



**SAN RAFAEL CITY COUNCIL AGENDA REPORT**

Department: Community Development

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City Manager Approval: \_\_\_\_\_

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**TOPIC: 2021 AFFORDABLE HOUSING NOFA FUNDING RECOMMENDATION**  
**SUBJECT: RESOLUTION AUTHORIZING THE EXPENDITURE OF FUNDS IN FULFILLMENT OF THE AFFORDABLE HOUSING TRUST FUND 2021 NOTICE OF FUNDING AVAILABILITY (NOFA), AND SUPPORTING THE AWARD OF FUNDING FROM THE COUNTY OF MARIN FOR PERMANENT LOCAL HOUSING ALLOCATION (PLHA) FUNDING TO PROJECTS RECEIVING CITY FUNDING.**

**EXECUTIVE SUMMARY:** On November 12, 2021, the City issued a [Notice of Funding Availability](#) (NOFA) for development or preservation of affordable housing. The application period ended at 5:00PM on December 23, 2021, with four responses received. Staff reviewed the responses and confirmed all four projects meet the requirements for consideration for funding. The four responses were reviewed by a staff panel that assisted in the development of the funding recommendation provided in this report for consideration by the City Council.

**RECOMMENDATION:**

Adopt a resolution authorizing:

- 1) The expenditure of \$1,750,000 in funds from the Affordable Housing In-Lieu Fee Fund (Fund #243) and \$850,000 from the Low / Moderate Fund (Fund #495) and funds from each account to complete all documents associated with funding the loans for four 100% affordable housing projects in fulfillment of the Affordable Housing Trust Fund 2021 NOFA,
- 2) Supporting the award of funding from the County of Marin for Permanent Local Housing Allocation (PLHA) Funds to the projects that receive funding from the City and have applied for the County PLHA funds, and
- 3) Authorizing the City Manager to execute all documents incident to issuing the funds, in a form approved by the City Attorney.

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FOR CITY CLERK ONLY

Council Meeting:

Disposition:

**BACKGROUND:**

The City of San Rafael is committed to creating and maintaining housing that is affordable to the San Rafael workforce, including lower and moderate-income individuals, as well as families and older adults, and community members currently or formerly experiencing homelessness. To support the efforts of affordable housing developers, the City maintains an Affordable Housing Trust Fund and periodically issues a NOFA to receive responses and evaluate the needs of sponsors seeking funding from the City for the development and preservation of affordable housing.

**Affordable Housing Trust Fund**

Presently, the City has two funds in the Affordable Housing Trust Fund, the Housing In-Lieu Fee Fund (Fund #243), and the Low/Moderate Fund (Fund #495). Collectively these funds are the City's Affordable Housing Trust Fund. Each fund is summarized below.

- **Housing In-Lieu Fee Fund.** The Housing In-Lieu Fee Fund receives monies paid by developers of market-rate housing in-lieu of including below market rate units in a residential project. This fund also receives monies paid by developers of certain commercial projects to offset the new need for affordable housing that the new commercial use is anticipated to create. The Housing In-Lieu Fee Fund has a current balance of \$4,388,147, which includes an \$800,000 loan authorized on October 5, 2020, from the 2020 NOFA, for Eden Housing at 999 Third Street "Vivalon." Therefore, the unencumbered balance is currently \$3,588,147.
- **City of San Rafael Successor Agency Low/Moderate Fund.** On February 1, 2012, the State Legislature enacted AB 26, which dissolved all California Redevelopment Agencies and provided for Successor Agencies to assume the rights, powers, and duties of the former redevelopment agencies. The City of San Rafael is the Successor Agency to the former San Rafael Redevelopment Agency, and the City Council acts as the governing board of the Successor Agency. Pursuant to AB 26, the San Rafael Oversight Board is responsible for overseeing the operation of the San Rafael Successor Agency as it administers the former Redevelopment Agency's closing operations and obligations. The Low/Moderate fund is available for the development of housing affordable to and occupied by households earning 80 percent or less of the area median income, with at least 30 percent of these remaining funds expended for the development of rental housing affordable to and occupied by households earning 30 percent or less of the area median income and no more than 20 percent of these remaining funds expended for the development of housing affordable to and occupied by households earning between 60 percent and 80 percent of the area median income. Currently the Low/Moderate fund has a balance of \$861,169.

