



AGENDA REPORT

TO: Edward D. Reiskin
City Administrator

FROM: Shola Olatoye
Director, HCDD

SUBJECT: NOFA Affordable Housing Funding

DATE: July 17, 2020

City Administrator Approval

Date: July 22, 2020

RECOMMENDATION

Staff Recommends That The City Council Receive A Report And Adopt A Resolution Authorizing Affordable Housing Development Loans In A Total Amount Not To Exceed \$13,050,000 For The Following Affordable Housing New Construction Projects: The Phoenix, Friendship Senior Housing, and Fruitvale Transit Village IIB.

EXECUTIVE SUMMARY

This agenda report presents the results of the City's 2020 New Construction Pipeline Affordable Housing Notice of Funding Availability (NOFA) process pertaining to affordable housing development loans. Each year, the City has federal, state and local funding sources to allocate to affordable housing programs and projects. The City solicits applications for project funding on a competitive basis through its NOFA process, prioritizing projects that serve extremely low-income households and those experiencing homelessness, leverage outside resources, that are ready to start construction, and are sustainable projects in communities of opportunity (i.e., near transit and amenities), among other criteria.

The recommended resolution will spur development of newly constructed affordable rental housing in the City of Oakland by authorizing affordable housing development loans for new construction for up to three (3) projects in a total amount not to exceed \$13,050,000. The three projects are:

1. The Phoenix, 900 Wood Street (East Bay Asian Local Development Corporation)
2. Friendship Senior Housing, 1904 Adeline Street (Community Housing Development Corporation of North Richmond and Friendship Community Development Corporation)
3. Fruitvale Transit Village IIB, 35th Avenue and East 12th Street (Bridge Housing Corporation and the Spanish Speaking Unity Council of Alameda County, Inc.)

Additional details regarding the projects recommended for funding can be found in **Attachment A**. The three (3) projects will provide 328 affordable rental units (106 of which are reserved for homeless households). In addition, the projects are expected to leverage approximately \$175,000,000 in non-City funding investments from County and State funding programs, private lenders, and tax credit investors.

City Council
July 28, 2020

BACKGROUND / LEGISLATIVE HISTORY

The Housing and Community Development Department (HCD) has typically issued NOFAs on a biennial basis in recent years, however in fiscal year (FY) 2019-20 five NOFAs were released, per **Table 1** below:

Table 1: 2019-2020 NOFA Awards

| NOFA Round | NOFA Release Date | Funding Awarded |
|---|--------------------------|------------------------|
| 2019-20 New Construction NOFA | August 2019 | \$14,683,000 |
| 2019-20 Acquisition, Rehabilitation and Preservation NOFA | August 2019 | \$10,970,000 |
| 2019-20 Acquisition and Conversion to Affordable Housing (ACAH) - for community land trusts and limited equity cooperatives | December 2019 | \$7,756,053* |
| 2019-20 ACAH - for all project types | December 2019 | \$16,250,000* |
| 2020 New Construction Pipeline NOFA (subject of this Agenda Report) | April 2020 | \$13,050,000 |
| Total Funding Awarded 2019-2020 NOFA Cycle | | \$62,709,053 |

* The ACAH NOFAs allocated \$12 million for the community land trust and limited equity cooperative pool, and \$18 million for the all project pool, leaving balances in these funds.

An additional NOFA is planned for Fall of 2020, after which HCD will transition to an annual NOFA cycle as long as funding is available and there is staff capacity.

The 2020 New Construction of Multifamily Affordable Housing Pipeline NOFA was released on April 30, 2020, and applications were due on May 29, 2020. To advance the development schedule for projects in the City's affordable housing development pipeline, the 2020 NOFA was restricted to projects that applied for funding in the 2019-20 New Construction of Multifamily Affordable Housing NOFA but did not receive an award of funds during that NOFA cycle. Eight (8) projects were eligible to apply, and seven (7) elected to submit an application for funding.

All applications were reviewed for completeness and to determine whether the City's minimum standards for project and developer qualifications had been met. The eligible applications were then evaluated and ranked per prepared criteria outlined in the NOFA solicitations.

