



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

### **TITLE:**

**Receive Report and Provide Direction to Staff Regarding Submitting a HEAP Grant Request to the Continuum of Care for Either: 1) A \$2.5 Million Grant for an 82-Unit Affordable Housing Project Consisting of 30 Units of Affordable Senior Housing, 24 Units of Permanently Supportive Housing for Homeless Veterans, Seniors and Families and 28 Units of Affordable Workforce Housing; or 2) A \$1.5 Million Grant for a 44-Unit Affordable Housing Project Consisting of 14 Units of Market Rate Housing, 15 Units of Affordable Senior Housing and 15 Units of PSH for Homeless Veterans and Seniors**

### **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. The affordable senior project is 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 exceptionally designed affordable community.

Since completion of the Cottages at Cypress, Danco has sought a new site to develop additional affordable housing units in Fort Bragg. Danco has pursued several potential sites and has entered into a contract for a large parcel located at the end of South Street (see image).

On January 10, 2018, the Planning Commission approved a Coastal Development Permit and Design Review Permit to construct the South Street Cottages, which will consist of:

- 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.

To help Danco secure a tax credit proposal to fund this project, the City Council approved a soft loan at 3% interest for a 55-year term for \$200,000 from the City's various housing funds in the spring of 2018. However, the project was denied Tax Credit Financing<sup>1</sup>, and staff and Danco sought other sources of funding to make a future tax credit allocation proposal more competitive. At this time funding is available for Permanently Supportive Housing for the homeless, and on August 13, 2018 the City Council provided direction to staff to work with Danco to secure funding from California Department of Housing and Community Development (HCD) for a project that included Permanent Supportive Housing. The City Council made the City's contribution of \$200,000 contingent on limiting the Permanent Supportive Housing (PSH) to homeless seniors and homeless veterans only, and recommended that the project include: 14 units of Market Rate (Workforce) Housing; 15 units of Permanent Supportive Housing (PSH); and 15 units of Affordable Senior Housing.

On August 17, 2018, the Mendocino County Continuum of Care (CoC) was preliminarily allocated \$4.9 Million in funding through the State funded Homeless Emergency Aid Program (HEAP). The County will need to develop a proposal by December of 2018 for the expenditure of these funds in order to secure them from the California Homeless Coordinating and Finance Council. Eligible uses of HEAP funds include, but are not limited to:

- Services: Street outreach, health and safety education, criminal justice diversion programs, prevention services, navigation services, and operating support for short-term or comprehensive homeless services.
- Rental assistance or subsidies: Housing vouchers, rapid re-housing programs, and eviction prevention strategies.
- Capital improvements: Emergency shelter, transitional housing, drop-in centers, permanent supportive housing, small/tiny houses, and improvements to current structures that serve homeless individuals and families. The funds may also be used for handwashing stations, public toilets and shower facilities.

At this time, the Danco project is a very viable HEAP funded capital project as it is shovel ready and can be constructed within the required timeframe, by June of 2021. The City of Ukiah is looking at the feasibility of acquiring a mobile home park for homeless housing, but this project has not gone through review by the Board of Supervisors.

## **ANALYSIS:**

### **The Need for Affordable Workforce, Senior and Permanent Supportive Housing**

Rental rates within the City of Fort Bragg have increased rapidly, by about 25%, in the past four

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<sup>1</sup> 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.

years. Additionally, even people who can afford higher rents often cannot find a rental because of the lack of vacant units. Seniors are particularly vulnerable to these trends as many live on fixed incomes. In Fort Bragg some seniors without housing are now living in cars or doubling up with other households. Additionally, veterans are vulnerable to becoming homeless as some suffer from mental health, disability and addiction issues. Finally, children suffer significant and serious long-term impacts from being homeless and there are very few facilities in Fort Bragg to serve homeless families. There is clearly demand in our community for senior housing and for permanent supportive housing that serves seniors, veterans, and families that are homeless or at risk of becoming homeless.

## Project Alternatives

Given the significant HEAP program allocation to the County (\$4.9 Million) and the apparent lack of other shovel ready capital projects that provide housing that would compete with the Danco project, City staff contacted Danco to determine if the non-profit developer has the desire and capability to develop a larger project that would take advantage of the entire site on South Street; and to define the funding gap for a larger project. Danco determined that they could expand the project from a 44-unit project to an 82-unit project. Danco had previously determined that the 44-unit project would require \$1.5 million in additional grant funding and determined that the 82-unit project would require \$2.5 million in additional grant funding.

## Project 1: 44 units

### Project Description

**15 units of affordable senior housing and 15 units of permanently supportive housing<sup>2</sup>** organized into cottages around three small parks (see site plan).

- The single-story affordable residential cottages would range from 616 to 830 square feet (8 two-bedroom units and 22 one-bedroom units).
- A 1,200 square foot commons building would include a large kitchen recreation area and washers and dryers and a 440 square foot common utility building including storage for each unit.
- 30-space parking area and associated driveway.
- Fourteen units configured into seven market-rate two-story buildings. The 14 units would range from 1,000 to 1,200 square feet each (2 and 3 Bedrooms), and would include a 28-space parking area and associated driveway.

**Project Funding:** \$1.5 million request from HEAP

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<sup>2</sup> Permanent Supportive Housing (PSH) is a model that combines 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. South Street provides a good location for Permanently Supportive Housing as it is adjacent to health care and mental health service providers.