**Other Local Funding (PLHA)**

The Marin County Permanent Local Housing Allocation (PLHA) Fund is managed by the County of Marin and not by the City. A project that is awarded funds from the City's Affordable Housing Trust Fund is eligible to apply for PLHA funding, when funds are available. Senate Bill 2 (SB2), adopted in 2017, established a permanent source of funding intended to increase the affordable housing stock in California, a permanent local housing allocation (PLHA). Marin County is eligible for non-competitive, entitlement funds. The five-year plan for these funds allocates funds to match local housing trust funds for acquisition, predevelopment, development, and preservation of multi-family projects, with an emphasis on projects for households that are at or under 60 percent Area Median Income (AMI). PLHA funding awards are made on the same timeline and following the same process as CDBG and HOME funds, with the City Council forwarding its recommendation to the County Board of Supervisors for consideration. The fund has a current balance of approximately \$1.2 million and applications submitted

by February 17, 2022, will be considered for a PLHA match. The Marin County Community Development Agency will present the PLHA recommendations for the San Rafael City Council consideration on March 21, 2022.

### **2021 NOFA – Affordable Housing**

On November 12, 2021, the Community Development Department issued a [Notice of Funding Availability \(NOFA\)](#) for the acquisition/rehabilitation or new development of 100% affordable rental or ownership housing projects in the amount of two and a half million dollars (\$2,500,000) and invited qualified affordable housing sponsors to submit requests for funding for construction or preservation of affordable rental housing for seniors, families, and individuals and families with special needs including individuals and families who formerly experienced homelessness. The NOFA allows the City Council to authorize additional funding above the published \$2,500,000 amount at its discretion. The application deadline for this NOFA was December 23, 2021, by 5:00pm.

**Considerations for Funding.** The NOFA provided the following considerations for awarding funding:

- The project meets all requirements provided in the [Guidelines](#).
- Developer team demonstrates site control or ability to achieve site control, including but not limited to a purchase and sale agreement, executed deed, or letter from a public agency or other entity agreeing to convey property and including the terms and conditions of such a transfer.
- Budget demonstrates capacity to provide the greatest return on the City's investment by maximizing number of affordable units created through the creative use of design, materials, construction techniques, and financing.
- Financing plan includes reasonable per unit City subsidy coupled with other funding sources based on target population, project type and cost effectiveness (cost per person, externalities, reserves, leveraging).
- Ability of the project to contribute toward meeting the City's goals for new housing development and the Regional Housing Needs Allocation (RHNA).

**Additional Funding Considerations.** In addition to the stated considerations for funding, the NOFA included two further considerations:

- Project readiness in the form of approved entitlements and building permits and awarded state and federal funding.
- Projects located within a quarter mile of transit, or that provide units for larger families, or serve very-low- and/or extremely-low-income households or include 20% or more permanent supportive housing.

The City received four (4) responses to the NOFA totaling just under four million dollars. The four responses are summarized in the chart on the following page.

**2021 Affordable Housing NOFA – Responses Received**

Request	Address	Project Type	Units	Applicant	Estimated Project Cost	Prior Award	2021 NOFA Request
Acquisition	Belvedere St	Acquisition/ Rehabilitation	TBD	Canal Alliance	\$6,708,000	--	\$800,000
Gap	999 Third St	New Construction	67	Eden Housing	\$47,266,587	\$800,000	\$1,000,000
Gap	3301 Kerner Blvd	Adaptive Reuse	40	Eden Housing	\$30,000,000	\$1,251,663	\$1,843,315
Gap	190 Mill St	New Construction	32	Homeward Bound	\$10,872,000	\$750,000	\$350,000
Totals			139 <sup>1</sup>			\$2,801,663	\$3,993,315

Three of the projects previously received funding from the City. These included 999 Third Street (Vivalon), 3301 Kerner Boulevard, and 190 Mill Street. In the case of 3301 Kerner, the City had awarded a grant to the County of Marin, which leveraged the City’s funding to obtain HomeKey funds which the County used to acquire the site. The funding recommendation would result in the completion or rehabilitation and preservation of more than 139 deed-restricted affordable housing units<sup>1</sup>.

