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**Title:** Staff Report for a Resolution of the City of San Leandro City Council to Approve the Commitment and Allocation of City Affordable Housing Funding Sources to Abode Communities for Acquisition and New Construction of a Proposed 72-Unit Affordable Housing Project at 15101 Washington Avenue in an Amount Not to Exceed \$7,000,000 (\$5,015,000 from Alameda County Measure A-1 Bond funding; \$349,960 from California Housing and Community Development Permanent Local Housing Allocation; and \$1,635,040 from the City Low-Mod Housing Asset Fund)

**Sponsors:** Tom Liao

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Staff Report for a Resolution of the City of San Leandro City Council to Approve the Commitment and Allocation of City Affordable Housing Funding Sources to Abode Communities for Acquisition and New Construction of a Proposed 72-Unit Affordable Housing Project at 15101 Washington Avenue in an Amount Not to Exceed \$7,000,000 (\$5,015,000 from Alameda County Measure A-1 Bond funding; \$349,960 from California Housing and Community Development Permanent Local Housing Allocation; and \$1,635,040 from the City Low-Mod Housing Asset Fund)

**SUMMARY AND RECOMMENDATIONS**

Abode Communities (Abode), an experienced nonprofit housing developer based in Los Angeles, proposes to develop a 72-unit affordable rental housing development (Washington Avenue Apartments) at 15101 Washington Avenue (Assessor’s Parcel Number 080H-1515-008-02).

Staff recommends that the City Council approve the resolution committing and allocating City affordable housing funding sources to Abode for the development of a proposed 72-unit affordable housing project at 15101 Washington Avenue in an amount not to exceed \$7,000,000 from a combination of available County A-1 Bond, State HCD Permanent Local Housing Allocation (PLHA) and City Low-Mod Asset Fund monies. Abode intends to use City funding for site acquisition and construction of the project.

As the City’s Affordable Housing Funding Request for Proposal (RFP) awardee (see below), Abode is seeking the City Council’s commitment of local affordable housing funding to leverage it with a variety of other public affordable housing financing resources, including the State/federal low income housing tax credit program (LIHTC). Abode requires the City’s funding pledge now so it can begin preparing applications for available public financing beginning in September 2021. Formal legal

documents such as the loan agreement, deed of trust and regulatory agreement for the City's Low-Mod Housing Asset Fund funding for this project, as well as for the County A-1 Bond and State HCD PLHA funding, will be presented for City Council review later this year.

## **BACKGROUND AND ANALYSIS**

### **City Affordable Housing Funding Request for Proposals (RFP)**

In February 2021, the Community Development Department's Housing Services Division released a competitive Request for Proposals (RFP) for a qualified affordable housing developer with a viable affordable housing project that would be eligible for the City's affordable housing funds. The overall objectives of the RFP were:

- To select a developer that is qualified, experienced, and has the capacity to undertake the design, development, and management of an affordable rental housing project that maximizes the number of affordable homes constructed;
- To implement an affordable housing project that effectively and primarily serves extremely low-, very low-, and low-income households;
- To meet the goals and objectives of the City of San Leandro's 2015-2020 Housing Element of the City's 2035 General Plan, including the increased production or supply of new affordable housing;
- To select a developer with the experience and capacity to successfully leverage available local affordable housing development funding with funding from other or non-local funding sources such as private, State, and Federal programs.
- To ensure the long-term financial sustainability of the project by selecting a developer that demonstrates its capacity to sustain both its own financial health as well as that of the affordable housing constructed using available housing financing sources.

The City received applications from five (5) qualified and experienced nonprofit housing developers. After careful review, City Housing Services Division staff selected Abode Communities as the RFP awardee because it was best positioned to leverage the City's local, county and state funds.

The primary source of funding for Abode is the Alameda County Measure A-1 Bond Funds base allocation for San Leandro (City A-1) that is a little over \$5 million (approved by Alameda County voters in 2016). The City must obligate its remaining share of A-1 Bond funds by end of December 2021. Voters approved the Alameda County A-1 Housing Bond in November 2016. The County allocated a portion of the bond monies to each local jurisdiction in the County. The City of San Leandro was allocated a total of \$11.9 million in A-1 Housing Bond proceeds. In March 2017, the City awarded \$1.7 million to BRIDGE Housing for the La Vereda Senior Apartments (85 homes) and in January 2018 the City awarded Eden Housing \$4 million for the Parrott Street Apartments (62 homes). City staff recommends awarding the remaining A-1 allocation balance of a little over \$5 million to Abode Communities (proposed 72 homes). (Note that there was a County bond issuance fee of approximately \$1.2 million related to La Vereda and Parrot Street Apartments.)