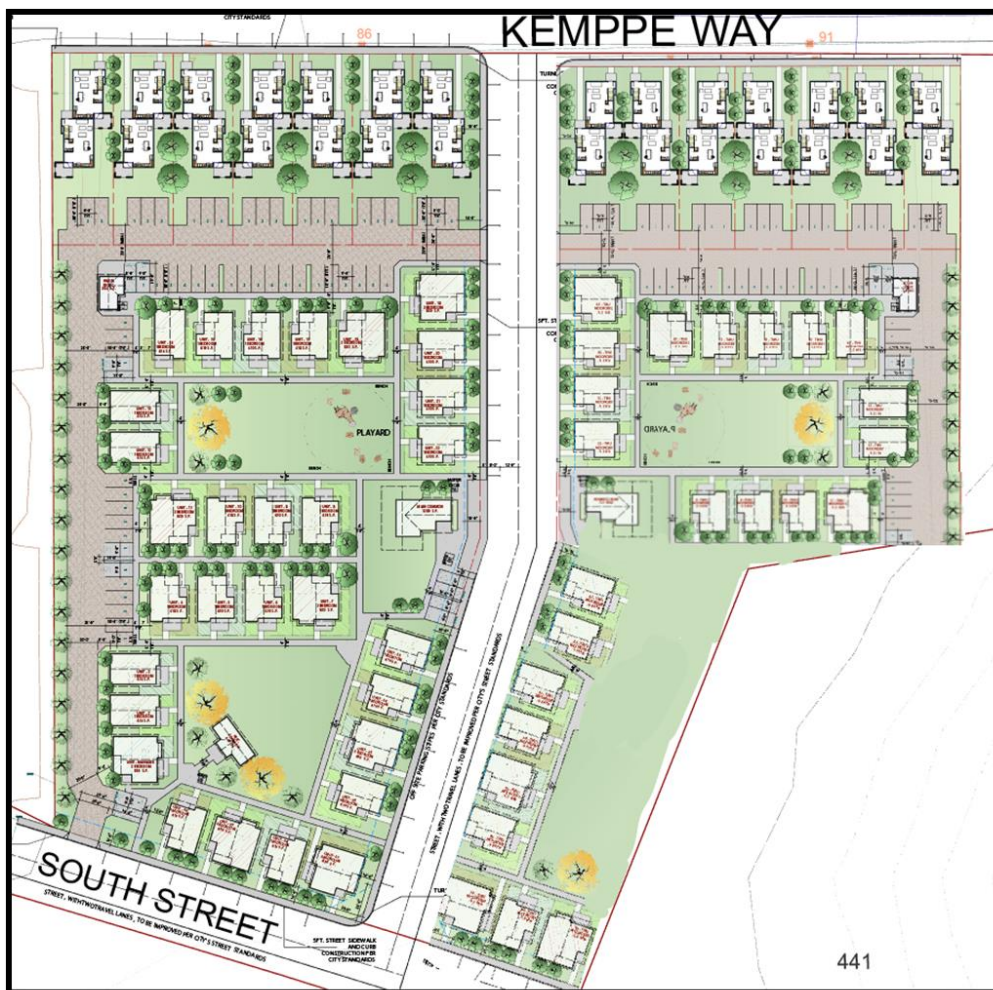
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## Project 2: 82 units

### Project Description

**30 units of affordable senior housing, 24 units of permanently supportive housing (PSH) for homeless seniors, veterans and families and 28 Units of affordable workforce housing** organized into cottages and duplexes around five small parks (see site plan).

- The single-story affordable senior and PSH cottages would range from 616 to 830 square feet (14 two-bedroom units and 42 one-bedroom units).
- The 28 affordable workforce units, suitable for families, would range from 1,000 to 1,200 square feet each (2 and 3 Bedrooms), configured into 14 affordable two-story duplexes.



- The project would also include 116 parking spaces, two commons buildings (which would include large kitchens, recreation areas and washers and dryers), and two 440 square foot common utility buildings including storage for each unit.

**Project Funding:** \$2.5 million capital grant request from HEAP and housing vouchers for the affordable PSH units for the duration of the grant.

**Project entitlements:** One half of the project is fully entitled with all permits and CEQA review completed. The remaining half of the project would need to go through the planning process and entitlements could be approved as early as February of 2019.

**RECOMMENDED ACTION:**

Staff recommends that the City continue to work with the CoC to submit Alternative 2 (82 units) as part of the HEAP application.

**ALTERNATIVE ACTION(S):**

The City Council could:

1. Express support for the Alternative 1 (44 unit) project reconfiguration; or
2. Express support for some other allocation of affordable units between Senior, PSH and Workforce Housing in Alternative 2; or
3. Express opposition to either or both alternatives.

**FISCAL IMPACT:**

No fiscal impact is anticipated.

**CONSISTENCY:**

Alternative 1 (44 unit) is consistent with the City's Coastal General Plan and Coastal LUDC as well as the City's Economic Development Strategy. Alternative 2 will require analysis for conformance with the City CLUDC and Coastal General Plan and approval of a Coastal Development Permit, Use Permit and Design Review Permit by the Planning Commission to proceed.

**IMPLEMENTATION/TIMEFRAMES:**

Once awarded HEAP funding will immediately be dispersed by the State of California. Danco would then apply for Housing Tax Credits in the spring and hopefully begin construction in 2019, with project completion in 2020.

**ATTACHMENTS:**

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

**NOTIFICATION:**

Danco

Housing Notify Me list

Danco Project Neighbors (300')