In January 2022, the Community Development Department assembled a panel of City staff to review and evaluate the responses using the criteria listed in Section 5 of City Council [Resolution No. 14760](#), *Guidelines for the Administration of the Affordable Housing Trust Fund*. The panel included the City’s Community Development Director, Chief Building Official, Finance Director, and Economic Development Director. The panel met on January 24 and evaluated each response and formed a preliminary recommendation. The panel also identified needs for additional information. Community Development staff then held follow-up meetings with the respondents in early February to gather the additional information. A final preliminary evaluation was circulated to the panel prior to presenting the recommendation to the City Manager. The City Council ad hoc subcommittee on Homelessness, which consists of the Mayor and Council Member Kertz, received the preliminary recommendation and provided comments to staff on February 23, 2022.

**Funding Recommendation**

The funding recommendation for the 2021 Affordable Housing NOFA is provided in the following two charts. Funding is recommended from both the Low/Moderate Fund (#495) and the Affordable Housing In-Lieu Fee fund (#243). The recommendation includes adding to the loan principal the City’s legal costs associated with processing each of the loans, which are estimated to be approximately \$5,000 per loan, however legal costs could be greater than this depending on the complexity of the project.

The funding recommended from the Low/Moderate Fund is as follows.

**Recommended Funding - Low/Moderate Fund (#495)**

Address	Type	Sponsor	Total Cost	2021 Request	Prior Award	Recommendation	Total City Funding (Per Unit)
3301 Kerner Blvd	Gap Funding	Eden Housing	\$30,000,000	\$1,843,315	\$1,251,663	\$850,000	\$2,101,663 (\$52,542)
Total						<b>\$850,000</b>	

<sup>1</sup> The sponsor for the Belvedere St. acquisition, Canal Alliance, is negotiating for site control and units for this project are not yet included in the total count. Canal Alliance anticipates the Belvedere St. site will have between 25 and 35 units for a grand total of between 164 and 174 units.

The funding recommended from the Affordable Housing In-Lieu Fee Fund is as follows:

**Recommended Funding - Affordable Housing In-Lieu Fee Fund (#243)**

Address (Project Type)	Request	Sponsor	Total Cost	2021 Request	Prior Award	Recommendation	Total City Funding (Per Unit)
Belvedere St (Acq/Rehab)	Acquis	Canal Alliance	\$6,708,000	\$800,000	--	\$400,000 <sup>2</sup>	\$400,000 (\$TBD)
999 Third St (New Const)	Gap Funding	Eden Housing	\$47,266,587	1,000,000	\$800,000 (\$12,000)	\$1,000,000	1,800,000 (26,866)
190 Mill Street (New Const)	Gap Funding	Homeward Bound	\$10,872,000	\$350,000	\$750,000 (\$23,500)	\$350,000	\$1,100,000 (\$34,375)
Total						<b>1,750,000</b>	

The funding recommendation for Belvedere also includes support for the Canal Alliance application to the County of Marin PLHA fund in an amount matching the City funding award. If awarded by the County Board of Supervisors, the full funding request will be met with half of the funding (\$400,000) awarded from the City and an in-kind match of funds awarded (\$400,000) from the County PLHA fund.

**ANALYSIS:**

Each request for funding received was evaluated using the criteria and guidelines provided in the NOFA and the City’s affordable housing guidelines document. Summaries for each project and justification for each funding award is provided below.

**3301 Kerner Boulevard (\$850,000, Fund #495)**

On January 21, 2020, the City Council adopted resolution No. 14760 approving up to \$1,540,000 grant from fund #243 to support the purchase of the property. The City ultimately provided a grant in the amount of \$1,251,663 to the County. The County used the grant to receive \$5,940,000 in Homekey funds in order to purchase the property.

