



City of Stockton

Legislation Text

File #: 21-0407, **Version:** 1

APPROVE THE 2021 AFFORDABLE HOUSING LOAN PROGRAM ALLOCATION

RECOMMENDATION

It is recommended that the City Council adopt a resolution to:

1. Approve the following loans for nine (9) affordable housing developments:
 - a. \$700,000 to Town Center Studios, LP, Project Homekey, for the 40-unit Town Center Studios Homeless project;
 - b. \$793,286 to the Housing Authority of the County of San Joaquin for the 74-unit Sierra Vista Apartments Phase III project;
 - c. \$456,714 to the Housing Authority of the County of San Joaquin for the 37-unit Sonora Square Apartment project;
 - d. \$600,000 to Visionary Home Builders for the 31-unit Liberty Square Apartment project;
 - e. \$1,000,000 to the Central Valley Low Income Housing and Stocktonians Taking Action to Neutralize Drugs (STAND) for the 30-unit Shared Permanent Housing project;
 - f. \$2,000,000 to Visionary Home Builders for the 75-unit Grand View Village Apartment project;
 - g. \$1,200,000 to Service First of Northern California for the 120-unit Hunter House Apartment project;
 - h. \$600,000 to Visionary Home Builders for the 94-unit La Passeggiatta family and senior housing project; and
 - i. \$1,040,541 to Service First of Northern California for the 105-unit Fontana Towers project.
2. Authorize the appropriation of \$189,508 in the Neighborhood Stabilization Program (NSP) 1 funds and \$109,803 in Neighborhood Stabilization Program 3 funds from fund balance to the corresponding NSP Grant Program expense accounts.
3. Authorize the City Manager, or designee, to take actions that are necessary and appropriate, including the execution of loan documents, to carry out the intent of the resolution.

Summary

On December 28, 2020, the City issued a Notice of Funding Availability (NOFA) for a total of \$8.39 million of affordable housing funds. Of that amount, \$2.98 million is comprised of federal HOME Investment Partnership funds (HOME), \$239,126 of HOME/Community Housing Development Organization (CHDO) funds for a combined \$3.22 million of HOME funds, \$2.197 million of Community Development Block Grant funds (CDBG), \$973,370 of Low-to-Moderate Income Housing (LMIHF) funds, \$1.7 million of Permanent Local Housing Allocation (PLHA), and \$299,311 of Neighborhood Stabilization Program (NSP) funds to provide financing for the development of new affordable housing construction or rehabilitation activities that will result in the creation and preservation of affordable housing units targeting households with incomes at or below 60 percent of the Area Median Income (AMI).

Based on the scores and ranking by the NOFA committee and analysis conducted by an affordable housing consultant, staff is recommending funding for the following proposed affordable housing projects:

- Town Center Studios \$700,000
- Sierra Vista Phase III \$793,286
- Sonora Square \$456,714
- Shared Permanent Housing \$1 Million
- Liberty Square \$600,000
- Grand View Village \$2 Million
- The Hunter House \$1.2 Million
- La Passegiatta \$600,000
- Fontana Towers \$1,040,541

The proposed projects are consistent with the City's affordable housing goals and priorities identified in its Five-Year Consolidated Plan.

DISCUSSION

Background

On December 28, 2020, the Economic Development Department released a NOFA notifying interested parties of the availability of funds for the development or preservation of affordable housing units in Stockton. The NOFA was sent to more than 200 nonprofit and development organizations, shared via social media, posted on the City's official website, and published in The Record. The NOFA stated that funds were available to provide financing for affordable housing projects and that applications would be scored and ranked based on the following criteria:

- Project Readiness
- Leveraging (amount of non-City funding in the project)
- Capacity and experience of developer and team
- Conformance with the City's Housing Element, Consolidated Plan, Council Goals, and Homeless Strategic Plan

A summary of the types of funds available are as follows:

- **HOME funds:** The City receives an annual allocation of HOME funds from the U.S. Department of Housing and Urban Development (HUD). These funds can only be used to provide affordable housing targeted to households with incomes at or below 60 percent of the AMI (\$44,400 based on a family of four).
- **HOME Community Housing Development Organization funds:** Fifteen percent (15 percent) of the City's HOME allocations for housing development activities must be set-aside for qualified CHDOs that develop affordable housing in the community it serves.
- **CDBG funds:** The City receives an annual allocation of CDBG funds from HUD, which may be used to provide housing affordable to households with incomes at or below 60 percent of the AMI.
- **LMIHF funds:** In 2020, the Successor Agency to the former Redevelopment Agency of the City of Stockton (Successor Agency) made payment on loans owed to the City. Redevelopment Dissolution Law requires that twenty percent (20%) of each City loan payment be deducted and transferred to the LMIHF. The payment of \$973,370 was approved by the State Department of Finance on the annual Recognized Obligation Payment Schedule (ROPS FY2020-21). These funds must be used for affordable housing activities within the City of Stockton and are not restricted to a specific project area.
- **PLHA funds:** The Permanent Local Housing Allocation Grant Program set aside approximately \$195 million to provide funding to local jurisdictions to expand the number of affordable housing units to meet the City's future Regional Housing Needs Allocation (RHNA). The PLHA grant is a non-competitive opportunity that does not require a local match to receive the funds.
- **NSP funds:** Neighborhood Stabilization Program was established for the purpose of providing emergency assistance to stabilize communities with high rates of abandoned and foreclosed homes, and to assist households with annual incomes up to 120 percent of the AMI. Congress has not allocated any additional NSP funds since the third round of funding in 2010 under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), however, the City receives program income from loan repayments of NSP City funded projects.

The NOFA resulted in the submittal of ten (10) applications from developers, requesting approximately \$21.5 million in City affordable housing funding:

Present Situation

Staff reviewed the applications received for eligibility and presented them to a committee for evaluation, scoring, ranking, and recommendation. The committee included representatives from the Community Development and Economic Development Departments, as well as the Community Development Committee (CDC). The following is a brief description of the nine (9) projects being recommended for funding (Attachment A - Vicinity Maps):

TOWN CENTER STUDIOS

Developer: Town Center Studios, LP
Current Request: \$700,000
Previous Award: \$129,205

Address: 1604 N. Wilson Way
Council District: 4
Affordability Levels: 0-30% AMI

On November 16, 2020, developer acquired the former Relax Inn at 1604 N. Wilson Way through the state-funded program Project Homekey that allowed for the acquisition, rehabilitation conversion of the motel into 40 units of permanent supportive housing for chronically homeless individuals with extremely low incomes (at or below 30% AMI).

Town Center Studios, LP (TCS) and the City of Stockton formed a partnership that allowed for the allocation of approximately \$4.289 million of Homekey funding. The project's 40 studio units are spread across three (3) buildings with four (4) units being fully ADA compliant. Rehabilitation in accordance with the Capital Needs Assessment was envisioned as mostly cosmetic and related to meeting the fire sprinkler requirements but exploratory demolition revealed structural issues, a failing walkway and balcony, dry rot, and a parking lot in need of re-pavement that required additional resources. Funded reserves will allow TCS to provide rent support and wraparound services to ensure that chronically homeless and disabled residents avoid a return to homelessness.

UNIT SIZES:

Studio	1 BR	3 BR	4 BR	Total Units
40	-	-	-	40

SIERRA VISTA PHASE III

Developer: Housing Authority CSJ (HACCSJ)
Current Request: \$793,286
Previous Award: \$1.6 Million

Address: 2436 Belleview Avenue
Council District: 6
Affordability Levels: 30-60% AMI

HACCSJ submitted a request for \$2.5 million to assist with the development of its affordable 74-unit multi-family new construction replacement housing development, with an increased unit count of 6 units over the former project site of 68 units. The project will target households with incomes at or below 60 percent of the AMI. The City has previously contributed to Sierra Vista Phase II in the amount of \$2.1 million and Phase III in the amount of \$1.6 million. The project will be leveraged with over \$25.1 million of Low-Income Housing Tax Credits and approximately \$18.2 million in project-based housing voucher rental assistance (15-year period).

Other proposed permanent financing will include 4% Low-Income Housing Tax Credit Equity.

UNIT SIZES:

Studio	1 BR	2 BR	3 BR	4 BR	Total Units
-	24	21	20	9	74

SONORA SQUARE APARTMENTS

Developer: Housing Authority CSJ (HACSJ)
Current Request: \$456,714
Previous Award: \$0

Address: Sonora & El Dorado Streets
Council District: 5
Affordability Levels: 30-60% AMI

Project will be constructed and located at 2 East Sonora Street and 401 South El Dorado Street. All units will be approximately 600 square feet and have a shared laundry and community room. Parking lot spaces will be improved and expanded for residents and an elevator will be available for the multi-family units.

