



DATE: July 20, 2021

TO: Mayor and City Council

FROM: Assistant City Manager

SUBJECT: Adopt a Resolution Authorizing the City Manager to: (1) Submit an Application to the California State Department of Housing and Community Development for an Amount Not-to-Exceed \$5 Million; (2) Execute a Standard Agreement and Any Subsequent Amendments, Modifications, or Documents Thereto; (3) Accept and Appropriate Awarded Funds in the Amount Not-to-Exceed \$5 Million; and (4) Allocate Funds, if Awarded, to EAH's Mission Paradise and Resource for Community Development's Parcel Group 8 Affordable Housing Projects

RECOMMENDATION

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

1. Submit an application to the State of California Department of Housing and Community Development (HCD) for an amount not-to-exceed \$5 million to support Mission Paradise and Parcel Group 8 Affordable Housing projects under the Local Housing Trust Fund (LHTF) Program; and if the grant funds are awarded;
2. Execute a Standard Agreement and any subsequent amendments, modifications, or documents necessary to participate in the HCD LHTF Program;
3. Accept and appropriate any awarded funds in an amount not-to-exceed \$5 million; and
4. Allocate funds, if awarded, to EAH's Mission Paradise and Resource for Community Development's (RCD) Parcel Group 8 Affordable Housing projects.

SUMMARY

Like many cities in the Bay Area, a rise in Hayward's population absent a corresponding rise in housing units has contributed to soaring home prices and a lack of affordable housing for our most vulnerable populations. On May 3, 2021, 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 a new or existing Local Housing Trust Fund. A successful application would provide needed funding to help meet financing gaps for affordable housing projects in the City that are close to construction and increase the City's

progress towards meeting its Regional Housing Needs Allocation (RHNA) compliance goals. City staff has determined that EAH's Mission Paradise and RCD's Parcel Group 8 Affordable Housing projects meet the eligibility requirements for the LHTF Program.

Staff is requesting Council authority to apply for the maximum grant amount of \$5 million, although anticipates that the application may be submitted for a lower amount to increase feasibility and competitiveness.

BACKGROUND

The LHTF Program NOFA was released on May 3, 2021, making approximately \$57 million in LHTF Program funding available for the 2021 program year for qualifying affordable housing projects in jurisdictions with new or existing Local Housing Trust Funds. 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. At a minimum, LHTFs must provide eligible matching funds for every dollar of LHTF program funds ("Program Funds") awarded. 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, 2021 and funding awards are anticipated to be announced in October 2021.

City staff has determined that EAH's Mission Paradise and RCD's Parcel Group 8 Affordable Housing projects meet the eligibility requirements for the LHTF Program and will be competitive for funding.

Projects and City Funding

On April 30, 2018, the City issued a NOFA for affordable housing development projects. EAH's project, Mission Paradise, was awarded funds under the City's NOFA and on October 2, 2018, the Council approved a \$2.5 million loan to EAH, consisting of \$1.3 million from the Inclusionary Housing Trust Fund and \$1.2 million from Community Development Block Grant and HOME funds for the development of Mission Paradise. Mission Paradise will provide 76 units of affordable, rental senior housing.

On May 4, 2021, the Council authorized the City Manager to award additional funding of up to \$4.9 million from the City's Inclusionary Housing Trust Fund to four existing affordable housing projects that are near construction, including Mission Paradise and the Parcel Group 8 Affordable Housing project in order to address existing financing gaps and improve competitiveness for state funding. Based on Council authority, staff plans to allocate funds not-to-exceed the amounts in Attachment A, up to \$2.48 million in additional funding from the Inclusionary Housing Trust Fund to Mission Paradise and up to \$2 million to Parcel Group 8 Affordable Housing, to increase the competitiveness for these projects in the LHTF application process.

Additionally, the City owns approximately 2.36 acres of real property located at Grove Way and Foothill Boulevard (Parcel Group 8) on which the affordable housing development Parcel Group 8 Affordable Housing project will be built by RCD. The City is also donating the land to the project. The land value will increase the City's contribution to the project and improve the City's competitiveness for funding. The value is estimated to be between \$4 million and \$6 million and will be determined prior to completing the application. The Parcel Group 8 Affordable Housing project will provide 94 new affordable housing units and will convert 11 units of existing housing to affordable, rental multifamily housing.

Funds from the Inclusionary Housing Trust Fund and the value of the donated land can be used as 100% matching funds in the LHTF application.

Non-City Funding

In addition to City funding, both projects continue to apply for funds from other available sources.