The project sponsor (Eden Housing) is preparing to apply for State Tax Credits this year. The additional funding provided by the City in the project will improve the project’s competitiveness for tax credits and bonds, which tend to be highly competitive and often receive more requests than the funding available. The City’s funding support is therefore especially important since the project site is located in what is considered a “Low Resource” area for tax credit and bond funding purposes. The California Tax Credit Allocation Committee (CTCAC) and California Debt Limit Allocation Committee (CDLAC) allocate state and federal funding in part based on location, with locations in low resource areas scoring lower than moderate, high, and highest resources areas.

The recommendation to use #495 Low/Moderate funds in this project aligns with the uses for the funds and supports the sponsor’s application for additional funding. AB 2224 which amended Section 34176 of the Health and Safety Code provides that Low/Moderate funds be used to address homelessness and affordable housing. \$250,000 can be spent on homeless prevention and the rest on affordable housing projects that meet specific criteria. *(For the development of housing affordable to and occupied*

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<sup>2</sup> The staff recommendation includes a recommendation that the City Council support a matching award of \$400,000 Permanent Local Housing Allocation (PLHA) funding for the Belvedere St. project. If awarded, the full funding request of \$800,000 will be met.

*by households earning 80 percent or less of the area median income, with at least 30 percent of these remaining funds expended for the development of rental housing affordable to and occupied by households earning 30 percent or less of the area median income and no more than 20 percent of these remaining funds expended for the development of housing affordable to and occupied by households earning between 60 percent and 80 percent of the area median income.)*

3301 Kerner Boulevard will create 40 studio and 1-bedroom units of permanent supportive housing. This project aligns with the City’s goals to create additional supportive housing for the City’s most vulnerable population. The site’s proximity to services including the Marin Health & Wellness Campus further increases the project’s capacity to best meet the needs of the community.

<b>3301 Kerner Blvd Permanent Supportive Housing – Sources of Funding</b>	<b>Status</b>	<b>Amount</b>
San Rafael/Marin County Land & Building Donation	Committed	\$7,250,000
No Place Like Home (NPLH) Funds	Committed	\$4,981,492
<b>City of San Rafael Gap Loan (2021 NOFA)</b>	<b>Pending</b>	<b>\$850,000</b>
Limited Partner Capital	Pending	\$14,841,133
Projected Funding Gap		\$1,120,665
<b>Total Sources</b>		<b>\$29,043,290</b>

The Low/Moderate Fund (#495) balance as of the date of this report is \$861,169. Funding this request will result in a remaining balance of \$11,169.

**Belvedere St. (\$400,000, Fund #243, and \$400,000 County PLHA Funds)**

This request is an opportunity to preserve affordable housing. The sponsor (Canal Alliance) has requested \$800,000 to purchase an existing apartment complex. The sponsor is currently in negotiations on a multi-family site which was first completed in the mid-1960’s and includes multiple buildings and between 25 and 30 units. The City affordable housing trust fund would be used to leverage additional capital to purchase the property. Any gap in the funds needed for acquisition could be covered with a loan from Canal Alliance. Once the property is acquired, additional funding will be obtained to complete any rehabilitation needed and to potentially add up to four additional units.

The project would ultimately be restricted to an average building AMI of at or below 60% of Marin County Area Median Income set by the United States Department of Housing and Urban Development (HUD AMI) as published by the Marin Housing Authority. The average affordability, however, would be achieved over time as households move. At acquisition the building would qualify for the loan if the in-place tenant household income average is at or below an average of up to 80% AMI. Upon vacancy, units would be income restricted to households earning at or below 60% AMI. In this way, the project would prevent displacement while preserving the affordability of an existing building in an area experiencing rising rents. Future plans could include converting the apartments to affordable ownership, at which time the City’s loan would be repaid and the units would be restricted as affordable in perpetuity through the Below Market Rate (BMR) housing program.

