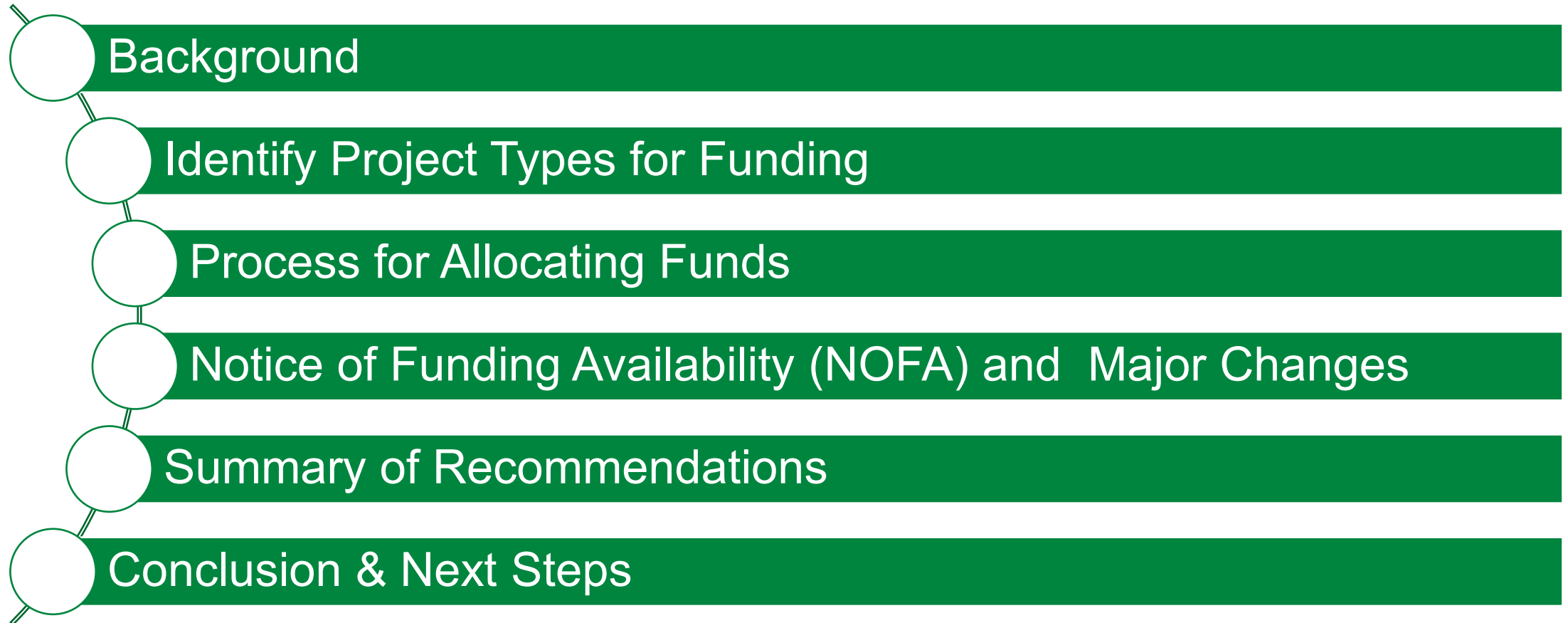


Funding Priorities for Inclusionary Housing Trust Fund

**City of Hayward
Homelessness-Housing Task Force**

**Christina Morales | Housing Division Manager
March 4, 2021**

Overview



Background

Strategic Roadmap

Inclusionary Housing Trust Fund

Current Affordable Housing Pipeline and Funding Needs

Status of Regional Housing Need Allocation Compliance

Hayward Housing Needs

Background

Strategic Road Map

Supports the Strategic Priority of Preserve, Protect, & Produce Housing related to the implementation of the following project:

Project 6, Part 6.a: Hold a work session on establishing funding priorities for Affordable Housing Trust including the potential for affordable rental housing, homeownership, co-ops, and shelter opportunities.