Mission Paradise has been awarded almost \$4.6 million from Alameda County under the Measure A1 Bond Regional Pool. Additionally, the project has been awarded \$13.5 million and \$2.34 million respectively from HCD's Multifamily Housing Program (MHP) and No Place Like Home (NPLH) Programs.

Parcel Group 8 Affordable Housing has \$28 million in private funds committed to the project. RCD plans to apply for funding from Alameda County and state funding sources including HCD's Affordable Housing Sustainable Communities Program (AHSC), No Place Like Home Program (NPLH) and Infill Infrastructure Grant (IIG) Program in 2022.

Although the developers have been applying to other available funding sources, competition for available funding for affordable housing development remains high and closing the financing gap to bring affordable housing projects from concept to construction is a challenge. A successful application would provide needed funding to help meet financing gaps for the Mission Paradise and Parcel Group 8 Affordable Housing projects as well as help the City meet its RHNA compliance goals, creating more affordable housing for Hayward's most vulnerable.

DISCUSSION

In response to the 2021 LHTF Program NOFA, staff have determined that the affordable rental housing developments, Mission Paradise and Parcel Group 8 Affordable Housing, meet the eligibility requirements for the LHTF Program and will be competitive for funding. Staff anticipates that the application amount will be for \$3.92 million, but is requesting Council authority to apply for the maximum amount of \$5 million to provide staff flexibility in the application process to ensure feasibility and competitiveness.

A successful application to HCD's LHTF Program would provide additional needed project funding to address financing gaps. 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 and existing LHTFs organized, funded, and operated prior to the May 3, 2021 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.

Matching Funds

At a minimum, cities must provide a dollar of eligible matching funds for every dollar of Program Funds requested. Higher scores are awarded to applications with a higher ratio of City provided matching funds to requested Program Funds (i.e., providing three dollars (\$3) of City matching funds for every one dollar (\$1) of Program Funds requested). Applications also score higher if a higher percentage of matching funds does not come from residential local impact fees. Matching funds must be utilized on a dollar-for-dollar basis for the same eligible project for which Program Funds are used. Funds restricted for housing use by state or federal law (i.e. HOME, CDBG, redevelopment agency low- and moderate income housing fund set-aside) are not eligible as Matching funds.

Deeper Income Targeting

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. 2021 California Department of Housing and Community Development Income Limits¹

Household Size	1	2	3	4	5
Extremely Low Income 30% AMI	28,800	32,900	37,000	41,100	44,400
Very Low Income 50% AMI	47,950	54,800	61,650	68,500	74,000
Low Income 80% AMI	76,750	87,700	98,650	109,600	118,400
Median Income 100% AMI	87,900	100,500	113,050	125,600	135,650
Moderate Income 120% AMI	105,500	120,550	135,650	150,700	162,750

¹ CA HCD: <https://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits/docs/income-limits-2021.pdf>

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, and based on Council authority provided on May 4, 2021, the project will be awarded up to \$2.48 million in additional funding for the LHTF application to address project financing gaps and increase competitiveness of the application. Funds from the Inclusionary Housing Trust Fund can be used as 100% matching funds for the LHTF application.

Parcel Group 8 Affordable Housing Project. Parcel Group 8 Affordable Housing is located at Grove Way and Foothill Blvd. The project will provide approximately 94 units of new affordable housing units and rehabilitate and convert 11 units of existing housing to affordable housing. All units, excluding the manager's unit, will serve income eligible households from 20% AMI to 60% AMI. The project's unit mix includes: 44 studio apartments, 22 one-bedroom apartments; 28 two-bedroom apartments; 10 three-bedroom apartments; and one on-site manager's unit.

The project amenities include approximately 10,000 square feet of common open space, including a play area for families, passive open space and preservation of existing camphor trees within the courtyard; a community room; shared laundry; secure bike parking; and resident services. RCD offers free, voluntary support services to all residents to assist with housing retention, economic stability, health and wellness, and community development. RCD also contracts with service providers to provide additional, tailored support to formerly homeless households.

The City is donating land to the project with a current estimated value between \$4 and \$6 million. Staff will update the LHTF application to reflect the actual appraised value upon completion of the appraisal report, anticipated in mid-July. Based on Council authority provided on May 4, 2021, the project will be awarded up to \$2 million from the Inclusionary Housing Trust Fund to advance the project and increase competitiveness of the LHTF application. Both the land and funds from the Inclusionary Housing Trust can be used as 100% matching funds for the LHTF application.

