



**SAN RAFAEL CITY COUNCIL AGENDA REPORT**

Department: Community Development

Prepared by: Alicia Giudice, Director  
Alexis Captanian, Housing Analyst

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

A handwritten signature in black ink, appearing to be 'AS', written over a horizontal line.

**TOPIC: 2021 AFFORDABLE HOUSING NOFA FUNDING RECOMMENDATION – CANAL ALLIANCE ALTERNATIVE SITE ACQUISITION**

**SUBJECT: RESOLUTION AMENDING RESOLUTION 15041 BY AUTHORIZING THE EXPENDITURE OF FUNDS FOR ACQUISITION OF AN ALTERNATIVE SITE AT 105 CANAL STREET, IN FULFILLMENT OF THE AFFORDABLE HOUSING TRUST FUND 2021 NOTICE OF FUNDING AVAILABILITY (NOFA)**

**EXECUTIVE SUMMARY:** In response to the [Notice of Funding Availability](#) (NOFA) that the City issued on November 12, 2021 for development or preservation of affordable housing, the City received a funding request from Canal Alliance for the acquisition of a property on Belvedere Street. On March 7, 2022, the City Council authorized a \$400,000 loan from the Housing In-Lieu Fee Fund (#243) for the Canal Alliance for acquisition of the property on Belvedere Street and provided a 24-month period in which the City Council could award the funding to an alternative site at its sole discretion upon request from Canal Alliance. Canal Alliance did not acquire the site identified in its original application and has identified an alternative site within the 24-month timeframe. Staff has reviewed a revised application from Canal Alliance using the evaluation criteria listed in the Guidelines for the Administration of the Affordable Housing Trust Fund.

**RECOMMENDATION:**

Adopt a resolution amending Resolution 15041 by authorizing the expenditure of \$400,000 in funds from the Affordable Housing In-Lieu Fee Fund (Fund #243) and funds from the same account to complete all documents associated with funding a loan for a 100% affordable housing project at 105 Canal Street in fulfillment of the Affordable Housing Trust Fund 2021 NOFA.

**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.

---

**FOR CITY CLERK ONLY**

**Council Meeting:**

**Disposition:**

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 and invited qualified affordable housing sponsors to submit requests for funding for construction or preservation of affordable housing, with an application deadline of December 23, 2021. The City received four responses to the NOFA, including a funding request from Canal Alliance for the acquisition of a property on Belvedere Street.

On March 7, 2022, the City Council adopted Resolution 15041, authorizing a \$400,000 loan from the Housing In-Lieu Fee Fund (#243) for the Canal Alliance for acquisition of the property on Belvedere Street, and providing a 24-month period in which the City Council could award the funding to an alternative site at its sole discretion upon request from Canal Alliance. Canal Alliance did not acquire the site identified in its original application and has identified an alternative site at 105 Canal within the 24-month timeframe. Canal Alliance has executed a purchase and sale agreement for the 105 Canal property.

In January 2023, City staff reviewed and evaluated the revised NOFA application using the criteria and guidelines provided in the NOFA and in Section 5 of City Council [Resolution No. 14760](#), *Guidelines for the Administration of the Affordable Housing Trust Fund*. Based on this review, staff is recommending awarding the previously authorized funding to the alternative site at 105 Canal Street.

**ANALYSIS:**

The funding request is an opportunity to preserve affordable housing. The sponsor (Canal Alliance) has requested \$400,000 to purchase a multifamily property at 105 Canal Street in the Canal neighborhood. Built in 1963, the existing three-story apartment complex has 12 units, none of which are currently income restricted. A third of the units are three-bedroom apartments, providing housing for larger families.

**Canal Alliance Alternative Site for Acquisition**

Address (Project Type)	Request	Sponsor	Total Cost	Units	Total City Funding	City Funding Per Unit
105 Canal St (Acquisition)	Acquisition	Canal Alliance	\$3,448,600	12	\$400,000	\$33,333

*Affordability Level*

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.

*Funding and Site Control*

Staff recommends providing \$400,000 in funds from the Affordable Housing In-Lieu Fee Fund for the alternative site and adding to the loan principal the City’s legal costs associated with processing the loan, which are estimated to be approximately \$5,000.

The sponsor has executed a purchase and sale agreement for the site, and would use City funds in collaboration with funds from Canal Alliance, several other grants, and loan sources to execute the acquisition. Funding sources for the acquisition are summarized in the chart below.

Sources of Funding	Status	Amount
Loan from City of San Rafael (2021 NOFA)	Authorized, Pending Alternative Site Approval	\$400,000
Canal Alliance	Confirmed	\$88,600
Grant Capital from La Raza Development Fund	Confirmed	\$250,000
Grant from Marin Community Foundation	Confirmed	\$500,000
Grant from TamPacific	Pending	\$130,000
RE Loan (Marin Community Foundation)	Pending	\$2,080,000
<b>Total Sources</b>		<b>\$3,448,600</b>

**FISCAL IMPACT:**

Approval of the recommendation will result in a fiscal impact to the Affordable Housing In-Lieu Fee Fund, Fund #243, of \$400,000. Presently there is \$1,440,663 available in the Affordable Housing In-Lieu Fee Fund. If the recommendation is funded in full, this will leave \$1,040,663 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.

The funding approved by the City Council will be issued through a residual receipt loan at between 1.5% to 3.0% simple interest, depending on the financing needs of the project, for a minimum affordability term of 55 years. Repayment of the loan and accrued interest will depend on the amount of net proceeds remaining each year after allowable projects costs. The total life of the loan will be 55 years. The 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 funds remain once the project is completed that those funds be used to pay down the City’s loan. The City may waive its 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 AMENDING RESOLUTION 15041 BY AUTHORIZING THE EXPENDITURE OF FUNDS FOR ACQUISITION OF AN ALTERNATIVE SITE AT 105 CANAL STREET, IN FULFILLMENT OF THE AFFORDABLE HOUSING TRUST FUND 2021 NOTICE OF FUNDING AVAILABILITY (NOFA)**

**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 12, 2021, the City issued a Notice of Funding Availability (NOFA) for 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 City received four responses to the NOFA, including a funding request from Canal Alliance for the acquisition of a property on Belvedere St.; and

**WHEREAS**, on March 7, 2022, the City Council adopted Resolution 15041, authorizing a \$400,000 loan from the Housing In-Lieu Fee Fund (#243) for the Canal Alliance for acquisition of the property on Belvedere St., and providing a 24-month period in which the City Council could award the funding to an alternative site at its sole discretion upon request from Canal Alliance; and

**WHEREAS**, Canal Alliance did not acquire the site identified in its original application and has identified the property at 105 Canal Street as an alternative site within the 24-month timeframe; and

**WHEREAS**, a revised application has been 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; and

**WHEREAS**, the City has sufficient funds in the Housing In-Lieu Fee Fund #243 to issue the loan included in the recommendation and the funding request included in the funding recommendation meets the criteria for use of the funds.

**NOW, THEREFORE, BE IT RESOLVED**, that the City Council of the City of San Rafael hereby amends the entirety of Paragraph i of Resolution 15041, Section 1 as follows:

- i. \$400,000 loan from the Housing In-Lieu Fee Fund (#243) for the Canal Alliance for acquisition of the 12-unit apartment building at 105 Canal 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.

Resolution 15041 remains otherwise unchanged.

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 6<sup>th</sup> day of February 2023, by the following vote, to wit:

AYES: COUNCILMEMBERS:

NOES: COUNCILMEMBERS:

ABSENT: COUNCILMEMBERS:

LINDSAY LARA, City Clerk