



AGENCY: City Council  
MEETING DATE: August 13, 2018  
DEPARTMENT: Community Dev  
PRESENTED BY: M Jones  
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## AGENDA ITEM SUMMARY

### **TITLE:**

**Receive Report and Recommendation from Community Development Committee and Provide Direction to Staff Regarding a Proposal for a Mixed Income Project of 14 Units of Market Rate (Workforce) Housing; 15 Units of Permanent Supportive Housing; and 15 Units of Affordable Senior Housing**

### **ISSUE:**

Danco Communities ("Danco") has developed numerous affordable residential housing facilities in Northern California. Their website showcases several affordable housing projects for seniors and families: [www.danco-group.com/communities](http://www.danco-group.com/communities).

In 2014, Danco developed the Cottages at Cypress in Fort Bragg. This affordable senior project includes 24 single-story one- and two-bedroom cottages of between 544 SF and 816 SF, an on-site manager's unit, and a 1,152 SF commons building. The affordable senior project is income limited to tenants with incomes that are at or below 50 percent of the area median income. The project has a long waiting list of seniors who are seeking an opportunity to live in this affordable and well-conceived community.

Since completion of the Cottages at Cypress in 2014, Danco has been looking for a new site to develop more affordable housing in Fort Bragg. Danco has pursued several potential sites and has settled on the large Rossi parcel located at the end of South Street (see image at right and Project Location Map, Attachment 1).



On January 10, 2018, the Planning Commission approved a Coastal Development Permit and Design Review Permit to construct:

- Thirty single-story affordable senior residential cottages ranging from 616 to 830 square feet (8 two-bedroom units and 22 one-bedroom units), a 1,200 square foot commons building, a 440 square foot common utility building, walkways and a 30-space parking area and associated driveway; and
- Seven market-rate two-story, residential duplex units with 14 units ranging from 1,000 to 1,200 square feet each (2 and 3 bedrooms), landscaping and a 28-space parking area and associated driveway.

Upon construction, the project will consist of a mix of single story duplexes and triplexes and would include 24 one-bedroom units and seven two-bedroom units. See Attachment 2 to view the site plan and development program.

As an affordable project, the 30-unit affordable project would be financed primarily with Tax Credit Financing.<sup>1</sup> In order to be competitive, Tax Credit Financing requires a match from other sources. The City Council has approved a soft loan at 3% interest for a 55-year term for \$200,000 from the City's various housing funds. Danco will repay the loan to the City over a 55-year period as income from the property allowed.

Danco submitted a tax credit application for this project in the spring of 2018, but the application was denied because the project does not have sufficient sources of non-tax credit financing. The City had tried to work with the Community Development Block Grant program (CDBG) to use CDBG funds for off-site improvements, but CDBG would not consider a tax credit funded project "shovel ready" because CDBG wants the tax credit funding committed prior to funding the project and the Tax Credit bonding agency wants CDBG funds committed prior to approving their funding, making a true Catch-22 situation.

In June of 2018, California Department of Housing and Community Development (HCD) indicated that the only 2018 CDBG round will be for shovel ready projects again. The Danco project will not be competitive for this second shovel ready round because CDBG does not consider tax credit funded projects "shovel ready" because this funding is difficult to secure. HCD will not do a normal CDBG round this year (which is highly unusual); the Danco project would have been very competitive for a normal CDBG round because shovel ready is not required.

As CDBG funding is not available to this project, staff and Danco project manager Chris Dart have searched for other sources of funding to try and make this critically needed affordable housing project a reality in Fort Bragg. Currently the primary federal source of funding for affordable housing is geared to permanently affordable supportive housing for individuals who are homeless or at risk of becoming homeless. Danco is interested in determining if the City Council supports a new South Street project configuration consisting of:

- 14 units of Market Rate (Workforce) Housing;
- 15 units of Permanent Supportive Housing (PSH) for homeless seniors and homeless disabled people; and
- 15 units of Affordable Senior Housing.

At the July 24, 2018 Community Development Committee (CDC) meeting, the CDC recommended support for the proposed reconfiguration of the Danco Project to provide 15 units of Permanent Supportive Housing. Although at this meeting the focus was on Permanently Supportive Housing for homeless veterans. Subsequent to the CDC meeting staff learned from Linda Jo Stern (MPH and manager of Street Medicine Program in Fort Bragg, that there are only six homeless veterans and only two homeless seniors in Fort Bragg. Thus a PSH program that focuses exclusively on homeless senior veterans would not serve Fort Bragg's homeless population. Danco has since modified their preferred approach to give first priority for the 15 units of PSH to homeless seniors and second priority to homeless disabled people, who could be seniors or people of other age groups. Disabilities would include both physical and mental disabilities.

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<sup>1</sup> For more information about these programs please see: <http://www.treasurer.ca.gov/ctcac/tax.asp> and <http://www.treasurer.ca.gov/ctcac/programreg/2017/20170517/clean.pdf>

## **ANALYSIS:**

### ***The Need for Affordable and Permanent Supportive Housing***

Rental rates within the City of Fort Bragg have increased rapidly in the past four years due to a variety of factors, including:

- 1) Airbnb and other online vacation rental services have resulted in a significant contraction in the supply of rental housing, as many units have been converted from long-term rental housing to short-term vacation rentals;
- 2) The housing market collapse and recession resulted in very little construction of new housing units between 2009 and 2015; and
- 3) The foreclosure crisis turned many homeowners into renters.