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 Paradise and the Parcel Group 8 Affordable Housing Project is an eligible use for the LHTF Program funds. The Council has already provided the authorization needed to maximize the matching funds requirement for the LHTF application. Additionally, the proposed projects collectively 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.

Table 2. Funding Requests and Income Levels Served by Project

Project	Matching Funds	LHTF Funds¹	Total Funds	≤ 30% AMI	≤ 50% AMI	≤ 60% AMI	≤ 80% AMI	Manager Unit	Total Affordable Units
Mission Paradise	\$3,764,720 ³	\$1,178,948	\$4,943,668	36	20	5	14	1	75
Parcel Group 8 AH	\$8,000,000 ^{2,3}	\$2,742,625	\$10,742,625	24	67	13	0	1	104
Total	\$11,764,720	\$3,921,573	\$15,686,293	60	87	18	14	2	179
% of Total	75%	25%	100%	34%	49%	10%	8%	N/A	100%

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

²Includes estimated \$6 million land value. Actual value will be determined by appraisal.

³Includes allocation of funds not to exceed \$2.48 million for Mission Paradise and \$2 million for Parcel Group 8 Affordable Housing. Final amount awarded from the Inclusionary Housing Trust is dependent on the land appraisal and what will maximize competitiveness for the LHTF application.

Housing Element and Regional Housing Needs Allocation Compliance

Local jurisdictions report progress annually on meeting their RHNA goals. **Table 3** demonstrates current progress made toward meeting Hayward's RHNA goals for the period between 2015-2023 as of the last report year (2020) 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 the Parcel Group 8 Affordable Housing Project will add a total of 179 affordable housing units to the City's housing stock, which would help the City meet over 17% of its RHNA goals for very low-income households and over 6% 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 2020		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	65	8%	205	24%	87	10%	357	42%	494	58%
Low	480	153	32%	71	15%	126	26%	350	73%	130	27%
Moderate	608	72	12%	55	9%	44	7%	171	28%	437	72%

Grant Management Policy

Staff has submitted a Grant Review Application to the City's Grant Administrative Committee for Approval 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 for 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 \$5 million LHTF Grant requires a 100% match, which is \$5 million. The City's matching contribution will come from the Inclusionary Housing Trust Fund and a land donation from Parcel Group 8. Acceptance and appropriation of the LHTF Grant will be used to fund the development of affordable housing and will be allocated specifically to Mission Paradise and the Parcel Group 8 Affordable Housing Project. The City has already committed \$5.76 million in Inclusionary Housing Trust Funds to the projects and land value is anticipated to be between \$4 million and \$6 million dollars exceeding the matching fund requirement by a minimum of \$4.76 million. As a result, there will be no net fiscal impact to the General Fund 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 and allocate funds to the identified eligible projects.

STRATEGIC ROADMAP

This agenda item supports the Strategic Priority of Preserve, Protect & Produce Housing. Specifically, this item supports the implementation of the following project(s):

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

PUBLIC CONTACT

Staff engaged different community stakeholders through both the displacement study and the Let's House Hayward! Strategic Plan process. Through the displacement study, HR&A Advisors interviewed local developers and service providers to gain a more qualitative understanding of displacement trends and housing needs. Through the Let's House Hayward! planning process, staff and the consultant Homebase held virtual forums and interviews with individuals with lived experience of homelessness, homeless services providers, members of the business community, City staff, and other Hayward residents. Feedback ranged widely and is still being integrated, but initial findings demonstrate that community members broadly favored efforts to prevent displacement and to increase affordable housing development for the City's most vulnerable residents.

Additionally, staff received extensive feedback from current tenants and property owners during the 2018 Residential Rent Stabilization and Tenant Protection Ordinance outreach process. Tenant feedback focused on housing affordability and safety, while landlords and realtors discussed the needs to increase supply of affordable and market rate housing in Hayward.

In accordance with entitlement requirements, notices for Mission Paradise 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 held public outreach meetings to introduce the organization and the proposed project to the community, and to solicit input from the community. Similarly, City staff and RCD held public outreach meetings to introduce the organization and the proposed project to the community, and to solicit input from the community and will continue to work with the community as the development of the project advances.

NEXT STEPS

If authorized, staff will work with EAH and RCD to prepare and submit the LHTF Program application before the August 3, 2021 deadline. If grant funds are awarded, the City will enter into a standard agreement and other necessary documents with HCD.

Prepared by: Doris Tang, Management Analyst
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Recommended by: Jennifer Ott, Assistant City Manager

Approved by:



Kelly McAdoo, City Manager