

Resolution No.

STOCKTON CITY COUNCIL

APPROVAL OF AFFORDABLE HOUSING LOAN AWARDS TO ELIGIBLE RESPONDENTS TO THE 2024 AFFORDABLE HOUSING NOTICE OF FUNDING AVAILABILITY

On January 29, 2024, the City issued a Notice of Funding Availability (referred to as the 2024 Housing NOFA) for a total of \$16.1 million of several affordable housing funding sources. Of that amount, approximately \$4.5 million was comprised of federal HOME Investment Partnerships (HOME) Program funds, \$538,071 of HOME CHDO funds, \$261,331 of federal HOME-American Rescue Plan Act (HOME-ARPA) funds, \$1.4 million of state Permanent Local Housing Allocation Round 3 (PLHA-3) funds, \$2.2 million of Pro-Housing Incentive Pilot (PIP) Program funds, and \$6.6 million of state Homeless Housing, Assistance and Prevention Round 3 and 4 Grant (HHAP 3 & 4) 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 rental units targeting households with incomes at or below 80 percent (80%) of the Area Median Income (AMI), or homeownership units targeting households at or below 120% of AMI; and

The Housing NOFA closed on March 15, 2024. A total of 11 project proposals were submitted for a total request of \$52.5 million. Due to imminent HHAP 3 & 4 commitment deadlines, The Economic Development Department (EDD) conducted an expedited HHAP funding project eligibility review and staff recommended to City Council, who subsequently approved, two of the 11 project proposals through Council Resolution No. 2024-05-21-1212 on May 21, 2024 under which \$5.3 million of the \$6.6 million of HHAP available funds were allocated to the Calaveras Quarters Apartments and the Satellite Apartments housing projects, both to be developed by Delta Community Developers Corporation; and

In addition, the \$2.2 million of PIP program funds were ultimately removed from funding allocation through this 2024 Affordable Housing NOFA since none of the project proposals received were determined to be eligible for such funding. As a result, the PIP funding was made available through the City's Real Property Acquisition Notice of Funding Availability launched in July 2024 and resulted in one project being selected for PIP funding allocation; and

Additionally, at the time of the 2024 Housing NOFA issuance, 2024-2025 HOME funding allocations were unknown, therefore the NOFA did not include 2024-2025 HOME funds. Formal HUD announcement of the 2024-2025 HOME funding allocation was made in May 2024. The 2024 Housing NOFA allowed the City to use new funding allocations to be awarded to projects applications received via this NOFA. Therefore, the funding

recommendations made via this item include \$1,664,964.25 of 2024-2025 HOME entitlement funds and \$208,984.12 of 2024-2025 HOME CHDO funds; and

EDD staff reviewed all applications and conducted preliminary underwriting analysis along with a project interview process of the top scoring projects. The project interview process was conducted by EDD staff and San Joaquin County partner agency subject matter experts. The City of Stockton is held to stringent regulations by its state and federal funding agencies. As such, the City must conduct a risk assessment of each applicant and its proposal and impose rigorous experience and capacity requirements, in addition to an assessment of the project, to ensure the selected applicant has the ability to comply with the stringent funding requirements; and

After careful review and analysis of each proposal, EDD recommends loan awards to the following projects:

- 1) Mutual Housing California's Fairview Terrace Apartments project located at 2222 S. Airport Way, Stockton CA 95206 in the amount of \$7,037,865 comprised of the following amounts and sources: \$6,194,432.25 of HOME Investment Partnership Program (HOME) and \$843,432.75 of round 3 of Permanent Local Housing Allocation Program (PLHA);
- 2) Bridge Housing Corporation's Kentfield Apartments project located at 4545 Kentfield Road, Stockton CA 95207 in the amount of \$1,126,893.25 comprised of the following amounts and sources: \$574,975.25 of round 3 PLHA and \$551,918.00 of Low and Moderate Income Housing Fund (LMIHF);
- 3) Visionary Home Builders of California Inc Casa de Mariposa project located at 2260 Netherton Avenue, Stockton CA 95205 in the amount of \$747,055.12 comprised of the following amounts and sources: \$747,055.12 of HOME Community Housing Development Organization (CHDO); and

Consistent with the terms of loans made for previously funded multi-family housing projects, staff is recommending that the City financing have a 55-year loan term with interest accruing at 3% and repayment made from residual receipts, proportionate to the City loan percentage of total 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 would be due as a lump sum at the end of the 55-year term. A Deed of Trust, Promissory Note, and Regulatory Agreement will be executed to secure the City's investment and affordability of the units. The loan proceeds may be used by the developer for pre-development costs, construction costs, and development consultant costs. HOME-funded projects will have a 55-year loan term with a 20-year affordability period, consistent with the maximum affordability period recommended for HOME-assisted projects; a longer affordability period may be imposed if the project is also supported with state HCD funds; and

3. The City Manager is hereby authorized to take whatever actions are necessary and appropriate to carry out the purpose and intent of the Resolution.

PASSED, APPROVED, and ADOPTED November 19, 2024.

KEVIN J. LINCOLN II
Mayor of the City of Stockton

ATTEST:

KATHERINE ROLAND, CMC, CPMC
City Clerk of the City of Stockton