The recommendation is to provide \$400,000 in funds from the Affordable Housing In-Lieu Fund and to support an award of matching PLHA funds from the County of Marin. These funds would be used to leverage additional funding to buy the property. Next year, the sponsor intends to apply for a Community Development Block Grant (CDBG) to complete envisioned rehabilitation. Canal Alliance will have 24 months to use the funds to purchase the site. During this time period and upon request from Canal Alliance the City Council may award the funding to an alternative site at its sole discretion. If the funding is not used in this time period, the funds will be returned to the trust fund.

<b>Belvedere Street – Sources of Funding</b>	<b>Status</b>	<b>Amount</b>
<b>City of San Rafael (2021 NOFA)</b>	<b>Pending</b>	<b>\$400,000</b>
<b>Permanent Local Housing Allocation Fund (PLHA)</b>	<b>Pending</b>	<b>\$400,000</b>
Other funding sources ( <i>Being determined</i> )	Pending	\$5,908,000
<b>Total Sources</b>		<b>\$6,708,000</b>

**190 Mill Street (\$350,000, Fund #243)**

In 2020, the project sponsor (Homeward Bound) initially requested \$750,000 to help close a \$2 million funding gap for the project. Since this initial request, the sponsor has brought in additional funding and has narrowed the gap to a remaining \$350,000. Awarding the funding to close the remaining gap assures the project is completed and placed in service on schedule. When completed, 190 Mill Street (“the Mill Street Center”) will include 32 single-room occupancy (SRO) units of supportive housing.

The recommendation is to fully fund the request at \$350,000 which aligns with the City goal to create additional housing for people experiencing homelessness supported with wraparound services.

<b>Mill Street Center Permanent Supportive Housing – Sources of Funding</b>	<b>Status</b>	<b>Amount</b>
Partnership HealthPlan	Awarded	\$1,567,065
No Place Like Home Technical Assistance	Awarded	\$100,000
No Place Like Home (Non-competitive)	Awarded	\$1,551,535
No Place Like Home (Competitive)	Awarded	\$2,903,585
Homeless Emergency Aid Program	Awarded	\$564,620
Marin Community Foundation	Awarded	\$1,000,000
Nancy H. and James Kelso Fund	Awarded	\$666,667
Anonymous Individual Gift	Deposited	\$1,320,000
City of San Rafael (2020 NOFA – grant)	Deposited	\$750,000
City of San Rafael – Development Impact Fee Waiver	Awarded	\$132,000
<b>City of San Rafael Gap Funding Request - grant</b>	<b>Pending</b>	<b>\$350,000</b>
Individual Gifts - Capital Campaign	Deposited	\$495,000
Tamalpais Pacific - Challenge Grant	Awarded	\$100,000
Tamalpais Pacific - Predevelopment Funds	Awarded	\$25,000
Hellman Foundation	Awarded	\$50,000
Remick Family Foundation	Awarded	\$25,000
County of Marin Affordable Housing Trust with Permanent Local Housing Allocation Match	Awarded	\$459,528
<b>Total Sources</b>		<b>\$10,872,000</b>

**999 Third Street (\$1,000,000, Fund #243)**

The Vivalon Healthy Aging Campus will include 66 one-bedroom and studio units for older adults and one manager’s unit. Approximately 20% of the units will be supportive housing. The sponsor has secured

project-based vouchers from the Marin Housing Authority for all 66 affordable units. When completed, the project will help meet the housing needs for older adults and formerly homeless older adults. The Healthy Aging Campus, which will be operated by Vivalon, will provide services and support for older adults living in the building and in the greater area.

In 2020, the project sponsor (Eden Housing) initially requested a \$1 million loan to close a \$4.8 million gap in project funding. The City Council awarded \$800,000 to the project. Since this initial request the sponsor has brought in \$4 million in additional funding from the Housing Trust of Silicon Valley. This award would have closed the gap; however, costs have increased since 2020. Also, an additional \$450,000 cost was incurred for a vapor intrusion mitigation system (VIMS) required by the Department of Toxic Substances Control. Although the initial City award and the Housing Trust Silicon Valley award have narrowed the funding gap, there remains an additional \$1 million need. The additional funding award would close the gap assuring the project is completed in an expeditious manner.