HACSJ proposes to convert an existing commercial/office building into housing for low-income households in Downtown Stockton. They are proposing the development of 37 one-bedroom units of multi-family permanent housing targeting extremely low-income (at or below 30% AMI) and very-low-income households (at or below 50% AMI). The development will benefit from the HACSJ's allocation of much needed Project-Based Vouchers (PBV) to make available rental subsidies ensuring that the rents remain affordable. The proposed project would provide affordable housing to lower-income households that constitute HACSJ's service population.

Other proposed permanent financing will include 4% Low-Income Housing Tax Credit Equity.

UNIT SIZES:

Studio	1 BR	2 BR	3 BR	4 BR	Total Units
-	37	-	-	-	37

LIBERTY SQUARE APARTMENTS

Developer: Visionary Home Builders (VHB)
Current Request: \$600,000
Previous Award: \$2.8 Million

Address: 804 N. Hunter St.
Council District: 5
Affordability Levels: 30-60% AMI

Liberty Square Apartments is an adaptive reuse/new construction development that is currently under construction to convert a long-vacant commercial building into sustainable housing. The building covers a 1.76-acre parcel in a mixed-use commercial/residential neighborhood. The unit mix consists of a total of 74 units split into two developments for financing purposes, with units ranging in size from 480 sq. ft. to 1,025 sq. ft. All 74 units will be housed in a single three-story building.

To address its funding gap, VHB split its project into two separate projects through a vertical subdivision. One half of the project was financed as a 4% Low Income Tax Credit bond deal and the other half of the project was structured as a 9% Low-Income Tax Credit project. For the 9% tax credit wing, the funding request consists of 31 units with a mix of studio, one-bedroom, two-bedroom, and

three-bedroom units, including a two-bedroom manager's unit. Based on the subdivision, this portion of the project does not identify City funding that was previously committed to the project (\$2.8M) when it was originally submitted as one development.

Project amenities include three elevators, laundry facilities on each floor, a total of three playground areas (one intended for resident use and two reserved for the anticipated onsite daycare facility), gated grounds, automatic vehicle gates, pedestrian gate, and open spaces with mature landscaping.

The target population is very low and low-income individuals and working-class families with incomes ranging from 30% to 60% of AMI.

UNIT SIZES:

Studio	1 BR	2 BR	3 BR	4 BR	Total Units
1	5	15	10	-	31

SHARED PERMANENT HOUSING FOR HOMELESS

Developer: STAND

Co-developer: CVLIHC

Current Request: \$1 Million

Previous Award: \$0

Address: Scattered Site

Council District: Various

Affordability Levels: 30-60% AMI

This project is a proposed shared housing infill development of five vacant lots owned by STAND. The project will develop single-family homes, duplexes, triplexes, and accessory dwelling units on the vacant lots located throughout Stockton, for a total of 30 units spread across 10 buildings. Construction will be typical wood-frame construction that meets all codes and requirements for new construction. The project will serve low-, very low-, and extremely low-income households that meet the definition of homeless or at risk of homelessness. Priority will be given to chronically homeless, permanently disabled, and extremely low-income households.

This is a shared housing model, with individuals sharing portions of the homes. The project will provide wraparound support services with intense case management services to deter returns to homelessness. Whole Person Care will deliver on-site and off-site behavioral health care services related to mental health and substance use issues, as well as general case management. Each household will have their own private locking bedroom in accordance with shared housing standards as defined by the Department of Housing and Urban Development (HUD).

A condition of approval is that other proposed permanent financing sources be explored and secured, and a development consultant approved by the City be hired.

UNIT SIZES:

Studio	1 BR	2 BR	3 BR	4 BR	Total Units
-	-	2	18	10	30

GRAND VIEW VILLAGE

Developer: Visionary Home Builders
Current Request: \$2 Million
Previous Award: \$3.2 Million

Address: 240/250 N. Hunter St.
Council District: 5
Affordability Levels: 30-60% AMI

VHB has broken ground on Grand View Village, a 75-unit new construction four-story apartment complex, with 14,914 sq. ft. of allocated community and commercial space, and residential units ranging in size from 500 sq. ft. to 1,050 sq. ft. The project will be built on a podium with a store front design for the first floor. The development will include community room, leasing office, Head Start childcare space, ground floor office space, and a potential grocery store located on 0.78 acres at 228, 240 and 250 N. Hunter Street and 241 N. San Joaquin Street. The project is currently under construction and has experienced unanticipated cost overruns.

