



**SAN RAFAEL**  
THE CITY WITH A MISSION

Agenda Item No: 6.a

Meeting Date: April 3, 2023

## **SAN RAFAEL CITY COUNCIL AGENDA REPORT**

**Department: Community Development**

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

**TOPIC: NOTICE OF FUNDING AVAILABILITY FOR AFFORDABLE HOUSING**

**SUBJECT: STATUS AND SCOPE OF CITY OF SAN RAFAEL NOTICE OF FUNDING AVAILABILITY**

### **EXECUTIVE SUMMARY:**

The City Council will receive information on the upcoming release of a notice of funding availability to expend up to \$1.4 million for affordable housing from the Affordable Housing Trust Fund.

### **RECOMMENDATION:**

Receive and accept the report.

### **BACKGROUND:**

The City of San Rafael is committed to creating and maintaining housing affordable to the workforce and to lower and moderate-income residents, families, and seniors. To support the efforts of affordable housing developers, the City maintains an Affordable Housing Trust Fund (Fund 243) and periodically issues notices of available funding. Presently, the fund balance is \$2,046,791 and staff are preparing a notice of funding availability inviting qualified affordable housing sponsors to submit requests for funding.

### **ANALYSIS:**

On April 7, 2023, the Community Development Department plans to announce a notice of funding availability (NOFA) of \$1,400,000 for construction or preservation of affordable housing for seniors, families, and individuals and families with special needs, including individuals and families who formerly experienced homelessness.

Funding will be awarded through a competitive process. Qualified responses may be awarded in full or in part and funding may be awarded to one or more projects depending on the number of responses received and on how each response addresses the City's affordable housing goals. Responses shall be evaluated and recommendations for awarding funding will be made using the selection criteria included in the NOFA. Any award of funding must be approved by the San Rafael City Council.

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**FOR CITY CLERK ONLY**

**Council Meeting:**

**Disposition:**

## **Goals for the NOFA**

Successful responses will meet the affordable housing goals provided in the [County of Marin Consolidated Plan](#) and the [City of San Rafael Housing Element](#), which is [currently being updated for 2023 through 2031](#). The Housing Element provides the affordable housing goals of the City of San Rafael, while the consolidated plan is a five-year strategic plan for federal funding programs including the Community Development Block Grant (CDBG) program and the HOME Investment Partnerships program (HOME). Both sets of goals are included in the NOFA to ensure that awardees will also be competitive for an award of the City's share of CDBG and HOME funds, which are administered by the County.

## **Affordable Housing Trust Fund Guidelines**

In addition to the goals, responses must meet the guidelines provided in the attached San Rafael City Council Resolution No. 14760, Guidelines for the Administration of the Affordable Housing Trust Fund ("Guidelines").

## **Proposed Timeline**

The Community Development Department anticipates announcing the NOFA, evaluating responses, and forwarding funding recommendations to the City Council following this schedule:

Announcement:	On or After April 7, 2023
Responses Due:	May 15, 2023 (5:00PM)
Evaluation:	May 16 - 31, 2023
Developer Team Interview(s):	May 24 - 31, 2023
Notice of Pending Award(s):	Early June
Award(s) Approved by the City Council:	Mid-June 2023

## **Requirements for Consideration**

Qualified responses must demonstrate the following minimum qualifications.

### **Eligible Projects:**

- Acquisition/Rehabilitation, including conversion of market rate housing or adaptive reuse of buildings to affordable housing.
- New Construction of affordable housing, including the residential portions of mixed-use and live/work projects that meet the affordability requirements of the Guidelines.

### **Eligible Applicants:**

- Non-profit organizations, qualified under Section 501(c)(3) of the Internal Revenue Code.
- For-profit developers of affordable housing. For-profit developers experienced in residential development may also partner with a 501(c)(3) nonprofit organization.

### **Eligible Activities:**

- Land or property acquisition.
- Predevelopment (architecture, engineering/soil, environmental, financial analysis).
- Construction (site preparation, construction, materials).
- Conversion of market rate housing or non-residential buildings to deed-restricted affordable housing.
- Any other activity determined by the city that helps address affordable housing goals and priorities as established by the City Council.

**Developer Team Minimum Requirement:**

- Expertise and experience of the developer team designing and constructing successful affordable housing projects either locally or within similar communities in the Bay Area.