<b>999 Third Street – Sources of Funding</b>	<b>Status</b>	<b>Amount</b>
<i>Predevelopment Loan (Eden Housing Line of Credit)</i>	<i>Committed</i>	<i>\$3,144,621<sup>3</sup></i>
First Mortgage – Tranche A	Committed	\$7,664,000
First Mortgage – Tranche B	Committed	\$5,478,000
Housing Trust Silicon Valley – Apple Loan	Awarded	\$4,000,000
Marin County – HOME & CDBG	Awarded	\$896,371
City of San Rafael (2020 NOFA)	Awarded	\$800,000
<b>City of San Rafael gap funding request (2021 NOFA)</b>	<b>Pending</b>	<b>\$1,000,000</b>
Sponsor Loan (Marin Community Foundation Grant)	Awarded	\$450,000
Commercial Loan (Vivalon Construction Loan)	Committed	\$6,579,504
Limited Partner @ 99.99%	Committed	\$20,348,067
<b>Total Sources</b>		<b>\$47,215,942</b>

**Affordable Housing In-Lieu Fee Fund Balance**

The following chart provides a history of revenues and expenditures from the Affordable Housing In-Lieu Fee fund for the last two years. During this time period the fund received two payments of \$1,843,200 each from the Village at Loch Lomond Marina townhome project along with other smaller in-lieu fee payments. The funding recommendation will result in the completion or rehabilitation and preservation of more than 139 deed-restricted affordable housing units<sup>4</sup>.

**Affordable Housing In-Lieu Fee Fund (#243)**

<b>NOFA (Date)</b>	<b>Address</b>	<b>Transaction</b>	<b>Entity</b>	<b>Amount</b>	<b>Fund Balance</b>
					<b>\$1,730,760</b>
(9-10-2020)	Revenue	Pymt 1	MVA – Loch L	\$1,843,200	
					<b>\$3,573,960</b>
\$1.6M (10-5-2020)	999 3 <sup>rd</sup> St	Loan		(\$800,000)	} (\$1,550,000)
	190 Mill St	Grant	Homeward Bound	(\$750,000)	

<sup>3</sup> The Eden Housing line of credit is not included in total project cost. The line of credit represents projects costs that will be included in the permanent financing on the project, and the line of credit will be paid off.

<sup>4</sup> The Belvedere St. project is anticipated to yield between 25 and 35 additional units for a total of 164 to 174 units.



<b>NOFA (Date)</b>	<b>Address</b>	<b>Transaction</b>	<b>Entity</b>	<b>Amount</b>	<b>Fund Balance</b>
					<b>\$2,023,960</b>
(11-2-2020)	3301 Kerner	Grant	Marin Cy	(\$1,251,663)	
					<b>\$772,297</b>
(4-12-2021)	Revenue	Pymt 2	MVA – Loch L	\$1,843,200	
					<b>\$2,615,497</b>
	Revenue		Misc Pymts Rev'd	\$972,650	
					<b>\$3,588,147</b>
\$2.5M (3-21-2022)	150 Belvedere	Loan	Canal Alliance	(\$400,000)	} (\$1,750,000)
	190 Mill St		Homeward Bound	(\$350,000)	
	999 3 <sup>rd</sup> St	Loan	Eden Housing	(\$1,000,000)	
<i>Remaining Balance After Awarding the Funding Recommendation</i>					<b>\$1,838,147</b>

**COMMUNITY OUTREACH:**

The NOFA was announced on the City’s website and notices were provided to local and regional affordable housing owners and developers.

**FISCAL IMPACT:**

Approval of the recommendation will result in a fiscal impact to the Affordable Housing In-Lieu Fee Fund, Fund #243, of \$1,750,000. Presently there is \$3,588,147 available in the Affordable Housing In-Lieu Fee Fund. If the recommendation is funded in full, this will leave \$1,838,147 unencumbered in the fund. The fund receives revenues in the form of payments made in-lieu of including affordable housing in new residential projects subject to the City’s affordable housing requirements. The fund also receives affordable housing linkage fee payments from certain commercial projects based on the projected affordable housing need created by the new commercial project.