Threshold Standards: Projects must meet basic threshold standards to become eligible for funding, including the engagement of community constituents, providing evidence of site control, evidence of planning approvals, and having a viable financial plan in place with committed funds and City funds used to leverage other yet-to-be-committed county, state, and federal funds, conventional private financing and grant funds. Each project that applies under the NOFA for New Construction of Multifamily Affordable Housing is required to provide a minimum of twenty

percent (20%) of the units targeted to households with incomes at or below thirty-percent (30%) of the area median income (AMI), and is awarded points for exceeding this threshold. For projects providing units targeting homeless households, the owner/property manager must agree to incorporate the *EveryOne Home Property Management Guidelines* into their marketing and management plans to reduce barriers for individuals who are homeless, at-risk of homelessness, or formerly incarcerated.

Scoring Criteria: The NOFA also sets forth criteria by which projects will be scored and ranked including the following:

- project readiness to begin construction,
- proximity to local community assets such as nearby schools, transit, and grocery stores,
- the ability to prevent displacement,
- low-income populations, with extra points awarded for projects serving extremely low-income populations, those experiencing homelessness, and people with special needs,
- developer experience & overall capacity to facilitate the work.

ANALYSIS AND POLICY ALTERNATIVES

Funding Requests and Funds Available

The City sources that will fund the proposed NOFA awards are as follows:

- Affordable Housing Trust Fund:
 - Affordable Housing Impact Fees
 - Jobs/Housing Impact Fees
 - Boomerang Funds
- Low and Moderate Income Housing Asset Fund:
- HOME Funds (U.S. Department of Housing and Urban Development (HUD))
- Excess Redevelopment Bond Funds

The *Fiscal Impact* section below provides additional detail on these funding sources.

Funding requests from the seven (7) applications totaled \$38,145,703 while the anticipated funding identified for the NOFA was a minimum of \$4,350,000. An additional \$8,700,000 subsequently became available for new construction activity through a combination of 2020/21 mid-cycle budget allocations and the availability of \$4,300,000 in excess Redevelopment bond proceeds which the Department of Economic and Workforce Development (EWD) is making available for affordable housing development. Details regarding the sources of funding are in the *Fiscal Impact* section below.

Upon award of the proposed \$13,050,000, the remaining affordable housing funds available in the current fiscal year totals approximately \$20,000,000. These remaining funds, which include \$11,000,000 in Measure KK funds (which are legally required per the legislation to be spent on acquisition/rehabilitation/preservation), will be deployed through a Fall "Super NOFA" for acquisition/rehabilitation/preservation and new construction projects, including a second

Acquisition and Conversion to Affordable Housing (ACAH) NOFA for community land trusts and limited equity cooperatives.

Five million is being held to meet a match requirement of the State's Local Housing Trust Fund Program to which the City is applying for \$5,000,000. The application will be submitted on or before the August 3, 2020 due date and award announcements are expected in October 2020. If successful, the additional \$5,000,000 from the State will be added to the Fall NOFA. The staff report authorizing City staff to apply for these funds is also scheduled for City Council consideration at the July 28, 2020 meeting. **Table 2** provides a summary of the affordable housing sources currently available for various development funding programs.

Table 2: Available Funding – Sources

| HCD Sources (as of 6/26/20) | |
|------------------------------------|-------------------|
| AHIF (1870) | 2,002,872 |
| JHIF (1870) | 4,813,327 |
| HOME (2109) | 2,817,798 |
| Boomerang (1870) | 5,101,500 |
| LMIAF (2830) | 654,443 |
| Excess Redevelopment Bond | 6,628,097 |
| CalHome CA-HCD (2144) | 78,220 |
| KK - ACAH Remaining | 5,993,947 |
| KK-Acq.Rehab NOFA Remaining | 5,372,375 |
| TOTAL SOURCES | 33,462,579 |

Table 3 below lists the seven (7) NOFA applications received and evaluated, in order of their ranking, based on the criteria described in the *Background* section above. Please see **Attachment A** for detailed information on all reviewed NOFA new construction projects, along with the scoring and funding breakdown.