Background

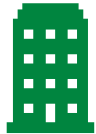
Inclusionary Housing Trust Fund

Established		<ul style="list-style-type: none">• Under the Affordable Housing Ordinance (AHO)
Funded		<ul style="list-style-type: none">• Payment of affordable housing in-lieu fee
Use		<ul style="list-style-type: none">• Increase the <u>supply</u> of affordable housing• Administration (10% of fund)
Project Types		<ul style="list-style-type: none">• New construction• Acquisition of affordability covenants and substantial rehabilitation• Residential facilities (subject to special findings)

Background

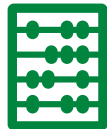
Inclusionary Housing Trust Fund

\$9.7 million collected since 2011



\$4.8 million committed to projects in 2018

3 projects funded building 259 units



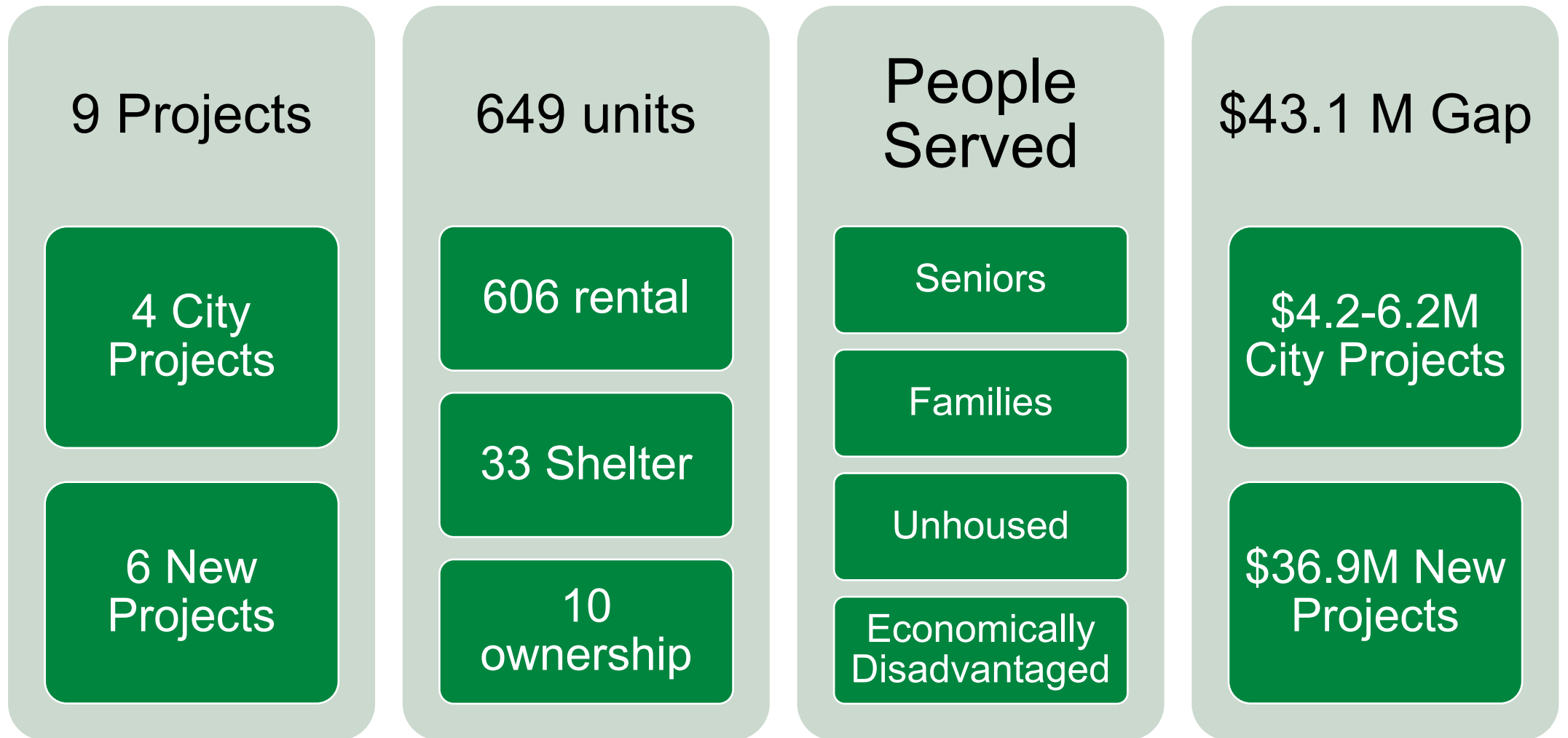
\$4.4 million uncommitted

\$1.6 million invoiced



Background

Affordable Housing Pipeline & Funding Gaps



Background

Affordable Housing Pipeline City Projects with Funding Gaps

Developer	Project	Target Population	Income Targeting	Tenure	No. of Units	Total Dev. Costs	Total City Commit -ment	City Funding Needed
