



Housing Authority Memorandum

City of Arts & Innovation

TO: HOUSING AUTHORITY MEMBERS DATE: AUGUST 6, 2019

FROM: OFFICE OF HOMELESS SOLUTIONS WARD: 7

SUBJECT: HOUSING FIRST – ADOPTION OF A RESOLUTION SUPPORTING NEIGHBORHOOD PARTNERSHIP HOUSING SERVICES, INC.’S SUBMISSION OF AN APPLICATION TO THE MULTIFAMILY HOUSING PROGRAM ADMINISTERED BY THE CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT; AND APPROVAL OF A PURCHASE OPTION AGREEMENT WITH NEIGHBORHOOD PARTNERSHIP HOUSING SERVICES, INC. TO SECURE THE EXCLUSIVE RIGHT TO PURCHASE OR LEASE HOUSING AUTHORITY OWNED PROPERTY LOCATED AT 11049 BOGART AVENUE FOR A PROPOSED 28-UNIT PERMANENT SUPPORTIVE HOUSING PROJECT

ISSUE:

Adoption of a Resolution signifying support of Neighborhood Partnership Housing Services, Inc.’s application for an approximately \$4.6 million development loan from the Multifamily Housing Program, administered by the State of California Department of Housing and Community Development, to fund development of a proposed 28-unit tiny cottage Permanent Supportive Housing Project located at 11049 Bogart Street (APN # 146-182-080) in the La Sierra Neighborhood; and approval of a Purchase Option Agreement with Neighborhood Partnership Housing Services, Inc. to secure the exclusive right to purchase or lease the Housing Authority property.

RECOMMENDATIONS:

That the Housing Authority:

1. Adopt a Resolution supporting Neighborhood Partnership Housing Services, Inc.’s submission of an application to the Multifamily Housing Program administered by the California Department of Housing and Community Development for a permanent supportive housing project being proposed at 11049 Bogart Avenue;
2. Authorize the Executive Director, or his designee, to execute all required documents that may be required in support of Neighborhood Partnership Housing Services, Inc.’s application to the Multifamily Housing Program, making minor corrections as necessary;
3. Approve the attached Purchase Option Agreement with Neighborhood Partnership Housing Services, Inc. to secure the exclusive right to purchase the Housing Authority property located at 11049 Bogart Avenue for the development of 28 tiny cottage units on Housing Authority owned property located at 11049 Bogart Street that would serve extremely low income individuals; and

4. Authorize the Executive Director, or his designee, to execute the Purchase Option Agreement and other support documents needed in support of Neighborhood Partnership Housing Services, Inc.'s application for project development loan funds to the Multifamily Housing Program, making minor non-substantive changes as necessary.

BACKGROUND:

The State of California's Multifamily Housing Program (MHP) is an affordable housing production program that complements state and local efforts to increase and preserve the supply of decent, safe, and sanitary affordable housing for extremely low- and very low-income households, including homeless families. MHP funds may be used for the production or preservation of affordable housing through the acquisition, new construction, reconstruction, and/or rehabilitation of very low income and supportive housing with suitable amenities. California has \$178 million in MHP funds to allocate in FY 2019 via a competitive Notice of Funding Availability, and can fund any single project up to \$20 million. MHP allocations are implemented by the State as a deferred payment simple interest loan in exchange for long-term affordability. The regulatory agreement for any potential project will be for 55 years with affordability for extremely low-income individuals earning at-or-below 30% of the Area Median Income (or \$14,150 for one person in 2018).

DISCUSSION:

The Housing Authority received an over-the-counter application from Neighborhood Partnership Housing Services (NPHS) on March 14, 2019 that proposed to build 15 tiny cottages plus a small office building on Housing Authority-owned property located at 11049 Bogart Avenue in the La Sierra Neighborhood (Property); a project that would provide housing for chronically homeless individuals coupled with case management. Staff reviewed and rated the NPHS application and found the proposal to be strong enough to proceed in development. In subsequent project development, NPHS raised the proposed project unit count, and reconfigured the proposal to include a large central "village feel" common green space suitable for urban farming plots. A proposed site schematic is included as Exhibit "C" of this report.

In exchange for a potential sale of the Property under the attached Purchase Option Agreement, NPHS would apply for MHP funds and would be the recipient of loan funds. Loan payments under the MHP Program, which are a .42% fraction of principal/interest for the first 30 years (and thereafter reset by the State to cover monitoring costs in later years), would be paid by NPHS out of Project rent proceeds. NPHS would explore master leasing the Project in order to bring on a service partner who can fill units with eligible clients, provide matched client case management resources, and professionally manage the overall project site.

The mission of the proposed project would be to provide access to stable and affordable housing; provide case management to offer supportive services based on clients needs; and to assist clients with graduating into permanent housing. The Housing Authority would potentially sell the 11049 Bogart site pursuant to a separate noticed hearing before the Housing Authority Board, which would occur only if MHP funds are awarded. The project site at 11049 Bogart Avenue will not require rezoning to accommodate the project as currently envisioned.

If awarded MHP funds, staff would return to the Housing Authority Board at a later hearing with a Disposition and Development Agreement (DDA) for final disposition of the Bogart Street site.

In approving the Purchase Option Agreement contemplated in this report, the Housing Authority would be approving the proposed project in concept. Separate land use approvals and funding agreements would come before the City Council and/or Housing Authority at a later date for approval.

The proposed sources and uses are as follows, although it expected that these estimates and sources of funds may change as the Project continues in its development cycle:

Uses of Funds	Cost:
Land Acquisition	\$1.00
Construction (w/contingency)	\$3,627,171
Soft Costs	\$533,378
Permit Fees	\$175,000
Developer Fee	\$329,743
Total Development Costs	\$4,665,293

The Development cost is expected to be financed through the following funding sources:

Sources of Funds	Funding Amount:
Multifamily Housing Program	\$3,265,705
4% Tax Credits	\$1,399,587
City Land Donation	\$1.00
Total Sources of Funds	\$4,665,293

Public Outreach:

Public outreach for this proposed project is commencing with the first meeting in the next 30-45 days. The Project was also included in the City’s Housing First Plan, approved by City Council on March 13, 2018 and was subject to public outreach at that time.

FISCAL IMPACT:

The Property is valued at approximately \$232,000 based on square footage and current residential land prices. Staff will analyze the Project after a potential MHP award for additional subsidy needs as part of DDA negotiations. No additional funding is contemplated for the project at this time.

Prepared by: Michelle Davis, Housing Authority Manager
 Certified as to availability of funds: Edward Enriquez, Chief Finance Officer/City Treasurer
 Approved by: Moises Lopez, Deputy City Manager
 Approved as to form: Gary G. Geuss, City Attorney

Exhibits: “A” – Resolution
 “B” - Option Agreement
 “C” – Proposed Site Schematic (28-units)