



COUNCIL REPORT

DATE: October 24, 2023
CATEGORY: Public Hearing
DEPT.: Housing
TITLE: HUD PRO Housing Grant Application

RECOMMENDATION

1. Authorize staff to submit an application to the U.S. Department of Housing and Urban Development’s Pathways to Removing Obstacles to Housing Grant.
2. If awarded, authorize the City Manager or designee to execute and submit any agreements and required forms and certifications to the U.S. Department of Housing and Urban Development to receive the award, including any amendments to agreements or related documents (Attachment 1 to the Council report).

BACKGROUND

The City currently has an affordable housing project pipeline of 12 projects estimated to create at least 1,300 new affordable housing units. This pipeline has an estimated funding gap of at least \$50 million after factoring in projected City housing fee revenues. At the August 30, 2022 Study Session on the Affordable Housing Strategic Plan, Council unanimously supported Strategy 1, “Develop an affordable housing funding strategy to significantly increase resources to achieve the City’s affordable housing pipeline,” and Strategy 1.b.4, “Seek partnerships with public agencies.”

On December 29, 2022, Congress passed the Consolidated Appropriations Act, 2023 (Appropriations Act) directing the U.S. Department of Housing and Urban Development (HUD) to allocate \$85 million for competitive grant funding for the identification and removal of barriers to affordable housing production and preservation. Per HUD, barriers to affordable housing can be caused by lack of funding and resources for affordable housing; zoning decisions, land use policies, or regulations; inefficient procedures; deteriorating or inadequate infrastructure; lack of neighborhood amenities; or challenges to preserving existing housing stock, such as increasing threats from natural hazards, redevelopment that reduces the number of affordable units, or expiration of affordability requirements.

On September 7, 2023, HUD published a final Notice of Funding Opportunity (NOFO) for the Pathways to Removing Obstacles to Housing (PRO Housing) Program. The goals of the program include identifying and removing barriers to affordable housing; institutionalizing state and local analysis and implementation of effective, equitable, and resilient approaches to affordable housing production and preservation; and facilitating the production of affordable housing. Eligible applicants include states and local governments, metropolitan planning organizations (MPOs), and multi-jurisdictional entities.

HUD expects to award approximately 20 applicants ranging between a minimum of \$1 million and a maximum of \$10 million per application. HUD is prioritizing applications that demonstrate:

1. Progress and a commitment to overcoming local barriers to facilitate the increase in affordable housing production and preservation; and
2. Acute demand for housing affordable to households with incomes below 100% of the area median income (AMI).

Applying for the HUD PRO Housing grant opportunity aligns with the Affordable Housing Strategy 1.b.4 to advance the City's project pipeline. Staff worked with the City's legislative and grant services consultant, Renne Public Policy Group (RPPG), to craft a compelling application seeking \$5 million to advance the Evelyn Lot affordable housing project at 87 East Evelyn Avenue. Staff recommends selecting the Evelyn Lot project because it is the next project in the City's pipeline to require funding, it is on a City-owned site, and it meets several key grant criteria, including addressing the acute demand for housing serving households earning less than 60% of the AMI. Additionally, the City of Mountain View qualifies as one of HUD's priority geographies based on the PRO Housing Program's Housing Problems Factor (HPF). As such, staff and RPPG believe that the City and the Evelyn Lot project would score very competitively for the funding.

The PRO Housing grant requires a minimum 15-day public review period prior to a public hearing of the City Council. The public notice and complete draft application were published on October 6, 2023 in the *Palo Alto Daily Post*. Notices were also published in Spanish, Chinese, and Russian in the *Mountain View Voice* and on the Housing Department website on the same date, along with the complete draft application.

ANALYSIS

Project Recommendation

The Evelyn Lot affordable housing project was identified as the top recommendation for the HUD PRO Housing program for the following reasons:

- This is a City-owned site, which is being prioritized for funding partnerships and opportunities;
- Represents an innovative model for dedicating a former Park and Ride Lot for a 100% affordable housing project with excellent amenities and design;
- Demonstrates a strong partnership between public agencies, including the City of Mountain View, the Valley Transportation Authority, and the Federal Transit Administration;
- Aligns with key HUD goals, including addressing acute housing needs and including target populations by integrating permanent supportive housing into mixed-income affordable developments and opportunities for formerly unhoused residents;
- Provides for higher-density housing proximate to transit infrastructure, which aligns with PRO Housing program objectives; and
- Given the projected funding gap of the City's overall affordable housing pipeline, Council has directed staff to minimize, to the greatest extent possible, the City's financial assistance for the Evelyn Lot project and to maximize resources from outside sources, such as private, State, and Federal programs. Therefore, the PRO Housing Program provides an opportunity to alleviate and/or supplement City resources to ensure this project and the rest of the City's robust affordable housing pipeline becomes a reality.

On September 26, 2023, Council selected Affirmed Housing as the preferred development team for the Evelyn Lot project through the City's Request for Qualifications (RFQ)/Request for Proposals (RFP) process. Affirmed Housing's proposal articulated a plan to build approximately 268 deed-restricted affordable units composed of 38 studios, 89 one-bedroom, 71 two-bedroom, and 70 three-bedroom units. Out of these 268 units, 42 units will be set aside for rapid rehousing (RRH) units and 15 permanent supportive housing (PSH) units for unhoused households and/or extremely low-income households. Additionally, nonresidential programming includes approximately 7,000 square feet of both indoor and outdoor space for a community day-care facility and 3,150 square feet of community resource space, open to both residents and the community. Based on preliminary analysis, these proposed project features position the City favorably in terms of competitive scoring under the PRO Housing criteria.

Funding Request

Affirmed Housing's proposal seeks \$8 million in funding from the City, with \$5 million requested for the first phase of its two-phased project. A final amount for the City's funding commitment has not yet been determined because the developer was just selected through the RFQ/RFP process and the negotiations have not started yet. If awarded, the \$5 million from PRO Housing funding will provide critical investment for the project and facilitate moving the project forward expeditiously by catalyzing the first phase. The funding would also help mitigate a key barrier to affordable housing in Mountain View, which is the current lack of full funding for the City's overall 12-project pipeline.

NEXT STEPS

If Council supports staff's recommendation, staff will submit a final complete application by the HUD deadline of 8:59 p.m. Pacific Standard Time on October 30, 2023. Awards are anticipated to be announced by January 31, 2024. If the City is awarded, staff will include these funds in the City's loan and regulatory agreements with Affirmed Housing. The funds must be expended by September 30, 2029.

FISCAL IMPACT

The recommended action has no financial impact on the General Fund. If approved, the City would be eligible to apply for \$5 million in PRO Housing Program grant funds. This program does not require cost sharing or matching funds, but the City will be contributing the full value of the Evelyn Lot towards the project. The funding would supplement the City's contribution to the Evelyn Lot affordable housing project, advance the City's overall pipeline, and align with initiatives related to the 2022-2027 Affordable Housing Strategic Plan, the City's Housing Element, and the City's Federal Consolidated Plan.

ALTERNATIVES

1. Do not authorize the application to the HUD's PRO Housing Grant Program.
2. Provide other direction to staff.

PUBLIC NOTICING

The meeting agenda and Council report have been posted on the City's website, *Palo Alto Daily Post*, *Mountain View Voice*, and announced on Channel 26 cable television.

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Attachment: 1. City of Mountain View's Draft Application Package to HUD's PRO Housing Grant Program