						(in millions)		
RCD	Parcel Group 8 Affordable Housing	Families	Extremely low to low	Rental	99	\$56.7	TBD	\$1-3
Habitat for Humanity	Sequoia Grove	Families	Low to moderate	Ownership	10	\$7.5	Land + \$.63	\$0.2
EAH Inc.	Pimentel Place	Families	Extremely low to low	Rental	57	\$59.9	\$2.2	\$2.0
EAH Inc.	Mission Paradise	Senior	Extremely low to low	Rental	76	\$58.9	\$2.5	\$1.0
Totals					242	\$183.0	\$5.3+	\$6.2

Background

Regional Housing Need Allocation (RHNA) Compliance

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%	229	27%	59	7%	328	39%	523	61%
Low	480	39	8%	183	38%	122	25%	344	72%	136	28%
Moderate	608	27	4%	64	11%	0	0%	91	15%	517	85%

Potential Compliance changes based on the Affordable Housing Pipeline

- Loss of 143 units if approved City projects do not fill financing gap
- 99 unit increase if new City project (Parcel Group 8) is funded
- Non-City projects could add up to 407 units toward compliance if they secure financing

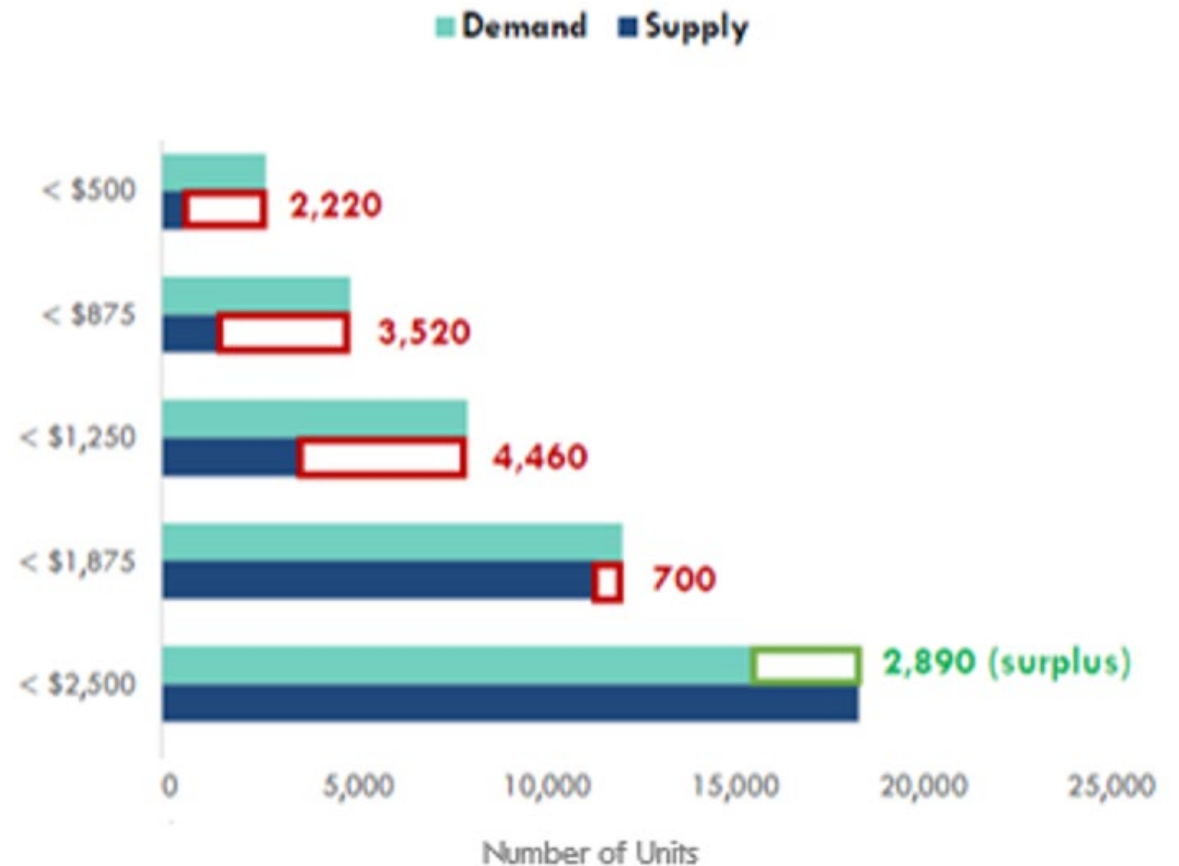
Background

Hayward Housing Need

Displacement Study Preliminary Findings:

- Significant housing supply gap, especially for low-income households
- Rents and homelessness are increasing
- Black and Hispanic renter households experience greater displacement pressure and cost burden

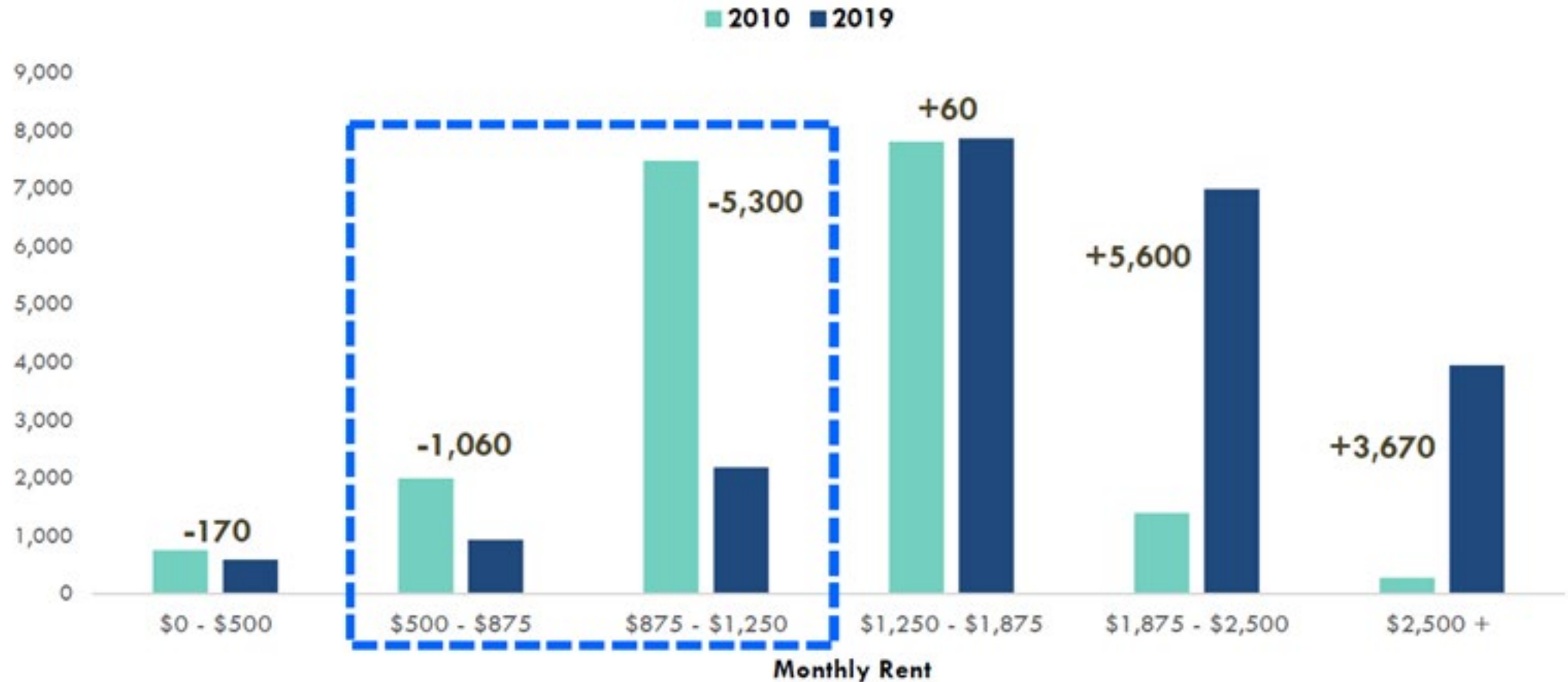
Hayward Housing Supply Gap (2019)



