



SAN RAFAEL CITY COUNCIL AGENDA REPORT

Department: Community & Economic Development

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City Manager Approval:  _____

TOPIC: AFFORDABLE HOUSING TRUST FUND APPLICATION PROCESSES
SUBJECT: AFFORDABLE HOUSING TRUST FUND ROLLING APPLICATION PROCESS IMPLEMENTATION AND ALIGNING CITY'S NOTICE OF FUNDING AVAILABILITY (NOFA) WITH COUNTY OF MARIN'S NOFA PROCESS

RECOMMENDATION: Approve the implementation of the rolling application process for the Affordable Housing Trust Fund, as authorized in the Guidelines for the Administration of the Affordable Housing Trust Fund.

BACKGROUND:

The City's Affordable Housing Trust Fund (trust fund) was created to increase the stock of permanently affordable housing units in San Rafael. To support the efforts of affordable housing developers, the City periodically issues notices of available funding for the production and preservation of affordable housing. In the last three years, the City has completed two funding cycles. The timing has been based largely on sufficient fund balance.

The application process, project eligibility, and evaluation criteria are established in [San Rafael City Council Resolution 14760](#), *Guidelines for the Administration of the Affordable Housing Trust Fund*. Per the guidelines, the City Council provides oversight to the fund and reviews all loans and grants for approval or denial.

ANALYSIS:

1) Proposed Rolling Application Process for Acquisition Funding

Through the Notice of Funding Availability (NOFA) process, the City has successfully funded a variety of new construction, rehabilitation, and adaptive reuse projects across the City. Examples of 100% affordable housing projects recently supported through the trust fund include:

- Permanent supportive housing at Jonathan's Place, 190 Mill St (completed)
- Housing for older adults at the Vivalon Healthy Aging Campus, 999 Third St (completed)

FOR CITY CLERK ONLY

Council Meeting:

Disposition:

- Permanent supportive housing at 3301 Kerner Blvd (anticipated completion December 2024)
- Renovation of long-time affordable family housing at Marin Villa Estates (anticipated completion Fall 2024)
- Rehabilitation of 125 units at Terra Linda Manor (anticipated completion June 2025)

Although property acquisitions are eligible for funding through the trust fund, due to timing, the existing NOFA process is less effective for acquisition projects. Opportunities arise in the competitive real estate market and must be acted upon quickly. Prospective bidders often cannot wait until the City's next NOFA cycle to apply for funding. During the past several years, City staff have been contacted by housing developers numerous times about supporting an acquisition timeline aligned with City Council priorities to preserve housing as affordable and prevent tenant displacement; however, a mechanism did not exist to accept funding applications off-cycle.

Section 4 of the *Guidelines for the Administration of the Affordable Housing Trust Fund* authorizes a rolling application process during periods without an issued NOFA; and staff is now recommending a process with specific criteria be implemented and communicated to stakeholders. Applicants with eligible projects seeking funding for an eligible activity may apply, and staff will make a recommendation to the City Council at a publicly noticed meeting to either approve or reject the funding request. Staff proposes to operationalize and launch this rolling application process to enable further responsiveness to opportunities that arise and ensure that projects can fully leverage other funding sources. On July 24, 2024, the City Council Housing and Homelessness Subcommittee received the proposal for a rolling application process, provided feedback, and recommended it for consideration by the City Council.

While the City's trust fund is modest in size, the City often provides important "last mile" gap funding that helps push projects over the finish line. Furthermore, affordable housing developers can leverage City dollars to compete more effectively for other funding sources. The County of Marin maintains a Local Housing Trust Fund that is more substantial than the City of San Rafael's. The County accepts applications on a rolling basis as well as through their annual NOFA. The County Board of Supervisors awards funding to housing projects in jurisdictions across Marin County, including San Rafael. For projects outside of unincorporated Marin to be eligible for funds, the city or town government must contribute financially to the project. Beyond the County, other funders, including the State and private philanthropy, are influenced to help finance projects that have received local support. To best leverage County and other funding for acquisitions in San Rafael, staff recommends establishing a rolling application process with up to \$250,000 in funding available per year for ad hoc real estate opportunities that cannot go through the standard NOFA process due to timing constraints.

Staff would accept and evaluate applications on a rolling basis using the criteria outlined in the trust fund guidelines, including:

- **Community Benefit.** The project provides a tangible and cost-effective benefit to the community as well as the intended beneficiaries.
- **Development Team's Capacity.** The development team has the experience, skills and resources to acquire the property.
- **Management Team's Capacity.** The organization is financially healthy and has the experience, skills, and resources to manage the property once acquired.
- **Readiness to Proceed.** Project application includes components such as documentation of site control, appraisal, property inspection reports, capital needs assessment, scope of work identifying critical repairs, construction cost estimate, substantial amount of other financial

resources committed, and if applicable, current rent roll, tenant income certification forms, and plan to prevent displacement of existing tenants.

- Leverage and Collaboration. The project has secured other financing and in-kind contributions to match City investment.
- Per Unit Subsidy. The per unit subsidy is reasonable given the target population, project type and cost effectiveness.

The rolling application process would be reserved for acquisitions, with new construction and rehabilitation projects continuing to apply during the regular NOFA cycle. The amount available through the rolling application process would be capped at \$250,000 per year and dependent on sufficient funds being available. If all or part of the available dollars are not awarded by the end of a given fiscal year, the unawarded amount will not roll over to the next year. Per the trust fund guidelines, all rental units supported by program funds are income and rent-restricted for not less than 55 years.

2) Aligning Timing of City NOFA with Marin County NOFA Process

Staff proposes to align future Notices of Funding Availability (NOFA) with the County of Marin NOFA process. The County administers its housing trust fund, Community Development Block Grant (CDBG), and HOME funds. Syncing the timing of the City's process with the County's process allows for stronger coordination of funds. The County's process typically occurs annually, with the application period launching in January. Staff will explore the possibility of a joint application, which would reduce the administrative burden for affordable housing applicants. City staff would continue to evaluate all applications for City funding and present recommendations to the City Council for consideration per the trust fund guidelines.

Staff provides a status report to the City Council at least annually about the Affordable Housing Trust Fund. In that report, staff will provide evaluative updates on the rolling application process and City/County NOFA coordination efforts.

COMMUNITY OUTREACH:

The rolling application process and future Notices of Funding Availability will be announced on the City's website, and notice will be provided to local and regional affordable housing owners and developers.

FISCAL IMPACT:

No funding expenditure is requested currently. The City Council may award up to \$250,000 per year through the rolling application process if sufficient funds are available in the Affordable Housing In-Lieu Fee Fund. After staff receive and evaluate applications, a funding recommendation will be provided for City Council consideration. At that time, funds from the Affordable Housing Trust Fund would be requested. As of August 15, 2024, the Affordable Housing Trust Fund's unencumbered fund balance was approximately \$1 million, which is sufficient to support the proposed rolling application process for the current fiscal year 2024-25.

OPTIONS:

The City Council has the following options to consider on this matter:

1. Approve the implementation of the rolling application process for the Affordable Housing Trust Fund.
2. Approve the implementation of the rolling application process for the Affordable Housing Trust Fund with modifications.
3. Direct staff to provide additional information.
4. Take no action.

RECOMMENDED ACTION: Approve the implementation of the rolling application process for the Affordable Housing Trust Fund, as authorized in the Guidelines for the Administration of the Affordable Housing Trust Fund.