The project is part of an Affordable Housing Sustainable Communities (AHSC) application that has brought major dollars for the improvements on Miner Street, 25 new bus shelters in the downtown area, a train car for the ACE train, and bus passes for all the residents that will live in the new community. Finally, the community will serve families and individuals whose income is 30%, 45%, 50%, 60% and 80% of AMI.

Other proposed financing will include 4% Low-Income Housing Tax Credit Equity.

UNIT SIZES:

Studio	1 BR	2 BR	3 BR	4 BR	Total Units
-	12	38	24	-	74

THE HUNTER HOUSE

Developer: Service First of Northern CA
Current Request: \$1.2 Million
Previous Award: \$540,000

Address: 610 N. Hunter St.
Council District: 5
Affordability Levels: 30-60% AMI

Service First of Northern California submitted a request for \$2 million to assist with the new construction of an 120-unit multi-family development units targeting chronically homeless and at risk of homeless individuals and veterans that may suffer with mental illness or addictions; the units will target households with incomes at or below 60 percent of the AMI. The City has previously allocated \$540,000 to this development. The project proposes to leverage approximately \$25 million of AHSC funds through a collaborative application to the State.

Other proposed permanent financing will include 4% Low-Income Housing Tax Credit Equity, developer equity from sale of existing housing development in the amount of \$3.5 million and MHP.

UNIT SIZES:

Studio	1 BR	2 BR	3 BR	4 BR	Total Units
-	92	28	-	-	120

LA PASSEGGIATTA

Developer: Visionary Home Builders
Current Request: \$600,000
Previous Award: \$0

Address: 622 Lindsay St.
Council District: 5
Affordability Levels: 30-50% AMI

The development will consist of 94 modular, energy-efficient units with LEED Certification and will be Stockton’s first modular apartment complex, through a master lease with the State. The development will consist of two buildings; one dedicated to senior housing, and the other dedicated to multi-family housing. The five (5) and six (6) story buildings will have a breezeway that connects both buildings. The five-story development will provide 44 apartment units of 1 and 2 bedrooms ranging from 550 sq. ft. to 800 sq. ft. The six-story building will be designed to provide 50 apartment units of 2 and 3 bedrooms ranging from 800 sq. ft. to 1,050 sq. ft. targeting 30 percent to 50 percent AMI.

Onsite amenities will consist of a community room, community kitchen, computer room, fitness room, picnic-area, bicycle parking and lockers, playground, laundry facilities and 33 parking spaces. The roof of the buildings will provide a common area where the community can come together for relaxation and enjoy the view of Downtown Stockton. VHB has partnered with Dignity Health to provide wellness classes and senior support programs. Additionally, VHB will hold various classes and workshops on Homebuyer Education, Financial Literacy, and Supportive Services.

Other proposed permanent financing will include 4% Low-Income Housing Tax Credit Equity, approximately \$18 million of Multi-family Housing (MHP) program funding from the Department of Housing and Community Development (HCD). A condition of approval is that a development consultant approved by the City be hired.

UNIT SIZES:

Studio	1 BR	2 BR	3 BR	4 BR	Total Units
-	36	23	35	-	94

FONTANA TOWERS

Developer: Service First of Northern CA
Current Request: \$1,040,541
Previous Award: \$0

Address: 101 W. Bianchi Road
Council District: 4
Affordability Levels: 30-60% AMI

Fontana Towers is a proposed acquisition, new construction, multi-family project that will house low-

income, disabled, and homeless individuals of Stockton. The project will consist of three four-story wood frame buildings, housing 105 units ranging in size from 640 sq. ft. to 1200 sq. ft. of space targeting low-income households.

Other proposed permanent financing will include 4% Low-Income Housing Tax Credit Equity, MHP, and Infill Grant funds from the CA Department of Housing and Community Development (HCD).

UNIT SIZES:

Studio	1 BR	2 BR	3 BR	4 BR	Total Units
-	52	27	26	-	105

Applicant Scoring and Ranking Criteria:

Based on the committee’s recommendations and funding available, the projects being recommended for are consistent with the City’s Five-Year Consolidated Plan, Homeless Strategic Plan, Housing Element and identified Affordable Housing NOFA criteria. Additionally, the market supports the more than 3,000 affordable housing units needed to house Stockton’s low-income residents.

Applications were reviewed first to meet threshold criteria of providing affordable housing of 12 units or more targeting households with incomes at or below 60% AMI; evidence of a minimum of five (5) years of multi-family housing development experience; evidence of site control; extent to which the applicant brings additional resources to the proposed project; and project financial feasibility during the affordability period of 55 years.

