



DATE: June 14, 2018

TO: Planning Commission

FROM: Housing Division Manager

RECOMMENDATION

That the Planning Commission reviews the informational report regarding strategies to encourage the development of affordable housing in the City of Hayward.

SUMMARY

This report provides information regarding strategies that are being implemented to encourage the development of affordable housing in the City of Hayward.

BACKGROUND

On January 31, 2017, the City Council convened a work session to review housing affordability strategies and resources in Hayward and Alameda County. At that meeting, the Council explored four major areas in depth and directed staff to pursue five specific strategies for further Council review and potential implementation. Two of the strategies encourage the development of affordable housing which is the topic of this report. These strategies include:

1. Update and Revise the Affordable Housing Ordinance
2. Issue a Notice of Funding Availability or a Request for Proposal for Affordable Rental Housing Development Projects

On November 7, 2017, concurrent with the introduction of the Ordinance amending the Hayward Municipal Code regarding the affordable housing requirements, Council adopted a resolution increasing the affordable housing in-lieu fees. On November 28, 2017, Council adopted an Ordinance amending Hayward Municipal Code regarding the affordable housing requirements.

On December 12, 2017, after the Alameda County Board of Supervisors approved the rental housing development policies, Council held a work session to provide preliminary direction regarding how to identify affordable rental housing projects for funding under Alameda County's Measure A1 Bond. On March 20, 2018, Council approved criteria to select projects through a Notice of Funding Availability (NOFA).

DISCUSSION

Based on Council action, the City is implementing two mechanisms to develop affordable housing. First, the Affordable Housing Ordinance requires developers to consider affordable housing as part of their project through on-site or off-site development. As an alternative, the

developer could pay an impact fee which will be used to support the development of affordable housing. Second, the NOFA creates a mechanism to encourage and identify affordable housing projects. The NOFA is used to award affordable housing development funds including impact fees, Hayward Housing Authority Funds, and HOME investment partnership funds. The affordable housing requirements including the new affordable housing impact fee, and the NOFA are discussed in greater detail below.

Affordable Housing Ordinance

Based on the new requirements adopted on November 28, 2017, all residential development projects consisting of two or more dwelling units are subject to the Affordable Housing Ordinance No. 17-20. At the time of an application for a residential project is submitted, the Applicant is required to specify how the requirements of the ordinance are being met. Options for complying with the Affordable Housing Ordinance include:

- Pay an affordable housing in-lieu fee; or
- Include on-site units; or
- Construct affordable units off-site contingent on City approval; or
- Propose additional alternatives contingent on City approval; or
- In an ownership residential project, provide rental affordable units consistent with requirements for rental housing.

Under the Ordinance, on-site affordable units must be occupancy restriction in perpetuity. However, the requirements for on-site units for rental housing are different for ownership housing. Rental projects that provide on-site affordable units must restrict six percent of the total units as affordable. One-half of the units must be made affordable to low-income households while the other half must be made affordable to very low-income households. Ownership projects restrict units based on the density. High density condominium projects (35 units per square acre) will be required to restrict 7.5 percent of the units while lower density projects will be required to restrict 10 percent of the units. Units must be restricted to moderate or lower-income households.

Unless the applicant proposes to pay affordable housing in-lieu fees, the applicant shall submit an Affordable Housing Plan (AHP) as part of the application for a residential development.

In-lieu Fees

Council action on November 7, 2017, substantially increased affordable housing in-lieu fees. Projects deemed complete after December 20, 2017 will be required to pay the following in-lieu fee:

- High-Density Condominiums (35 units per acre or more)-\$15.00/sf habitable space
- All other Dwellings Unit Types-\$18.18/sf of habitable space

Projects consisting of less than 10 units will pay reduced fee ranging from 50 percent of the fee to 89 percent of the fee based on the number of project units. Fees paid at occupancy increase 10 percent. Previously, fees ranged from \$3.63-4.61 per habitable square foot depending on project type.

Notice of Funding Availability for the Development of Affordable Housing

The NOFA was released on April 30, 2018 and applications are due on June 29, 2018. The purpose of the NOFA is to ensure that the award of local housing funds are: (1) based on the City's priorities; (2) made to affordable housing developers in an amount necessary to make the projects feasible; and (3) leverage and maximize Alameda County Measure A1 bond funds, including Hayward's base allocation and the Mid County Regional Pool.

Eligible activities under the NOFA will include new construction of rental, supportive, or transitional affordable housing. Projects must meet basic standards income targeting (20% of the units at 20% Area Median Income (AMI) per Measure A1 program requirements), site control, and other requirements. The NOFA also sets forth criteria by which projects will be scored and ranked, including project readiness, percentage of leveraged funds, location attributes, income targeting, targeting to households with special needs or who are homeless, developer experience, project energy efficiency measures and innovation. Lastly, the NOFA discloses the City's financing guidelines, loan terms, applicable state and federal requirements, and other City requirements. After review and ranking of projects submitted under the NOFA, staff will return with funding recommendations for Council approval.

NEXT STEPS

Staff anticipates returning to City Council for approval of funding recommendations for affordable housing developments in September 2018. Based on Hayward's local commitment to the project, developers will secure additional governmental subsidies and private financing. Once all the financing is secured, the city will close its loan concurrent with other lenders. The project will begin construction after permits have been approved.

The new affordable housing impact fee will likely provide funding for future NOFAs, unless staff is directed by Council to engage in another method to award affordable housing funds.

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