Background

Hayward Housing Need: Fewer Units Available at Lower Rents

Hayward Rental Unit Distribution by Rent Price (2010-2019)

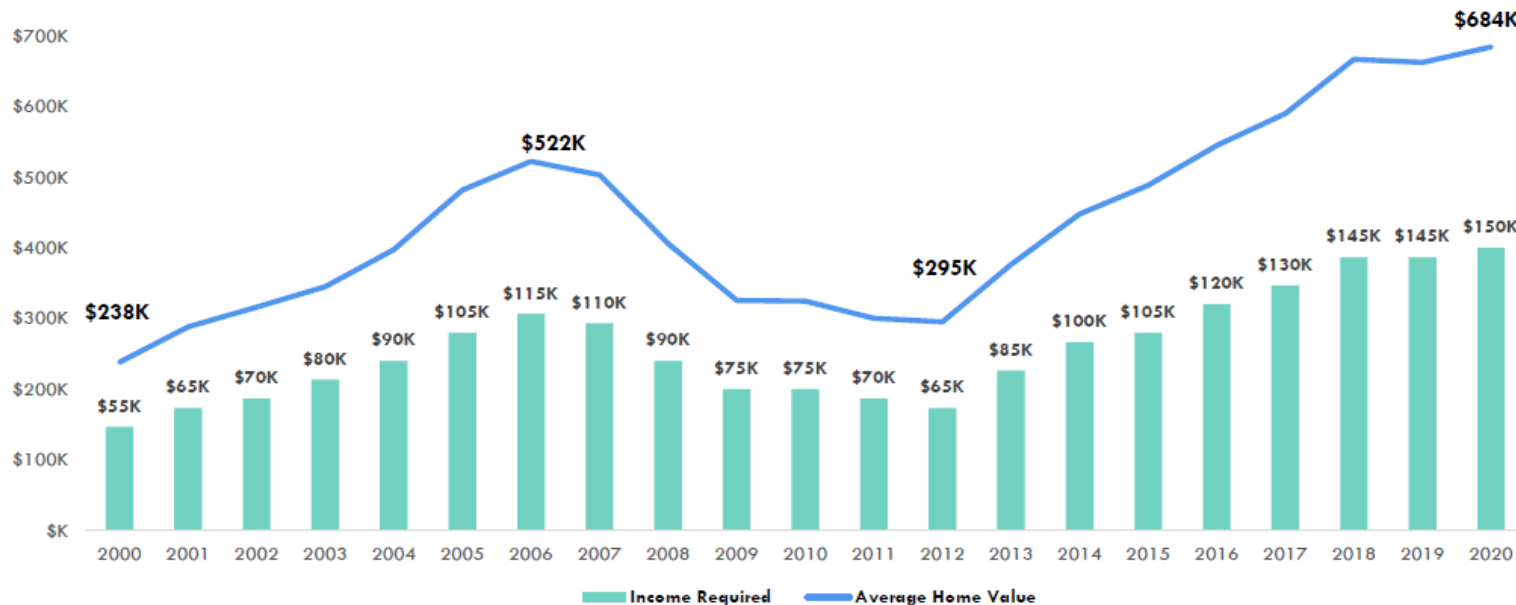


Source: 2010-2019 PUMS 5-Year, 2010-2019 ACS 5-Year

Background

Hayward Housing Need: Homeownership is Inaccessible to Most Lower Income Renters

Income Required to Purchase Median Sales Priced Home



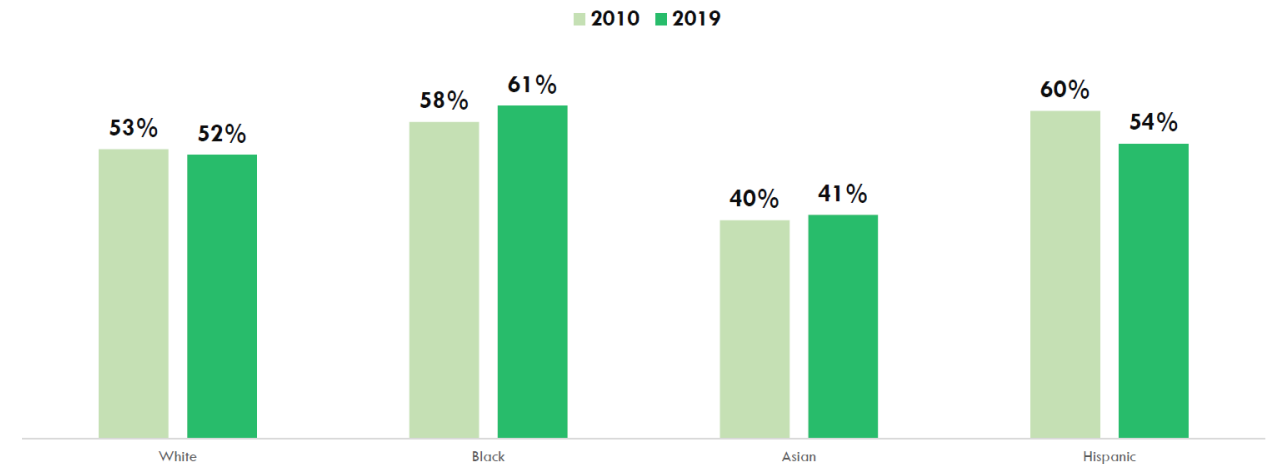
- Homeownership housing would not help renters struggling to stay housed
- 6% of Hayward renters can afford the median sales price home
- 35% of Hayward renters can afford to buy a moderate-income resale restricted home
- The demonstrated need for housing support is at a lower price point and would require large city subsidy, buyer credit capacity, and income sufficient to maintain housing

Background Hayward Housing Need

Racial Equity:

- Black and Hispanic households experience greater cost burden compared to White and Asian households
- Black and Hispanic renters represent a disproportionate share of cost-burdened renters overall
- Black residents are overrepresented among the City's homeless population

Hayward Renter Cost Burden by Race



Source: 2010-2019 PUMS 5-Year, 2010-2019 ACS 5-Year

Background

Summary Hayward Housing Need

- Economic pressure has intensified in the last decade and has already resulted in a loss of low-income Hayward residents
- Those who are still living in Hayward are struggling with cost burden
- Black and Hispanic renter households are disproportionate impacted

Project Types for Funding

Project Types to Fund

Allowable Project Types

- Development of new affordable rental housing
- Development of new affordable ownership housing
- Rehabilitation/conversion of existing housing to affordable housing
- Emergency shelters and transitional housing with special findings

Project Types to Fund