Approval of the recommendation will result in a fiscal impact to the Low/Moderate Fund, Fund #495, of \$850,000. Presently there is \$861,169 available in the Low/Moderate Fund. If the recommendation is funded in full, this will leave \$11,169 in the fund.

The funding approved by the City Council will be issued through residual receipt loans at 3.0% simple interest during construction or rehabilitation, and between 1.5% to 3.0% simple interest, depending on the financing needs of the project, for a minimum affordability term of 55 years following. Repayment of each loan and accrued interest will depend on the amount of net proceeds remaining each year after allowable projects costs. The total life of each loan will up to 57 years, including up to a two-year construction/rehabilitation period followed by a 55-year affordability term. Each loan will be due in full along with any interest accrued at the end of the affordability term. The City’s loan documents will include a clause that if excess fund remain once the project is completed that those funds be used to pay down the City’s loan. The City may waive it’s right upon request from the sponsor to use the funds to pay down other debt in the project.

**OPTIONS:**

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

1. Staff's recommended action, which is to adopt the resolution.
2. Adopt a modified resolution
3. Direct staff to provide additional information
4. Take no action

**RECOMMENDED ACTION:**

Adopt the resolution

**ATTACHMENTS:**

1. Resolution

**RESOLUTION NO.**

**RESOLUTION AUTHORIZING THE EXPENDITURE OF \$1,750,000 IN FUNDS FROM THE AFFORDABLE HOUSING IN-LIEU FEE FUND (FUND #243) AND EXPENDITURE OF \$850,000 FROM THE LOW/MODERATE FUND (FUND #495) ALONG WITH FUNDS FROM EACH SOURCE FOR THE ATTORNEY FEES INCURRED BY THE CITY TO COMPLETE ALL DOCUMENTS ASSOCIATED WITH THE FUNDING FOR FOUR 100% AFFORDABLE HOUSING PROJECTS IN FULFILLMENT OF THE AFFORDABLE HOUSING TRUST FUND 2021 NOFA, SUPPORTING THE AWARD OF FUNDING FROM THE COUNTY OF MARIN FOR PERMANENT LOCAL HOUSING ALLOCATION (PLHA) FUNDS TO THE PROJECTS RECEIVING CITY FUNDING, AND AUTHORIZING THE CITY MANAGER TO EXECUTE ALL DOCUMENTS INCIDENT TO THE FUNDING IN A FORM APPROVED BY THE CITY ATTORNEY**

**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 November 11, 2021, the City issued a Notice of Funding Availability (NOFA) for two million five-hundred thousand dollars (\$2,500,000) of funding from the Housing In-Lieu Fee Fund to support affordable housing, with an application deadline of December 23, 2021 by 5:00pm; and

**WHEREAS**, the NOFA allows the City Council to issue loans in excess of the published available funding amount; and

**WHEREAS**, the City received four responses to the NOFA totaling \$4 million in funding requests; and

**WHEREAS**, applications were reviewed 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 and the needs for local support for the development of affordable housing, a funding recommendation has been developed that exceeds the amount of funds published in the NOFA using funds from the Low / Moderate Fund, which is a separate fund established for affordable housing; and

**WHEREAS**, the City has sufficient funds in the Housing In-Lieu Fee Fund #243 to issue the loans included in the recommendation and the funding requests included in the funding recommendation meet the criteria for use of the funds; and

**WHEREAS**, the County of Marin maintains the Permanent Local Housing Allocation (PLHA) Fund and issues loans from the fund to support affordable housing following the program rules and guidelines provided by the State of California Housing and Community Development Department in coordination with the Cities of San Rafael and Novato through the Priority Setting Committee.

**WHEREAS**, the Priority Setting Committee, which consists of elected members of Marin County and the Cities of San Rafael and Novato, convenes to make recommendations for expending CDBG, HOME, and PLHA funds, and the Committee recommendation is considered the approval of such funding requests.