Overall there are many more renters seeking places to live than there are rentals, which have driven up rental rates by about 25 percent since 2012. Additionally, many people who can afford even these high rents cannot find a rental because there are virtually no vacant units.

Seniors are particularly vulnerable to these trends as many live on fixed incomes. In Fort Bragg there is evidence that some seniors without housing are now living in their cars and doubling up with other households. Additionally, many homeless individuals in Fort Bragg are veterans and veterans can suffer from mental health, disability and addiction issues which leave them vulnerable to homelessness.

There is clear demand in our community for both senior housing and permanent supportive housing as evidenced by:

- 1) The six-year waiting list to gain an affordable unit in one to the senior housing projects in Fort Bragg.
- 2) The Mendocino County Homeless Needs Assessment and Action Steps which identified 81 homeless people in Fort Bragg.

### ***Permanent Supportive Housing (PSH)***

Permanent Supportive Housing (PSH) is a model that combines low-barrier affordable housing, health care, and supportive services to help individuals and families lead more stable lives. PSH typically targets people who are homeless or otherwise unstably housed, experience multiple barriers to housing, and are unable to maintain housing stability without supportive services. This model has been shown to impact housing status, and result in cost savings to various public service systems, including health care and police services.

The PSH approach integrates permanent, affordable rental housing with onsite delivery of supportive services to help people who are homeless and/or have serious and long-term disabilities - such as mental illnesses, developmental disabilities, physical disabilities, substance use disorders, and chronic health conditions - access and maintain stable housing in the community. Key components of PSH that facilitate successful housing tenure include:

- Individually tailored and flexible supportive services that are voluntary, can be accessed 24 hours a day/7 days a week, and are not a condition of ongoing tenancy;
- Leases that are held by the tenants without limits on length of stay; and
- Ongoing collaboration between service providers, property managers, and tenants to preserve tenancy and resolve crisis situations that may arise.

South Street provides a good location for Permanently Supportive Housing as it is adjacent to health care and mental health service providers.

Studies such as the US Department of Housing and Urban Development's (HUD) The Applicability of Housing First Models to Homeless Persons with Serious Mental Illness<sup>2</sup> have shown that Housing First permanent supportive housing models result in long-term housing stability, improved physical and behavioral health outcomes, and reduced use of crisis services such as emergency departments, hospitals, police and jails.

### ***Funding Sources for Permanent Supportive Housing***

There are a number of different funding sources in support of Permanent Affordable Housing, including the following;

- HCD – Veterans Housing and Homelessness Prevention Program (VHHP) provides \$75 million in funding per funding cycle for Permanent Supportive Housing for Veterans.
- HCD – National Housing Trust Fund (NHTF) – \$10 million to assist in new construction of permanent housing for extremely low-income households (30% or below income). This funding source does not include Housing Vouchers, which would need to be procured through the Mendocino County Housing Authority.
- Department of Health and Human Services (DHHS) – Local Assistance in the form of Housing Vouchers.
- No Place Like Home Program – NOFA has not been released; Governor Brown dedicated \$2 billion in funding for this program. Funding is to acquire, design, construct, rehabilitate, or preserve permanent supportive housing for persons who are experiencing homelessness, chronic homelessness or who are at risk of chronic homelessness, and who are in need of mental health services. Mendocino County has received \$1.6 million in a non-competitive direct allocation.
- HOME program gives additional points for doing perm supportive housing, so a Danco application might be competitive enough to win an award. The HOME Investment Partnerships Program (HOME) provides formula grants to states and localities that communities use - often in partnership with local nonprofit groups - to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people. It is the largest Federal block grant to state and local governments designed exclusively to create affordable housing for low-income households.
- The California Tax Credit Allocation Committee (TCAC) facilitates the investment of private capital into the development of affordable rental housing for low-income Californians. TCAC allocates federal and state tax credits to the developers of these projects. Corporations provide equity to build the projects in return for the tax credits. TCAC verifies that the developers have met all the requirements of the program and ensures the continued affordability and habitability of the developments for the succeeding 55 years. TCAC applications have higher scores if they have a Permanent Supportive Housing component.

### **RECOMMENDED ACTION:**

The Community Development Committee recommends that City Council express support for the following configuration for the Danco Affordable Housing community on South Street:

- 1) 14 units of Market Rate (Workforce) Housing;
- 2) 15 units of Permanent Supportive Housing (PSH) for homeless seniors and homeless disabled people; and
- 3) 15 units of Affordable Senior Housing.

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<sup>2</sup> <https://www.huduser.gov/portal/publications/hsgfirst.pdf>

CDC further recommends that City Council express support for Danco to pursue a Permanent Supportive Housing grant and to write a letter of support for that grant when the grant application is submitted by Danco.

**ALTERNATIVE ACTION(S):**

The City Council could:

1. Express support for the proposed South Street project reconfiguration;
2. Express support for some other reconfiguration of the project; or
3. Express opposition to a project that includes Permanent Supportive Housing.

**FISCAL IMPACT:**

No fiscal impact is anticipated.

**CONSISTENCY:**

The Project is consistent with the City's Coastal General Plan and Coastal LUDC as well as the City's Economic Development Strategy.

**IMPLEMENTATION/TIMEFRAMES:**

Danco will seek funding for PSH and submit applications in the fall with construction of the project potentially starting in 2019.

**ATTACHMENTS:**

1. Project Location
2. Project Site Plan
3. Project Elevations

**NOTIFICATION:**

Danco

Housing Notify Me list