Recommended Project Type: New affordable rental housing

Rationale

- Eligible use of funds
- Increases housing supply
- Helps cost burdened residents
- Can include permanent supportive housing
- Supports Let's House Hayward Strategic Plan
- Helps lower-income Hayward residents pay for basic needs or other financial goals such as education or homeownership
- Lower per unit cost to the City

Project Types to Fund

Not Recommended due to Limited Funding

Affordable ownership housing

- Assists secure housing for higher income residents
- Higher per unit cost to the City
- Existing funds could only support 14-28 units

Rehabilitation/ conversion

- Does not increase the supply of housing
- Can cause displacement
- No units created for RHNA compliance

Shelters/transitional housing

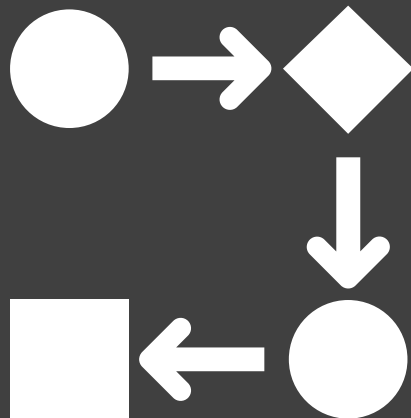
- Need findings that it mitigates the impacts of the development of market rate housing
- Almost \$4 million received by the City for this purpose
- Does not provide permanent housing

Increasing Homeownership Opportunities

- Ability to buy a home starts with housing stability
 - Improve access to rental housing at an affordable price point
 - Improve ability to save
 - Improve ability to build a positive credit history
 - Promotion of homebuyer education and financial counseling
- City applied for CALHOME down payment assistance (Oct 2020)
- 70 affordable ownership units proposed in private development
- Development of 10 units affordable ownership units by a non-profit
- There has been 2,390 ownership units built in the last 10 years
- Explore tax defaulted/foreclosed properties and ECLT partnership

Process for Allocating Funds

Process Options



1. Allocate Available Housing Funds to Current City Projects

- Supports completion of 242 rental units and 10 ownership units
- Per unit cost to the City stays low (Less than \$60K/unit)