The City applications received represent the development of 606 affordable housing units. Each project being recommended for funding meets an identified affordable housing need. Thus, staff is recommending funding for nine of the projects that applied. However, due to the limited amount of funding, most projects are being recommended for funding that is less than the amount requested in their respective applications.

Projects are being recommended to receive sufficient funding to keep the projects moving forward to assist them in leveraging non-City funds. Multi-family developments typically take four to five years to reach completion; thus, the expectation is that as the projects advance to the various phases of development, they may come back to the City for additional funding. It is recommended that funding be allocated to the nine projects (Exhibit 1 to the Resolution) as follows:

Project	# of Units	Development Cost Est.	Cost Per Unit	Prior City Funds Allocated	Funds Requested	Recommended City Funding	Source
Town Center Studios (Rehabilitation)	40	\$6,817,130	\$170,428	\$129,205	\$2,098,830	\$700,000	CDBG

Sierra Vista Apartments Phase III (Preservation)	74	\$36,341,858	\$491,106	\$2.6 Million	\$2,528,958	\$793,286	PLHA
Sonora Square (New Construction)	37	\$14,618,371	\$395,091	\$0.00	\$2,500,000	\$456,714	CDBG
Liberty Square (New Construction)	31	\$13,863,651	\$447,215	\$2.8 Million	\$600,000	\$600,000	HOME/CHDO
Shared Permanent Housing for Homeless (New Construction)	30	\$6,295,338	\$209,845	\$0.00	\$3,595,338	\$1 Million	HOME
Grand View Village (New Construction)	75	\$42,360,235	\$564,803	\$2.6 Million	\$2,770,000	\$906,714 \$973,370 \$119,916	PLHA LMIHF NSP
The Hunter House (New Construction)	120	\$58,456,580	\$487,138	\$540,000	\$2,000,000	\$1,020,605 \$179,395	HOME NSP
La Passeggiata (New Construction)	94	\$42,463,340	\$451,738	\$0.00	\$2,996,720	\$600,000	HOME
Fontana Towers (New Construction)	105	\$52,740,097	\$502,287	\$0.00	\$2,500,000	\$1,040,541	CDBG
	606				\$21,589,846	\$8,390,541	

Consistent with the terms of loans made for previously funded multi-family housing projects, staff is recommending that the City financing be set at 3 percent interest rate with a 55-year term and annual payments of 0.42 percent plus residual receipts proportionate to the percent of permanent funding. Residual receipts are the amount of revenue remaining after all operating expenses are paid. If the annual residual receipt payments do not pay off the loan, the remaining balance is due at the end of the 55-year term. A Deed of Trust and Promissory Note will be executed to secure the City's investment. The funds will be used for acquisition, pre-development, construction costs, and development consultant.

FINANCIAL SUMMARY

No General Fund dollars will be used for these projects.

CDBG Program funding in the amount of \$2,197,255 will be available in Account No. 6020-413-630019-230-231-10-60-000-000- with the adoption of the FY 2021-22 Annual Budget, which will fund

the Town Center Studios Project Homekey, Fontana Towers and Sonora Square projects.

HOME funds in the amount of \$3,220,605 is currently available in Account No. 6020-413-630019-230-233-10-60-000-000- and 6020-401-630019-230-233-10-60-000-000-, which will partially fund the loans for the Shared Housing Infill project for the Homeless, The Hunter House, Liberty Square and La Passeggiatta projects.

LMIHF funds in the amount of \$973,370 are currently available in Account No. 6020-400-630019-290-293-10-60-000-000-, which will partially fund the Grand View Village project.

NSP funds in the amount of \$299,311 are currently available in fund balance and it is recommended that \$189,508 in NSP1 funds and \$109,803 in NSP3 funds be appropriated to NSP1 expenditure Account No. 6020-400-630019-230-234-10-60-000-000- and NSP3 expenditure Account No. 6020-400-630019-230-235-10-60-000-000-. These dollars will partially fund The Hunter House and Grand View Village projects.

PLHA funds in the amount of \$1,700,000 will be available in Account No. 6020-405-630019-280-282-10-60-000-000-, which will fund Sierra Vista Apartments Phase III, and partially fund Grand View Village. These funds have been appropriated through Resolution Number 2020-12-01-1501 (Attachment B - Resolution 2020-12-01-1501)

Attachment A - Vicinity Maps

Attachment B - Resolution 2020-12-01-1501