Table 3: New Construction 2020 Pipeline NOFA Applications

| Rank ¹ | Project/Developer | Project Type | Council District | Affordable Units | City Funding Requested |
|-------------------|--|--|------------------|------------------|------------------------|
| 1 | The Phoenix (East Bay Asian Local Development Corporation) | Rental - Family, Homeless | 3 | 100 | \$ 4,350,000 |
| 2 | Friendship Senior Housing (Community Housing Development Corporation of North Richmond) | Rental - Homeless | 3 | 49 | \$ 4,350,000 |
| 3 | Fruitvale Transit Village II-B (Bridge Housing Corporation & the Spanish Speaking Unity Council of Alameda County, Inc.) | Rental-Family, Homeless | 5 | 179 | \$4,350,000 |
| 4 | 3050 International (Satellite Affordable Housing Associates) | Rental - Senior, Homeless | 5 | 75 | \$ 4,220,858 |
| 5 | MacArthur Project (Community Housing Development Corporation of North Richmond & Construction Resource Center) | Rental - Family, Special Needs, Homeless | 6 | 19 | \$ 3,990,303 |
| 6 | Dr. Kenneth Anderson Senior Housing (Eden Development Inc.) | Rental-- Family Homeless | 2 | 66 | \$4,350,000 |
| 7 | Agnes Memorial Senior Housing (Related Companies of California) | Rental - Family, Special Needs | 5 | 59 | \$12,534,542 |
| | | | TOTAL | 548 | \$38,145,703 |

¹ Rank is based on total "Percentage of Points" received which is based on total potential points available. Senior projects do not compete in the "educational quality" point category and thus their total "Percentage of Points" is based on a lower total potential points available than non-senior projects.

Table 4 provides an assessment of the average total development cost (TDC) for all seven (7) projects, including the average cost per unit and average cost per square foot.

Table 4: New Construction 2020 Pipeline NOFA – Average Costs

| Average Total Development Costs | Average Cost Per Unit | Average Cost Per Square Foot |
|---------------------------------|-----------------------|------------------------------|
| \$54,913,900 | \$ 753,093 | \$734 |

Projects Proposing to Serve People Experiencing Homelessness and Households With Special Needs

The NOFA requires that if a project reserves units for special needs or homeless populations, the resident and supportive services plan must clearly state the number of special needs and/or homeless set-aside units and the exact population that will be targeted. The plan must demonstrate that the essential social and supportive service needs of the population will be met and include individual case management services. Developers are encouraged to follow the State of California's Housing First Principles and will receive bonus points if they use the Alameda County's Home Stretch Coordinated Entry System in their tenant selection processes to fill designated permanent supportive housing units for homeless individuals with disabilities.

Assistance from the Oakland Housing Authority (OHA) and the Alameda County Health Care Services Agency (HCSA) is critically valuable in the financial underwriting support of each set-aside unit to ensure the building can support households with extremely low incomes and so that individuals and families can live independently in housing that is permanent, safe, and secure coupled with specialized services that promote health, well-being, stability, and housing retention.

Oakland Housing Authority (OHA) Assistance

In the past, OHA has used the City of Oakland NOFA as a competitive selection process required to award Project Based Section 8 Vouchers (PBV). However, the 2020 Pipeline NOFA included language indicating that the availability of PBVs may be limited or unavailable at the time of the NOFA awards. If awarded a City funding commitment, the project may be issued a Letter of Invitation to request Section 8 Project Based Vouchers from OHA. Projects completing all applicable OHA and HUD reviews may then execute a Section 8 Project-Based Voucher Housing Assistance Payments (HAP) contract with OHA for an initial 20-year contract term.

The vouchers are used as operating rental assistance providing income equivalent to the market rental rate while the tenant pays thirty percent (30%) of their income on rent. Vouchers may be targeted to units designated for 20-30% AMI and below and those providing service enriched housing for special needs populations. Projects that have received a previous award, however, are not eligible to apply in the current round.

Alameda County Health Care Services Agency (HCSA)

HCSA is committed to collaborating with local cities and other partners to end homelessness in Alameda County. The agency provides a range of services directly and through its network of community-based partners. Services include primary care, mental health services, addiction prevention and treatment, street outreach and engagement, crisis intervention, support services linked to housing, housing subsidies, and more. HCSA is seeking partnerships with affordable housing developers to create permanent supportive housing opportunities for those who are homeless, have chronic medical and/or behavioral health conditions, and use high levels of acute emergency care.

