



Agenda Item No: 5.d
Meeting Date: November 2, 2020

SAN RAFAEL CITY COUNCIL AGENDA REPORT

Department: Community Development
Paul A. Jensen

Prepared by: Paul Jensen (EG)
Community Development Director

City Manager Approval: *AS*

TOPIC: AFFORDABLE HOUSING TRUST FUND ALLOCATION

SUBJECT: RESOLUTION APPROVING A HOUSING TRUST FUND GRANT TO THE COUNTY OF MARIN FOR THE AFFORDABLE HOUSING DEVELOPMENT AT 3301 KERNER BOULEVARD IN AN AMOUNT NOT TO EXCEED \$1,540,000, AND AUTHORIZING THE CITY MANAGER TO EXECUTE GRANT DOCUMENTS AND RELATED DOCUMENTS

RECOMMENDATION:

Adopt a Resolution of the San Rafael City Council approving a housing trust grant to the County of Marin for the affordable housing development at 3301 Kerner Boulevard in an amount not to exceed \$1,540,000, and authorizing the City Manager to execute grant documents and all related documents that may be required by other sources of financing for the project.

BACKGROUND:

The City's Affordable Housing Trust Fund, or Housing Trust Fund, was created to increase the stock of permanently affordable housing units in the city of San Rafael. The Housing Trust Fund provides a local funding source for financial and technical assistance to help affordable housing developers produce and preserve affordable housing.

On January 21, 2020, the City Council adopted [Resolution 14760](#) establishing Guidelines for the Administration of the Affordable Housing Trust Fund. These Guidelines lay out the administrative policies and procedures for the use of the Affordable Housing In-Lieu Fee Fund as San Rafael's primary Housing Trust Fund.

Section 4 of the Guidelines for the Administration of the Affordable Housing Trust Fund allows eligible projects seeking Program funding for an eligible activity to submit a Program Application through a "Rolling Application Process". The rolling application process is intended to provide City funding for eligible projects that need a funding decision quickly or before a NOFA process can be conducted. Applications submitted under this process are reviewed by staff, then a funding recommendation scheduled for City Council consideration at a regularly scheduled meeting. Often, projects requiring this expedited decision are acquisitions of market rate properties that require immediate action but can be deed restricted as affordable housing once acquired.

FOR CITY CLERK ONLY

File No.: _____

Council Meeting: _____

Disposition: _____

Project Homekey

The California Department of Housing and Community Development issued approximately \$600 million of Homekey Program competitive grant funding. Building on the Project Roomkey initiative, which provided funds to lease motel rooms to house people experiencing homelessness, Homekey is a statewide effort to rapidly expand housing for persons who are currently experiencing or at-risk of homelessness, and who are impacted by COVID-19. Homekey is an opportunity for local public agencies to purchase motels and a broad range of other housing types in order to increase their community's capacity to respond to homelessness and the current COVID-19 pandemic. While Homekey builds off of Project Roomkey, applications are not limited to Project Roomkey sites.

Of the \$600 million in Homekey funding, \$550 million is derived from the state's direct allocation of the federal Coronavirus Relief Fund (CRF funds must be expended by December 30, 2020) and \$50 million is state General Funds (must be expended by June 30, 2022).

Because of the timing requirements of the federal funding, the State has provided Counties across California with a very limited amount of time to apply and close on proposed properties, which has also resulted in limited time for public engagement and community outreach. Homekey funds can be used for acquisition, rehabilitation, conversion of nonresidential to residential, master leasing of properties, and purchase of affordability covenants and restrictions for units.

As discussed at the [September 21, 2020 City Council Meeting](#), the City, County of Marin, and a group called Opening Doors Marin are pursuing housing acquisition opportunities through the [State's "Project Homekey" initiative](#). One of these opportunities would be to acquire the office building at 3301 Kerner, which has been previously approved by the San Rafael Planning Commission to operate as interim housing by Homeward Bound of Marin while Homeward Bound redevelops the Mill Street Center to include an additional 32 units of permanent supportive housing (PSH). When Homeward Bound is able to relocate back to Mill Street, which is expected to be within 12-18 months, 3301 Kerner is planned to be converted to 44 PSH units.

