housing Trust Fund come from in-lieu fees paid by housing developers to comply with the Affordable Housing Ordinance. Consistent with the May 4, 2021 staff report, staff have set aside \$200,000 in anticipation that Measure A1 bond funds will provide the project the additional \$2 million needed.

Since the County has not yet released the RFP for Measure A1 bond funds for affordable homeownership development, Habitat needs additional time to fulfil its obligations under the DDLA.

DISCUSSION

Despite unexpected delays and additional project costs, Habitat has been diligent in pursuing fulfilment of its obligations under the DDLA in order to develop 10 units of affordable ownership housing. Habitat has advanced the project since the last extension by securing \$1 million of State funding for Sequoia Grove from the California State Department of Housing and Community Development (HCD) CalHome Program. Due to the limited number of resources available to support the development of ownership housing, Habitat must rely on Measure A1 bond funds to fill the development gap. In order to qualify for Measure A1 funds, the DDLA will need to be extended again to provide enough time for Habitat to secure a financing commitment of Measure A1 bond funds, 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 RFP for homeownership development will be released this year.

The project was entitled on February 3, 2015, and Habitat is ready to pull its site development and building permits after they secure the remaining 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 that has been created in other residential developments throughout the City. 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, affordable for-sale housing that will contribute to the surrounding community.

Staff recommends extending the DDLA to ensure completion of the project by February 28, 2025 and adjusting the development milestones accordingly to ensure fulfillment of conditions to transfer the property by the end of 2022.

In addition to extending the development schedule, in order to implement the \$200,000 loan from the City's Inclusionary Housing Trust funds, staff recommends that the Council and the Housing Authority enter into an Affordable Housing Cooperation Agreement (the "Cooperation Agreement") in order for the Housing Authority to implement the loan funds allocated by the Council under the existing Housing Authority DDLA. The loan amount under the existing agreement would be increased from \$600,000 to \$800,000. The additional \$200,000 will be applied to construction costs and not disbursed to Habitat until the project is under construction.

ECONOMIC IMPACT

The project would contribute to the neighborhood by redeveloping a vacant infill site allowing for the development of ten ownership homes available to low-income first-time homebuyers. Such development would contribute to the character and revitalization of the neighborhood. 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.

FISCAL IMPACT

There are sufficient funds in the Inclusionary Housing Trust Fund to cover the cost of the loan.

STRATEGIC INITIATIVES

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, but Council has expressed support for increasing homeownership opportunities in Hayward. This project would facilitate the development of diverse housing types and increase housing stock for all Hayward residents and community members, including the expansion of affordable housing opportunities.

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 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 expressed their appreciation to 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 prepare an amendment to the DDLA and the Cooperation Agreement. After Habitat has secured financing for the project and completed other requirements of the DDLA, ownership of the property will be transferred to Habitat. Habitat will complete the site remediation and proceed with construction of the project. Per the proposed amendments, the project is anticipated to be completed no later than February 28, 2025.

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Recommended by: Jennifer Ott, Assistant City Manager

Approved by:



Kelly McAdoo, City Manager/Executive Director