**NOW, THEREFORE, BE IT RESOLVED**, that the City Council of the City of San Rafael as follows:

**Section 1.** The City Council authorizes the following affordable housing expenditures from the Housing In-Lieu Fee Fund, subject to City requirements for issuing loans for affordable housing:

- i. \$400,000 loan from the Housing In-Lieu Fee Fund (#243) for the Canal Alliance for acquisition of Belvedere St. The project will be restricted at an average of at or below 60% of Marin County Area Median Income set by the United States Department of Housing and Urban Development (HUD AMI) as published by the Marin Housing Authority. The average affordability in the project, however, will be achieved over time through attrition as households move. At acquisition, the building shall qualify for the loan if the in-place tenant household income average is at or below an average of up to 80% AMI. Upon vacancy, units shall be income restricted to individuals and households earning at or below 60% AMI. Canal Alliance will have 24 months to use the funds to purchase the site. During this time period and upon request from Canal Alliance the City Council may award the funding to an alternative site at its sole discretion. If the funding is not used in this time period, the funds shall be returned to the Fund.
- ii. \$350,000 grant from the Housing In-Lieu Fee Fund (#243) for the Homeward Bound of Marin project at 190 Mill Street for 32 units of permanent supportive housing for people who are homeless, chronically homeless, or at risk of chronic homelessness, at rents affordable to households earning 30% of Area Median Income or less. The funds will be issued as a grant.
- iii. \$1,000,000 loan from the Housing In-Lieu Fee Fund (#243) for the Eden Housing project at 999 Third Street for 67 units of low- and very low-income housing for older adults.
- iv. \$850,000 loan from the Low/Moderate Fund (#495) for the Eden Housing adaptive reuse project at 3301 Kerner Boulevard for 40 units of permanent supportive housing for homeless or formerly homeless households with mental illness, at rents affordable to very low-income households.

**Section 2.** The City Council authorizes the funding to be issued in the form of residual receipts loans at a simple interest rate of three percent (3%, simple) during pre-development, and construction or rehabilitation for new construction, adaptive reuse or acquisition/rehabilitation projects. The loan or grant principal shall be used to cover the City's legal costs associated with processing all documents incident to the agreements, which are estimated to be approximately \$5,000 per loan. The predevelopment and construction phases may last up to 24 months and can be extended with prior authorization in writing from the City. When construction or rehabilitation is completed the interest rate for loans shall convert to between simple one-and-one-half percent (1.5%, simple) and simple three percent (3.0%, simple) depending on the needs of the financing structure in the project for the duration of the affordability term. Interest accrued during the pre-development and construction phases shall be rolled into the principal loan balance at conversion to permanent financing. The conversion date for new construction and adaptive/reuse projects is the date the project receives a temporary or final certificate of occupancy. The conversion date for acquisition/rehabilitation projects is the date when all completed rehabilitation work has been approved by the City. The affordability term shall last for 55 years following the date of conversion. If excess funds remain at project completion those funds shall be used to pay down the City loan. The City may waive it's right upon request from the sponsor to use the funds to pay down other debt in the project.

**Section 3.** The City Council recommends that the Priority Setting Committee recommend and that the Marin County Board of Supervisors approve any request for PLHA funding submitted for the projects receiving funding through this resolution. If a project receives PLHA funding based on the match of the City's Housing In-Lieu Fee Funds and the award results in the funding request being overfunded, the amount of Housing In-Lieu Fee Funds shall be reduced to match the sponsor request.

**Section 4.** The City Council authorizes the City Manager to execute all documents and related documents required and including the additional requirements associated with expending the funds, and to execute all other documents required in connection with the agreements, 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 7<sup>th</sup> day of March 2022, by the following vote, to wit:

AYES:            COUNCILMEMBERS:  
NOES:            COUNCILMEMBERS:  
ABSENT:        COUNCILMEMBERS:

\_\_\_\_\_  
LINDSAY LARA, City Clerk