The second source of funding is the State Housing and Community Development Department (State HCD) Permanent Local Housing Allocation (PLHA) where the City has received approximately \$350,000 for calendar year 2019. In 2017, the California Legislature approved Senate Bill 2 (SB 2), known as the Building Homes and Jobs Act (Act), which established a \$75 recording fee on real

estate documents to increase the supply of affordable housing. The Act PLHA program administered by the California Department of Housing and Community Development (HCD). The PLHA provides a permanent source of funding to cities and counties to help meet affordable housing needs by increasing the supply of affordable housing units. The City submitted a PLHA funding application in 2020 to the State and was approved to receive an estimated total of \$2.1 million over a five year period from 2019 to 2023.

The third source of funding that has been identified and is recommended to be awarded to this project is the City Low-Mod Housing Asset Fund.

### **Abode Background and Proposed Project Description for Washington Avenue Apartments**

Abode is a mission-based nonprofit that has served California for more than 50 years. It utilizes a multi-disciplinary and collaborative approach and is well known as a service-enhanced affordable and supportive housing provider. It also has demonstrated innovation in sustainable or LEED design and development. Abode has built and operates 48 affordable housing communities in California with over 3,000 units.

The proposed 72-unit affordable family housing project will be 100% affordable to primarily very low- and extremely low-income renters. The 72 units will consist of 3 studios, 33 one-bedroom, 18 two-bedroom, and 18 three-bedroom. One of the units will be for an on-site manager. Abode plans to set aside about 20 units for permanent supportive housing for homeless and at-risk homeless families and households. Per the City's 2015-2023 Regional Housing Needs Allocation (RHNA) mandate, the City still has to build 518 very low- and low-income units. Therefore the 72 units proposed by Abode will help meet the State-mandated affordable housing production goal.

Shared amenities in the development will include a resident's center with programming provided by Abode, landscaped courtyard, play area and laundry. There will be 73 automobile parking spaces and 80 bicycle parking spaces.

The total development cost for the Washington Ave Apartments is \$8 million dollars. See Attachment A (Proposed Sources/Uses), summarizing the proposed project funding sources and development costs.

### **Next Steps**

If the City Council adopts the proposed Resolution, the City and Abode will immediately submit an application to the Alameda County Housing and Community Development Department for the City's remaining share of approximately \$5 million in County A-1 Bond monies funding for the proposed Washington Avenue Apartments this summer. Upon approval by the Alameda County Board of Supervisors, Abode will receive a contract from the County for the City's remaining approximately \$5 million.

Abode intends to use the State Senate Bill (SB) 35 streamlined zoning approval process. Adopted in 2017 by the State, SB 35 allows projects that meet certain criteria to undergo streamlined project entitlement review. Eligibility criteria include: 1) two or more units; 2) residential floor area for at least 2/3 of the total floor area; 3) consistency with the City's objective standards; and, 4) at least 10% of units affordable for low-income households.

City planning review is limited to between 90 to 180 days, depending on whether the project has fewer or more than 150 units. No onsite parking is required within ½ mile of qualified transit, but the project is providing one auto parking space per unit. SB 35-eligible projects do not require a public hearing from the Planning Commission/Board of Zoning Adjustments and/or City Council and must be ministerially approved (i.e., not subject to California Environmental Quality Act (CEQA) or discretionary action). Public noticing is also not required; however, Abode has begun outreach to the surrounding neighborhood for feedback.

Project construction completion and full lease-up are estimated in 2024.

Because this will be a publicly-funded project and construction costs continue to be high in the Bay Area, project development costs will be tight. Additional infrastructure improvements not directly connected with the project will increase the total development costs and may not be eligible to be funded from the public funding sources to which Abode will apply. Based on City Council suggestions to Abode at the June 21, 2021 City Council meeting, Abode intends to underground utilities in front of its site, and explore the feasibility of creating a U-turn at Beatrice and Washington Avenue for project residents to better access the apartment parking lot, and adding bike lanes adjacent to the project site (and in conformance with the City's Bicycle-Pedestrian Master Plan). The feasibility of the latter two improvements will be dependent on whether they are eligible under the public affordable housing funding sources Abode will attempt to access.