To create viable working partnerships to produce long-term affordable housing in the effort to end homelessness, HCSA has committed to twenty (20) years of ongoing support service resources to permanent supportive housing projects designating units for homeless populations as funding permits. Funding will be provided annually to support direct social and supportive services provided on-site through case management and related support services. HCSA's contract for services will be subject to the developers continuing provision of high-quality services in operation and good standing, the need for the contracted services, and approval by the Alameda County Board of Supervisors.

Table 5 below is the list of NOFA applications providing a set-aside for special needs and/or homeless households. The table also summarizes which projects may be eligible to apply for OHA Section 8 Project Based Voucher commitment if awarded City NOFA funds, and which projects have a HCSA commitment.

Table 5: New Construction 2020 Pipeline NOFA Applications – OHA PBV and HCSA Commitments

| Rank | Project/ Developer | Project Type | New Special Needs Unit Set-Aside | New Homeless Unit Set-Aside | Existing PBV | Eligible for New PBV | HCSA Commitments |
|------|--|---------------------------|----------------------------------|-----------------------------|-------------------|----------------------|------------------|
| 1 | The Phoenix (East Bay Asian Local Development Corporation) | Rental - Family, Homeless | 0 | 50 | No | Yes | Yes |
| 2 | Friendship Senior Housing (Community Housing Development Corporation of North Richmond) | Rental - Homeless | 0 | 10 | Yes (34 units) | No | No |

| Rank | Project/ Developer | Project Type | New Special Needs Unit Set-Aside | New Homeless Unit Set-Aside | Existing PBV | Eligible for New PBV | HCSA Commitments |
|------|--|--|----------------------------------|-----------------------------|----------------|----------------------|------------------|
| 3 | Fruitvale Transit Village II-B (Bridge Housing Corporation & the Spanish Speaking Unity Council of Alameda County, Inc.) | Rental-Family, Homeless | 0 | 46 | Yes (75 units) | No | No |
| 4 | 3050 International (Satellite Affordable Housing Associates) | Rental-Family, Special Needs | 19 | 0 | No | Yes | No |
| 5 | MacArthur Project (Community Housing Development Corporation of North Richmond & Construction Resource Center) | Rental-Family, Special Needs, Homeless | 2 | 2 | No | Yes | No |
| 6 | Dr. Kenneth Anderson Senior Housing (Eden Development Inc.) | Rental--Family Homeless | 0 | 14 | No | Yes | Yes |
| 7 | Agnes Memorial Senior Housing (Related Companies of California) | Rental-Senior, Homeless | 0 | 16 | No | Yes | No |
| | | TOTAL | 21 | 136 | | | |

NOFA Funding Recommendations

Staff recommends funding the three (3) projects presented in **Table 6** below. These projects met all threshold requirements, including receiving a determination under the California Environmental Quality Act (CEQA), and are ranked in sequential order from the highest to the lowest score.

Table 6: New Construction 2020 Pipeline NOFA Funding Recommendations

| Rank | Project/ Developer | Council District | Affordable Units | Previous City Funding | 2020-21 City Funding |
|------|--|---------------------|---------------------|--------------------------|-------------------------|
| 1 | The Phoenix (East Bay Asian Local Development Corporation) | 3 | 100 | \$600,000 | \$4,350,000 |
| 2 | Friendship Senior Housing (Community Housing Development Corporation of North Richmond and Friendship Community Development Corporation) | 3 | 50 | \$2,000,000 | \$4,350,000 |
| 3 | Fruitvale Transit Village IIB (Spanish Speaking Unity Council of Alameda County, Inc., and East Bay Asian Local Development Corporation) | 5 | 179 | \$5,229,000 | \$4,350,000 |
| | | Total | 329 | \$7,829,000 | \$13,050,000 |

Providing 100 percent of the funds requested by these three (3) projects will facilitate each recommended project moving forward to a construction start by 2021. By securing local gap financing they can now apply for other State funding sources in late 2020 and 2021, such as the California HCD Multifamily Housing Program (MHP), the Supportive Housing Multifamily Housing Program (SH-MHP), the Infill Infrastructure Grant Program (IIG), the No Place Like Home Program (NPLH), the California Strategic Growth Council's Affordable Housing Sustainable Communities Program (AHSC) and the California Low-Income Housing four percent (4%) and nine percent (9%) Tax Credit Equity Program.