**Project Minimum Requirements:**

- Meet all requirements provided in the Guidelines.
- Demonstrate site control or ability to achieve site control, including but not limited to a purchase sale agreement, executed deed or contract of sale, or letter from a public agency or other entity agreeing to convey property and including the terms and conditions of such a transfer.
- Return on city investment based on population need and number of units created through creative use of design, materials and construction techniques, and financing.
- Reasonable per unit city subsidy evaluated by need of the target population, project type and cost effectiveness (cost per person, externalities, reserves, leveraging).

**Additional 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.

Affordable housing created through the NOFA will count toward meeting the City's goals for new housing development and the Regional Housing Needs Allocation.

**COMMUNITY OUTREACH:**

The NOFA will be announced on the City's website and notices will be provided to local and regional affordable housing owners and developers.

**FISCAL IMPACT:**

Fund expenditure is not requested at this time. After responses to the NOFA have been received and evaluated by staff, a funding recommendation will be provided for City Council approval. At that time, funds from the Affordable Housing Trust Fund will be requested. As of March 23, 2023, the Affordable Housing Trust fund balance was \$2,046,791, which is sufficient to support this Notice of Funding Availability.

**OPTIONS:**

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

1. Staff's recommended action, which is to receive and accept the report
2. Direct staff to provide additional information or requirements or otherwise adjust the NOFA

**RECOMMENDED ACTION:**

Receive and file the report on the Notice of Funding Availability for Affordable Housing.

**ATTACHMENT:**

San Rafael City Council Resolution No. 14760, *Guidelines for the Administration of the Affordable Housing Trust Fund* ("Guidelines")

## **RESOLUTION NO. 14760**

### **RESOLUTION OF THE SAN RAFAEL CITY COUNCIL ADOPTING “GUIDELINES FOR THE ADMINISTRATION OF THE AFFORDABLE HOUSING TRUST FUND”**

**WHEREAS**, Section 14.16.030.J of the San Rafael Municipal Code establishes the creation of a segregated housing in-lieu fee account to be funded by housing in-lieu fees to be used solely to increase and expand the supply of housing affordable to very low-, low- and moderate-income households; and

**WHEREAS**, the City of San Rafael maintains Fund 243 - the Affordable Housing In-Lieu Fee Fund with on-going dedicated funding from housing in-lieu fees; and

**WHEREAS**, this Affordable Housing In-Lieu Fee Fund is the City’s Housing Trust Fund, exclusively dedicated to the production and protection of affordable housing units in the City of San Rafael; and

**WHEREAS**, the San Rafael City Council finds it necessary to establish guidelines which establish priorities, criteria, and administrative processes for distribution of Housing Trust Fund monies and project selection;

**NOW, THEREFORE BE IT RESOLVED**, that the City Council of the City of San Rafael hereby adopts the following “Guidelines for the Administration of the Affordable Housing Trust Fund”:

#### **SECTION 1 PURPOSE AND INTENT**

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. These guidelines are intended to provide direction as well as flexibility for staff in making recommendations for Program funding.

#### **SECTION 2 APPLICABILITY**

The provisions of this Program shall apply to all real property in the San Rafael city limits including a single-family dwelling or unit in a multifamily or multipurpose dwelling, a unit in a condominium or cooperative housing project, or a unit in a structure that is being used for residential uses whether or not the residential use is a conforming use permitted under the San Rafael Municipal Code, which is hired, rented, or leased to a household within the meaning of California Civil Code Section 1940.

#### **SECTION 2 DEFINITIONS**

A. “Affordable Rent” means a housing unit that satisfies at least one of the following criteria:

- 1) If the unit is being rented to Low-Income, Very Low-Income or Extremely Low-Income Households