### **Current Agency Policies**

- Resolution No. 2020-086 Authorizing the City Manager to Apply for, Receive and Execute a Standard Agreement with the State of California, Department of Housing and Community Development for Funding from the Permanent Local Housing Allocation Program.
- Resolution No. 2020-087 Authorizing and Adopting the 302(C)(4) Plan for the Permanent Local Housing Allocation Program for Funding Allocation Years 2019-2023.
- Resolution No. 2015-007 Approving the 2015-2023 Housing Element Update of the San Leandro General Plan to Comply with the State Mandated Deadline of January 31, 2015

### **Previous Actions**

- June 21, 2021 - City Council Presentation announcing selection of Abode Communities as the awardee of the City's Affordable Housing Funding RFP and introduction of Abode Communities to the City Council and public.

### **Applicable General Plan Policies**

#### **Housing Element Goal 53: Affordable Housing Development**

##### **Policy 53.03 Funding.**

Actively pursue and leverage private, non-profit, and public funds to facilitate the development of housing affordable to lower and moderate income households in San Leandro. Provide administrative and technical assistance to affordable housing developers and support the applications of these developers for loans, grants, tax credits, and other financing sources that facilitate affordable housing production in the City.

Action 53.03-A: Applications for Grant Funding.

Continue to pursue all available funding sources for affordable housing construction, including annual applications for federal CDBG and HOME funds, and applications for state funds through the Department of Housing and Community Development.

Action 53.03-B: Support for Non-Profit and For-Profit Affordable Housing Developers. Continue to provide support and information to non-profit and for-profit developers seeking to create affordable housing in San Leandro, including assistance in applications for Low Income Housing Tax Credits, Mortgage Revenue Bonds, Affordable Housing Program funds, and other funding sources.

## **Environmental Review**

The proposed affordable housing development of a multi-family residential building will have the required review under the California Environmental Quality Act (CEQA). The developer anticipates applying for planning entitlements under SB 35 streamlining.

## **Summary of Public Outreach Efforts**

- Community meeting sponsored by the City of San Leandro via Zoom on June 1, 2021 to introduce the 15101 Washington Ave. project to the neighborhood. Meeting notices were sent to the Washington Manor Homeowners Association (HOA), Manor Task Force, and the 200 households that are within a 500-foot radius of the property. Attendees included members from each of these groups.

## **Legal Analysis**

This staff report and related documents were reviewed and approved as to form by the City Attorney's Office.

## **Fiscal Impacts**

Of the \$7 million proposed to be awarded to Abode, the only fiscal impact to the City will be on the Low Mod Housing Asset Fund, which currently has a balance of approximately \$2,400,000 in unencumbered funds (Fund 168). These funds consist of repayments from the former Redevelopment Agency Housing Set-Aside Fund loan assets (such as the down payment assistance and owner-occupied housing rehabilitation loan programs as well as prior development loans to nonprofit developers). The use of these funds is designated specifically for affordable housing production activities, such as affordable rental housing developments. City staff recommends awarding approximately \$1.635 million from the Low Mod Housing Asset Fund to Abode.

The remaining two funding sources are from Alameda County and State HCD. City staff recommends the remaining approximately \$5 million in County A-1 Bond proceeds be awarded to Abode. City staff also recommends allocating \$349,960 from the 2019 State HCD PLHA funds to Abode.

## **Budget Authority**

See below for the budget authority for the following City affordable housing funding sources for

Abode Communities:

- City's Low-Mod Housing Asset Fund, which must be used to produce, and preserve affordable housing.
- State HCD Permanent Local Housing Allocation Fund Program - City and State HCD executed a Standard Agreement in February 2021 for the City's grant award of \$2.1 million over 5 years as noted above.
- 2016 Alameda County A-1 Housing Bond - City was awarded a pro-rata share for affordable housing developments in San Leandro.

## **ATTACHMENTS**

### **Attachments to Staff Report**

- Attachment A: Proposed Sources/Uses for 15101 Washington

### **Attachments to Resolution**

- None

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