These new permanent units would be eligible towards meeting the City's Regional Housing Need Allocation (RHNA). Units will be allocated through Marin's Coordinated Entry, which has adopted its prioritization criteria to include COVID-19 vulnerabilities, aligned with Project Homekey criteria.

This acquisition would enable Marin to accelerate and expand several strategic initiatives in the County, such as Housing First, while also protecting those persons experiencing homelessness who are COVID-19 vulnerable.

In addition to 3301 Kerner, the County of Marin is also pursuing Project Homekey acquisitions at America's Best Value Inn in Corte Madera (19 units) and Inn Marin in Novato (70 units).

ANALYSIS:

As stated in Section 4 of the City's *Guidelines for the Administration of the Affordable Housing Trust Fund*, eligible projects seeking Program funding for an eligible activity may submit a Program Application through a "Rolling Application Process." Funding for the 3301 Kerner project has been considered under this process. This project has an expected development cost of approximately \$23,400,000. The County has received an award of approximately \$5,940,000 in Project Homekey funds contingent on matching City funds of \$1,540,000. The remaining gap would be filled through tax credits and other funding sources. Awarded funds must be used to provide housing for individuals and families experiencing

homelessness or at risk of experiencing homelessness and who are impacted by the COVID-19 pandemic.

While separate from the recent NOFA process, Staff recommends allocating up to \$1,540,000 in housing trust funding for a grant for the 3301 Kerner project. All funds would be used for acquisition of the property and the City's funds would therefore go to the creation of new affordable housing units. Funding for services would come from other funding sources.

Due to the accelerated timeline required by HCD for expending Project Homekey funds, Housing Trust Fund monies would be transferred directly to an escrow account for project acquisition. The Marin County Board of Supervisors is expected to consider final approval of all Project Homekey funded projects on November 17, 2020, with an anticipated closing of all property acquisitions no later than December 2, 2020.

COMMUNITY OUTREACH:

The majority of community outreach for the Project Homekey efforts have been conducted by County staff. These have included presentations to the Marin County Board of Supervisors on [August 1](#), [October 20](#), and [October 27, 2020](#).

In addition to these presentations, County staff have conducted two public meetings focusing on the Corte Madera and Novato Project Homekey funded projects. County staff is willing to conduct a public meeting focused on this project, if desired. They have established a website which will include Frequently Asked Questions and other outreach materials on the proposed projects, the address is <https://www.marincounty.org/homekey>.

Also, the City did a [news e-blast](#) through the Homeless Initiatives Newsletter with information about 3301 Kerner and provided the information on the City's website.

FISCAL IMPACT:

Currently, the City's Affordable Housing Trust Fund (Fund #243) balance is \$3,573,960. [On October 5th, 2020](#), City Council approved \$1,550,000 in Trust Fund allocations reducing the available Trust Fund balance of \$2,023,960, once appropriated. Approval of this resolution would further reduce this balance to \$483,960. The Trust Fund will be replenished by March 31, 2021 when the City receives the final installment, \$1,843,200, of the [BMR Buyout Agreement for Loch Lomond Marina](#).

Housing Trust Funds would be provided to the County of Marin as a grant. Funds are not recommended to be provided as a loans due to the limited revenue generated through permanent supportive housing projects.

OPTIONS:

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

1. Adopt resolution
2. Adopt resolution with modifications
3. Direct staff to return with more information
4. Take no action

RECOMMENDED ACTION:

Adopt A Resolution Approving a Housing Trust Grant to the County of Marin for the Affordable Housing Development at 3301 Kerner Boulevard in an Amount Not to Exceed \$1,540,000, and Authorizing the

City Manager to Execute Grant Documents and All Related Documents That May Be Required by Other Sources of Financing.