FISCAL IMPACT

Funding for the proposed projects will come from six (6) city sources:

- 1) Low and Moderate Income Housing Asset Fund Balance (Fund 2830). The Low and Moderate Income Housing Asset Fund is a fund required under the Redevelopment Dissolution law to hold funds generated from housing assets (such as land sales or loan repayments) transferred to the City from the former Redevelopment Agency when the Agency dissolved. The current fund balance is from loan repayments received by the City from existing rental or ownership properties and from redevelopment-funded Mortgage Assistance Loans.

- 2) Affordable Housing Trust Funds (Fund 1870). Funds deposited into the Affordable Housing Trust Fund (AHTF) and all interest and investment earnings thereon, must be used to increase, improve, and preserve the supply of affordable housing in the City, with priority given to housing for very low-income households per Chapter 15.62.040 of the Oakland Municipal Code.
- 3) Jobs/Housing Impact Fees (Fund 1870). The Jobs/Housing Impact Fee (which is also a funding source of the AHTF) is assessed on construction of buildings for office and warehouse/distribution uses per Ordinance No. 12242 C.M.S. codified as Chapter 15.68 of the Oakland Municipal Code.
- 4) Affordable Housing Impact Fees (Fund 1870). The Affordable Housing Impact Fee (which is a funding source of the AHTF) is assessed on construction of new market-rate housing units including live/work and work/live units per Chapter 15.72 of the Oakland Municipal Code.
- 5) FY 2019-20 and FY 2020-21 HOME funds (Fund 2109). HUD HOME funds for both FY 2019-20 and FY 2020-21 are already budgeted and available. Through the adoption and approval of the City of Oakland Consolidated Annual Action Plan (AAP), first approved by the Oakland City Council per Resolution No. 87729 C.M.S. and by HUD, and Resolution No. 88202 C.M.S. that authorizes the 2020/21-2024/25 Consolidated Plan and 2020/21 HOME allocations, per the 2019 and 2020 Funding Approval/Agreement of HOME funds, HOME funds awarded to the City are approved for HOME administrative and housing development costs.
- 6) Excess Redevelopment Bond Funds (Funds 5610-5613). Per Assembly Bill 1484, the Oakland Redevelopment Successor Agency (ORSA) may spend "excess" bond proceeds (i.e. pre-2011 tax allocation bond proceeds). The spending must comply with bond covenants and be restricted to project areas for which the bonds were issued. Excess proceeds include future excess bond proceeds or income received on bond funded projects. This may include land sale proceeds, lease revenue, and loan principal and interest payments. As noted above, EWD is proposing to make an additional \$4,300,000 available from excess bond fund proceeds in FY 2020-21.

Financing Reservation and Loan Terms

If approved, funding for affordable housing developments will be reserved for a maximum of twenty-four (24) months from the date of the commitment letter for new projects to allow each developer to successfully obtain commitments for the balance of needed funding. The City's standard loan terms for rental projects are a simple interest rate, set at the discretion of the City Administrator (typically at three percent (3%)), and a term of up to 55 years. Annual payments are deferred unless funds are available from project cash flow after paying other approved expenses, fees, reserves, and senior debt service. All City loans will be secured by a deed of trust, and a regulatory agreement will be recorded that sets the period of affordability (typically 55 years), income and occupancy restrictions, and the rent structure.

The City Administrator is given authority in the project funding resolution to subordinate the priority of the deed of trust, if necessary, to obtain other financing for the project; provided, that, in addition to other criteria, the City's investment in the project in the event of default is reasonably protected. The current policy is to subordinate the City's deed of trust to other financing on a case-by-case basis, but not to subordinate the City's regulatory agreement or affordability agreement to private financing.

