



Office of the City Manager

CONSENT CALENDAR
July 24, 2018

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Paul Buddenhagen, Director, Health, Housing & Community Services

Subject: Housing Trust Fund Request for Proposals for Housing Rehabilitation with the City's 2018 HOME Funds and HOME Program Income

RECOMMENDATION

Authorize the City Manager to release a Housing Trust Fund Request for Proposals (RFP) with a priority for housing rehabilitation by a nonprofit that qualifies as a federally-defined Community Housing Development Organization (CHDO) and satisfies requirements related to the City's 2018 allocation of federal HOME program funds and currently available HOME program income.

FISCAL IMPACTS OF RECOMMENDATION

The City's 2018 HOME allocation will be \$793,509. Staff expect have an agreement with the U.S. Department of Housing and Urban Development (HUD) in August 2018. After 10% for related staffing costs, the City will have \$714,158 for HOME-eligible activities. Those funds, together with \$271,714 in HOME program income received in FY2018, are subject to federal commitment deadlines and are therefore proposed to be included in the recommended RFP.

CURRENT SITUATION AND ITS EFFECTS

The City will receive HOME funds in August 2018, despite another year's efforts by the executive branch to eliminate the HOME program at the federal level. Staff have identified an RFP for housing rehabilitation work by a CHDO as the path required to satisfy all of the applicable HOME program requirements. The Housing Advisory Commission concurred with this recommendation at its June 7, 2018 meeting.

Discussion and Possible Recommendation on Uses for City's 2018 Allocation of Federal HOME Funds and Proposed Request for Proposals Process

Public Speakers: 1

Commissioner Owens recused himself due to his employment at Resources for Community Development. Commissioner Wolfe recused herself due to her membership on the board of Resources for Community Development.

Action: M/S/C (Amezcuca/Johnson) to adopt the recommendations of the Housing Trust Fund subcommittee to recommend to City Council to direct staff to create a

rehabilitation request for proposals (RFP) for Community Housing Development Organizations (CHDOs) with the City's 2018 HOME funds.

Vote: Ayes: Amezcua, Johnson, Kesarwani, Lewis, Lord, and Tregub. Noes: None. Abstain: None. Absent: Holman (unexcused), Owens (recused), Wolfe (recused), and Wright (excused).

Action: M/S/F (Amezcua/Johnson) to adopt the recommendations of the Housing Trust Fund subcommittee to recommend to City Council to consider a Tenant-Based Rental Assistance program for future consideration of the City's HOME funds.

Vote: Ayes: Amezcua, Johnson, Lewis, and Tregub. Noes: Lord. Abstain: Kesarwani. Absent: Holman (unexcused), Owens (recused), Wolfe (recused), and Wright (excused).

After the Commission's discussion, staff determined that the City received slightly more than \$270,000 in FY 2018 that is subject to similar requirements as the new allocation of HOME funds. Staff recommend including the program income in the RFP has well.

BACKGROUND

HUD requires that HOME funds are "committed" (in a contract) within 24 months of the City's agreement with HUD, yielding a deadline of August 2020 to enter into a contract with a developer to expend the HOME funds. HOME funds can only be "committed" to a project that has already secured all of its other funding and is nearly ready to start rehabilitation or new construction work. Of the HOME allocation, 15% (\$119,026) must go to a development project undertaken by a Community Housing Development Organization (CHDO), which HUD defines as a nonprofit organization with capacity to carry out HOME-funded activities and a certain type of board composition, including that at least 1/3rd of the members have low incomes.

On June 13, 2017, Council identified Berkeley Way as the first priority for Housing Trust Funds, but BRIDGE has indicated the organization does not qualify as a CHDO due to board composition. If the City awarded the HOME funds to Berkeley Way, the award would have to exclude \$120,000 of the HOME allocation due to the CHDO requirement. Any rehabilitation funded by HOME must result in all major systems (building envelope, mechanical, electrical, plumbing, structural) being able to last the HOME compliance period (5 to 15 years). Staff do not believe that \$120,000 would be sufficient to award a rehabilitation project by itself given this requirement.

Because of the scale of development required for the low income housing tax credit program—the major source of support for new affordable housing construction—and the depth of City subsidy typically needed, neither the CDHO funds alone nor the whole award is likely to be sufficient to fund a new construction development. Any funds uncommitted in August 2020 are subject to recapture by HUD.

ENVIRONMENTAL SUSTAINABILITY

There are no environmental sustainability impacts associated with issuing an RFP. The rehabilitation of affordable infill housing is generally considered a more sustainable type of development activity.

RATIONALE FOR RECOMMENDATION

The recommended RFP minimizes the risk that the City will be unable to satisfy the HOME program requirements and will have to forfeit federal housing funds.

ALTERNATIVE ACTIONS CONSIDERED

Staff discussed HOME-funded tenant-based rental assistance with the HAC's subcommittee but the HAC did not recommend it and neither do staff. Staff are aware of several affordable housing developments with rehabilitation needs and believe there will be adequate applicants for the recommended RFP. HOME-funded tenant-based rental assistance has many limitations, including only being suitable for short-term assistance due to the HOME program's uncertain future. Developing a new program would be a significant body of work. Staff anticipate exploring such a program later this year for HOME contingency planning, but recommend prioritizing staff work on an RFP at this time.

The City could issue an RFP for new construction as well as rehabilitation, but staff are not recommending that course of action due to the risk that the selected project would not be able to secure all of its funding by August 2020. Since the need for gap funding for new construction would certainly be greater than the HOME funds now available—due to the typical scale of new construction and the depth of City subsidy needed—any new construction project would need additional funding from the City. Without a secure source of funds sufficient for Berkeley Way and an additional HOME project, staff recommend proceeding with the rehabilitation RFP.

The City could reserve the HOME funds other than the required CHDO portion for the proposed Berkeley Way development, but would likely have to forfeit the CHDO portion (\$120,000) since that project would not be eligible for those funds and the funds are not sufficient for another project.

CONTACT PERSON

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