2. Establish Affordable Housing Development Pipeline for Anticipated Housing Funds

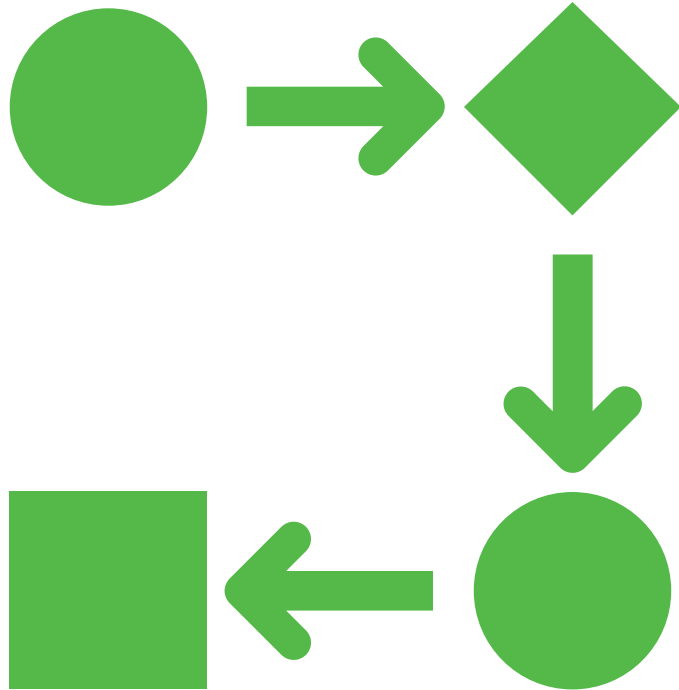
- Issue a NOFA for new projects to identify the projects that meet the City's housing priorities
- Based on the scores, award Housing Funds to projects as the funds become available

3. Require that Current City Projects and New Projects Compete for Available Housing Funds

- Issue a NOFA to award available funds to either
 - City projects (reapply to cover funding gap)
 - New projects

4. Postpone NOFA

- Postpone the NOFA until the City has sufficient funds to address the funding gap of at least one new project (approximately \$7 Million)



Process Recommendation

1. Allocate existing funds to current City projects to usher those projects to construction; and
2. Issue a NOFA to establish an affordable housing pipeline to accelerate the funding process for future projects.

NOFA and Major Changes

Previous NOFA

Required

Units for extremely low-income households

Site control

Community engagement

Establish maximum loan amount

Minimum number of units

Minimum Affordability Targets

Prioritized

Readiness

Leveraging

Location proximate to amenities

Special needs populations

Housing for families

Developer capacity

Sustainability

Innovation

NOFA and Major Changes

- Last NOFA included County Measure A1 funding requirements. Modify requirements to be consistent with City priorities.
- Make community engagement more robust
- Prioritize projects from organizations with Racial Equity Plans

Summary of Recommendations

Summary of Recommendation

Fund New Construction of Affordable Rental Housing

- Increases housing supply at price points with demonstrated need
- Creates housing opportunity for vulnerable residents
- Supports the Let's House Hayward plan to reduce homelessness
- Creates economic stability needed to achieve financial goals such as furthering education or homeownership

Fund Existing City Projects

- Provides 99 more units for low-, very-low, and extremely low-income households
- Moves 143 units closer to construction start
- Ensures that existing projects are counted in current RHNA cycle

Issue NOFA to Establish an Affordable Housing Pipeline

- Produces more units faster
- Accelerates funding process
- Prevents funds from remaining idle
- Increases RHNA compliance
- Reduces staff time and cost to developer responding to multiple NOFA

Conclusion & Next Steps

Next Steps

If the HHTF recommends funding existing City projects:

- Request formal funding requests from developers
- Evaluate requests to ensure they are requesting the minimum amount needed
- Request Council authorization to fund projects

If the HHTF recommends issuing a NOFA to establish a pipeline, staff proposes the following timeline:

Request Authorization from City Council to issue the NOFA	May 2021
Release NOFA	June 2021
Deadline for submissions	August 2021
Complete project feasibility analysis & ranking	September - October 2021
Prepare Pipeline Recommendation Report	November 2021
Return to City Council for funding approvals	December 2021

Questions and Discussion