PUBLIC OUTREACH / INTEREST

A NOFA pre-application meeting was held on May 7, 2020 (via Zoom) to explain the NOFA application process, CEQA and National Environmental Policy Act (NEPA) requirements, as well as the City's required employment and contracting programs. Staff was available to answer any NOFA-related questions. There were approximately thirty (30) participants who attended the meeting. In addition, periodic meetings have been held with affordable housing developers to gather input and feedback on the City's processes, including a feedback session in March 2020.

Applicants for the NOFA are required to hold at least one meeting with an established neighborhood organization prior to application submission. Applicants must prepare a community outreach plan with evidence of outreach. Each applicant is required to contact neighborhood organizations in the vicinity of the proposed development prior to applying for financing.

COORDINATION

HCD staff consulted with Planning and Building Department staff to coordinate CEQA determinations, planning and zoning conformity, and to identify possible barriers to development. The Office of the City Attorney was consulted to ensure legality of funding commitment resolutions. The Department of Finance was consulted to confirm funding amounts. The Economic and Workforce Development Department was consulted with regards to use of Excess Bond Fund Proceeds. This report and legislation were prepared in coordination with the Office of the City Attorney and the Budget Bureau.

SUSTAINABLE OPPORTUNITIES

Economic: These projects will generate construction, professional services, and ongoing property management jobs in Oakland. Providing families with affordable housing helps increase financial stability for low- and very low-income households, which could free some household income to be spent on other goods and services in Oakland. Also, providing viable housing creates activity on underutilized parcels which could stimulate demand for goods and services in Oakland.

Environmental: By developing in already built-up areas, infill projects reduce the pressure to build on agricultural and other undeveloped land. Proposed projects are near public transit which enables residents to reduce dependency on automobiles and further reduce any adverse environmental impacts of development. Projects are selected for funding partially based on their ability to achieve high scores using Leadership in Energy & Environmental Design (LEED) or Alameda County's GreenPoint Rating system.

Race and Equity: Affordable housing is a means of achieving greater social equity. Oakland's neighborhood-level environment will be improved by replacing underused and sometimes blighted buildings with occupied new homes. The proposed developments will provide affordable rental and ownership housing for low- and very low-income residents. This is especially important for long-term, low-income Oakland residents, who are vulnerable to displacement due to rising rents.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

Under CEQA, the City is required to review possible environmental impacts of all projects prior to a definitive commitment of funding, unless the project is exempt from CEQA review. The three (3) projects recommended for funding awards have met this threshold, as follows:

A Notice of Determination has been filed for the following projects: Friendship Senior Housing, Fruitvale Transit Village IIB and, under CEQA Guideline Sections 15162 and 15164 (no further review), and Section 15183(f) (projects consistent with a community plan).

A Notice of Exemption has been filed for the following projects: Friendship Senior Housing and Fruitvale Transit Village IIB under Section 15162 and 15164 (no further review), 15332 (infill projects) and Section 15183(f) (projects consistent with a community plan).

With regards to the Phoenix, a detailed CEQA Analysis was prepared concluding the proposed development satisfies each of the following CEQA guidelines and, therefore, no further environmental analysis is required: (A) a project Consistent with a Community Plan (City of Oakland General Plan Land Use and Transportation Element (LUTE) EIR (1998)) and Zoning (CEQA Guidelines Section 15183); (B) CEQA streamlining as a Qualified Infill Project (CEQA Guidelines 15183.3), (C) the 1998 LUTE EIR and the 2014 West Oakland Specific Plan (WOSP) EIRs apply and thus no further environmental analysis is required (CEQA Guidelines Section 15168), and (D) The City finds the CEQA analysis constitutes an Addendum to the 2014 WOSP EIR (CEQA Guidelines Section 15164).

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Receive A Report And Adopt A Resolution Authorizing Affordable Housing Development Loans In A Total Amount Not To Exceed \$13,050,000 For The Following Affordable Housing New Construction Projects: The Phoenix, Friendship Senior Housing, and Fruitvale Transit Village IIB.

For questions regarding this report, please contact Christia Katz Mulvey, Housing Development Manager at 510-238-3623.

Respectfully submitted,



SHOLA OLATOYE

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Attachments (1):

(A) New Construction NOFA Project Summary, Scoring, and Description