- 2) If the unit is being sold, it is offered at an “affordable housing cost”, as defined in Health & Safety Code Section 50052.5
  - 3) If the unit is being rented to Moderate-Income households, it is available at a gross rent, including a utility allowance, that does not exceed 30 percent of the applicable income eligibility level, and complies with the definition of Moderate-Income in these guidelines
- B. “Applicant” means one of the following:
- 1) Non-profit organizations, qualified under Section 501(c)(3) of Title 26 of the Internal Revenue Code (“501(c)(3) nonprofit organization”)
  - 2) Public agencies
  - 3) For-profit developers working in partnership with a 501(c)(3) nonprofit organization
  - 4) Any other application that helps to address program goals and priorities of increasing affordable housing as reflected by ordinances and resolutions established by the City Council
- C. “Area Median Income” means the most recent applicable Marin County median family income published by the California Department of Housing and Community Development, available at the following link: <http://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-incomelimits.shtml>
- D. “Department” means the Community Development Department.
- E. “Development Team” means the Developer, Architect, Financing Partners, General Contractor, and Construction Management personnel associated with an eligible project.
- F. “Director” means the Community Development Department Director.
- G. “Eligible Activity” means any of the following:
- 1) Seed/Catalyst funds for very early costs to initiate or expedite eligible project development (such as feasibility analysis or community planning)
  - 2) Land or property acquisition for new development
  - 3) Predevelopment (architecture, engineering/soils, environmental reports, financial consultants, etc.)
  - 4) Construction (site preparation, construction, materials)
  - 5) Rehabilitation activities to renovate existing rental units
  - 6) Conversion of market rate housing, or non-residential buildings, to deed restricted affordable housing
  - 7) Any other activity that helps to address program goals and priorities of increasing affordable housing as reflected by ordinances and resolutions established by the City Council
- H. “Eligible Project” means a project which includes, but is not limited to:
- 1) Rental housing projects that meet the affordability requirements of these guidelines including Permanent Supportive Housing. The affordability of all



units assisted by Program Funds shall be income and rent restricted for not less than 55 years;

- 2) Single-room occupancy ("SRO") projects;
  - 3) Emergency Shelters;
  - 4) Supportive and transitional housing;
  - 5) The residential portions of mixed-use and live/work projects that meet the affordability requirements of these guidelines;
  - 6) Conversion of market-rate housing to affordable, or of non-residential buildings to affordable housing;
  - 7) Single-family or multi-family homeownership projects that meet affordability guidelines; and
  - 8) Any other activity that helps to address Program goals and priorities of increasing affordable housing as reflected by ordinances and resolutions established by the City Council.
- I. "Emergency Shelter" means the same as in Code of Federal Regulations Title 24, Section 576.2, as amended from time to time.
- J. "Extremely Low-Income" has the meaning set forth in Health & Safety Code Section 50106. Grantees shall utilize income limits issued by the California Department of Housing and Community Development at the following link: <http://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-incomelimits.shtml>
- K. "Grantee" means an entity that has received an award of Program Funds.
- L. "Homeownership Project" or "Units Within a Homeownership Project" means an Eligible Project that uses Program Funds to assist in the acquisition, construction or rehabilitation of owner-occupied housing units in which the homeowner has an ownership interest sufficient to comply with Health & Safety Code Section 50843.5(d)(3), including the construction, repair, reconstruction or rehabilitation of Accessory Dwelling Units or Junior Accessory Dwelling Units.
- M. "Low-Income Households" has the meaning set forth in Health & Safety Code Section 50079.5 for "Lower income households". Grantees shall utilize income limits issued by the California Department of Housing and Community Development at the following link: <http://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-incomelimits.shtml>
- N. "Management Team" means the Property Owner, Property Management, Financial Partners, and/or Service Providers associated with an eligible project.
- O. "Moderate-Income Persons and Families Households" has the meaning set forth in Health & Safety Code Section 50093. Grantees shall utilize income limits issued by the California Department of Housing and Community Development at the following link: <http://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-incomelimits.shtml>
- P. "NOFA" means a Notice of Funding Availability issued by the Department to announce the availability of Program Funds, the terms and conditions of awards, and requirements for the submittal of applications.

- Q. "Permanent Supportive Housing" has the same meaning as "supportive housing" in Health & Safety Code Section 50675.14: housing, with no limit on the length of stay, that is occupied by the target population, and that is linked to onsite or offsite services that assist the supportive housing residents in retaining the housing, improving his or her health status, and maximizing his or her ability to live and, when possible, work in the community. Permanent Supportive Housing may include associated facilities if used to provide services to housing residents. Permanent supportive housing does not include "health facility" as defined by Health & Safety Code Section 1250, or any "alcoholism or drug abuse recovery or treatment facility" as defined by Health & Safety Code Section 11834.02, or "community care facility" as defined in Health & Safety Code Section 1502, or "Mental health rehabilitation centers" as defined in Section 5675 of the Welfare and Institutions Code, or other residential treatment programs.
- R. "Program" means the administration of the Affordable Housing Trust Fund, as implemented in these Guidelines.
- S. "Program Application" means an application in a form prescribed by the Program.
- T. "Program Funds" means the funds provided by the Affordable Housing Trust Fund pursuant to these Guidelines
- U. "Public Agency" means
- V. "Single Room Occupancy or SRO project" means
- W. "Transitional Housing" means the same as in Code of Federal Regulations Title 24, Section 578.3.
- X. "Very Low-Income" has the meaning set forth in Health & Safety Code Section 50105. Grantees shall utilize income limits issued by the California Department of Housing and Community Development for Very Low-Income households for each county at the following link: <http://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-incomelimits.shtml>

### **SECTION 3 ORGANIZATION & OVERSIGHT**

The Housing Trust Fund will be governed by the San Rafael City Council. The City Council will provide oversight to the Housing Trust Fund and will review all loans and grants for approval or denial. This review process will take place through the regular agenda of the City Council. Minutes will be recorded at all meetings and maintained by City staff. The Department will process all applications and make funding recommendations to the City Council.