ATTACHMENTS:

- 1) Resolution of the San Rafael City Council Approving a Housing Trust Grant to the County of Marin For the Affordable Housing Development at 3301 Kerner Boulevard in an Amount Not to Exceed \$1,540,000, and Authorizing the City Manager to Execute Grant Documents and All Related Documents That May Be Required by Other Sources of Financing for the Project

RESOLUTION NO.

RESOLUTION OF THE SAN RAFAEL CITY COUNCIL APPROVING A HOUSING TRUST FUND GRANT TO THE COUNTY OF MARIN FOR THE AFFORDABLE HOUSING DEVELOPMENT AT 3301 KERNER BOULEVARD IN AN AMOUNT NOT TO EXCEED \$1,540,000, AND AUTHORIZING THE CITY MANAGER TO EXECUTE GRANT DOCUMENTS AND ALL RELATED DOCUMENTS THAT MAY BE REQUIRED BY OTHER SOURCES OF FINANCING FOR THE PROJECT

WHEREAS, on January 21, 2020, the City Council adopted Resolution No. 14760, establishing Guidelines for the Administration of the Affordable Housing Trust Fund; and

WHEREAS, on July 16, 2020 the California Department of Housing and Community Development released a Notice of Funding Availability (NOFA) for \$600 million in Project Homekey funding to local public entities, including cities, counties, or other local public entities within California to purchase and rehabilitate housing, including hotels, motels, vacant apartment buildings, and other buildings and convert them into interim or permanent, long-term housing; and

WHEREAS, on August 11, 2020, the County of Marin Board of Supervisors adopted Resolution No. 2020-86 endorsing and authorizing application for the Project Homekey program, including an application for funding for the affordable housing development at 3301 Kerner Boulevard in San Rafael ("3301 Kerner"); and

WHEREAS, the City received an application from the County of Marin seeking \$1,540,000 in funding for 3301 Kerner as part of the Project Homekey program; and

WHEREAS, Section 4 of the City's *Guidelines for the Administration of the Affordable Housing Trust Fund* allows eligible projects seeking Program funding for an eligible activity to submit a Program Application through a "Rolling Application Process"; and

WHEREAS, City staff reviewed the 3301 Kerner project application using the evaluation criteria listed in Section 5 of the *Guidelines for the Administration of the Affordable Housing Trust Fund*; and

WHEREAS, based upon this evaluation criteria, staff recommended the 3301 Kerner project for funding as a grant in an amount up to \$1,540,000 as result of the project's ability to leverage Project Homekey funding to provide new housing for very low and extremely low-income households and substantial supportive services; and

WHEREAS, the purchase of the property is contingent on receiving State of California Department of Housing and Community Development Homekey Grant funds; and

WHEREAS, a purchase of an ownership interest in real property funded pursuant to Health and Safety Code Section 50675.1.1 as this project is, shall be statutorily exempt from the California Environmental Quality Act pursuant to Health and Safety Code Section 50675.1.2; and

WHEREAS, the City has sufficient funds in the Affordable Housing Trust Fund #243 to be appropriated for FY20/21 to support this grant;

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of San Rafael hereby approves a housing trust fund grant to the County of Marin for the affordable housing development at 3301 Kerner Boulevard in an amount not to exceed \$1,540,000, and authorizes the City Manager to

execute grant documents and all related documents that may be required in connection with other sources of financing for the project, in a form to be approved by the City Attorney.

I, LINDSAY LARA, Clerk of the City of San Rafael, hereby certify that the foregoing resolution was duly and regularly introduced and adopted at a regular meeting of the City Council of said City held on Monday, the 2nd day of November 2020, by the following vote, to wit:

AYES: COUNCILMEMBERS:

NOES: COUNCILMEMBERS:

ABSENT: COUNCILMEMBERS:

LINDSAY LARA, City Clerk