### **SECTION 4 APPLICATION PROCESS**

Applicants with eligible projects seeking Program funding for an eligible activity may apply via one of two application processes:

- A. NOFA Application Process. When necessary, the Program may issue a NOFA announcing availability of Program Funds, the terms and conditions of awards, and requirements for the submittal of applications. Program Funds made available through the NOFA may not be greater than the balance of the Affordable Housing Trust Fund.

Rolling Application Process. During periods without an issued NOFA by the Program, Applicants with eligible projects seeking Program funding for an eligible activity may submit a Program Application. Applicants must contact Program staff by phone or e-mail prior to Program Application submittal. Completed Program Applications must be submitted to the Director. Once a Program Application is received by the Director, Program staff will make a recommendation to the San Rafael City Council to approve or reject the funding request.

Under both processes, Program staff reserve the right to determine the reasonableness of all costs and fees associated with a project, including developer fees.

## **SECTION 5 EVALUATION CRITERIA**

All funding applications will be evaluated using the following criteria:

- A. Community Benefit. Eligible projects must provide a tangible and cost-effective benefit to the community as well as the intended beneficiaries.
- B. Development Team's Capacity. Eligible projects must show Development Team experience and capacity (skills, experience, resources) to achieve the proposed activity.
- C. Management Team's Capacity. Eligible projects must show organizational experience and capacity (skills, experience, resources) to achieve the proposed activity, including the organization's financial health. The organization may not have any unresolved financial audit findings. Applications should include applicant monitoring and reporting record, previous project experience and property management experience.
- D. Readiness to Proceed. Where applicable, the City will prefer eligible projects which can show a combination of the following:
  - i. site control;
  - ii. third party capital needs assessment completed within past 12 months;
  - iii. scope of work identifying critical repairs;
  - iv. expected planning and zoning approval within 90 days of funding approval;
  - v. construction/acquisition start (within 12 months of application);
  - vi. construction cost estimate;
  - vii. substantial amount of other financial resources committed; and
  - viii. relocation and/or replacement housing plan and budget identified
- E. Leverage and Collaboration. The City encourages applicants to seek other financing and in-kind contributions to match City investment. Other things being equal, applications with greater matching sources will receive more favorable consideration. The City prefers not to be the sole source of funding for a project or program.
- F. Per Unit Subsidy (PUS). Recognizing the cost per residential unit will vary per project due to a variety of factors, there is no specific PUS. Reasonable PUS includes evaluation of the target population, project type and cost effectiveness (cost per person, externalities, reserves, leveraging).



## **SECTION 6 FUNDING TERMS**

Program Funds will generally be available in the form of a loan or a grant. Loan length and terms will vary by project to meet the needs of the project, availability of financing, financing method, development configuration and organizational capacity of the applicant, as determined by staff and the City Council.

## **SECTION 7 REPORTING REQUIREMENTS**

Grantees must notify Program staff in writing of all major changes, financial or otherwise, relating to an application for financial assistance or an approved project.

Depending on the size and type of loan or grant requested, the following may be required: a written breakdown of expenditures funded with Housing Trust Fund proceeds; receipts, invoices and cancelled checks; annual reports certifying ongoing affordability; annual reports on project demographics and affirmative marketing plans; annual written reports describing any changes in the project development, operations, or management; and/or audited annual financial statements.

**BE IT FURTHER RESOLVED** that any and all amendments to the “Guidelines for the Administration of the Affordable Housing Trust Fund” herein, as deemed necessary from time-to-time, shall be adopted by resolution of the City Council.

I, LINDSAY LARA, City 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 held on the 21<sup>st</sup> day of January 2020 by the following vote to wit:

**AYES: Councilmembers: Bushey, Colin, Gamblin & Mayor Phillips**

**NOES: Councilmembers: None**

**ABSENT: Councilmembers: McCullough**



**LINDSAY LARA, City Clerk**