

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: March 23, 2018

CAO File No. 0220-00540-1256

Council File No. 17-1258

Council District: Citywide

To: The Mayor
The Council

From:  Richard H. Llewellyn, Jr., City Administrative Officer 

Reference: Housing and Community Investment Department transmittal dated October 30, 2017; Received by the City Administrative Officer on November 3, 2017; Additional Information Received through February 8, 2018

Subject: **REQUEST FOR AUTHORITY TO ESTABLISH THE PILOT NATURALLY OCCURRING AFFORDABLE HOUSING (NOAH) LOAN PROGRAM**

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Authorize the General Manager, Housing and Community Investment Department (HCID), or designee, to:
 - a. Establish a Pilot Naturally Occurring Affordable Housing (NOAH) Loan Program based on the program design described in HCID's transmittal dated October 30, 2017;
 - b. Negotiate and execute a Memorandum of Understanding (MOU) with the California Housing Finance Agency (CalHFA). The MOU establishes protocols of cooperation, terms, conditions and oversight of the Pilot NOAH Loan Program, subject to review and approval by the City Attorney as to form;
 - c. Utilize existing position authorities to implement the Pilot NOAH Loan Program until HCID reports back at a later date on the status of the program;
 - d. Report back to Council in 12 months on the number of soft loans issued through the Pilot NOAH Loan Program, amount of the loans, and number of units of housing impacted by the program, after which Council could determine the need for additional resources for the program, including staff resources; and,

- e. Prepare Controller instructions and any necessary technical corrections consistent with the Mayor and Council action on this matter, subject to the approval of the City Administrative Officer, and authorize the Controller to implement the instructions; and,

2. Authorize the Controller to:

- a. Establish account 43P645-NOAH Loan Program, within the Affordable Housing Trust Fund No. 44G:
- b. Transfer appropriation within the Affordable Housing Trust Fund 44G as follows:

Account	Title	Amount
<i>From:</i>		
43M357	Local Funding for Affordable Housing	\$ 1,839,237
<i>To:</i>		
43P645	NOAH Loan Program	\$ 1,798,622
43P143	Housing and Community Investment	27,228
43P299	Reimbursements to the General Fund	13,387
TOTAL		\$ 1,839,237

- c. Increase appropriations in the amount of \$27,228 within the HCID Fund No. 100/43 as follows:

Account	Title	Amount
001010	Salaries General	\$ 23,677
006030	Leasing	3,551
TOTAL		\$ 27,228

- d. Authorize the City Clerk to place on the agenda on the first regular Council meeting on July 1, 2018, or shortly thereafter, the following instructions:
 - i. Authorize, subject to the approval of the Mayor, the Controller to transfer appropriation within the Affordable Housing Trust Fund 44G as follows:

Account	Title	Amount
<i>From:</i>		
43M357	Local Funding for Affordable Housing	\$ 160,763
<i>To:</i>		
43TBD	Housing and Community Investment	104,356
43TBD	Reimbursements to the General Fund	56,407
TOTAL		\$ 160,763

- ii. Increase appropriations in the amount of \$104,356 within the HCID Fund No. 100/43 as follows:

Account	Title	Amount
001010	Salaries General	\$ 90,745
006030	Leasing	13,611
TOTAL		\$ 104,356

SUMMARY

The Housing and Community Investment Department (HCID) requests authority to establish the Naturally Occurring Affordable Housing (NOAH) Loan Program, with an initial \$2,000,000 in funding from the City, to provide mission-driven organizations funding to acquire, and hold low- and moderate-income multi-family properties. The Department reports that this program is intended to persevere and stabilize the City's existing affordable housing stock. The HCID also requests authority to negotiate and execute a Memorandum of Understanding (MOU) with the California Housing Finance Agency (CalHFA) to leverage an additional \$2,000,000 in funding for the program. Finally, the HCID requests resolution authority for a Management Analyst to assist in implementing the program. However, this Office recommends that HCID utilize existing position authorities to implement the program until the HCID reports back to Council at a later time to determine the success of the program and need for additional staffing resources. The Controller Instructions in this report reflect funding for existing position authorities. This Office concurs with the recommendations of the Department, as amended.

Pilot Program

The HCID reports that it has not conducted a formal market study for the NOAH Loan Program to determine the number of mission-drive organizations that would be interested in participating. While the Department has traditionally provided loans to properties participating in Low Income Housing Tax Credits, the HCID stated that the NOAH Loan Program is a pilot program for an acquisition/rehabilitation loan program for occupied multifamily properties without Low Income Housing Tax Credits. The HCID also reports that the loan program is intended to implement light rehabilitation with tenants in place. However, should relocation costs be needed, HCID stated that it would be included in the overall project costs. Therefore, we recommend that HCID reports back to Council after 12 months on the number of soft loans issued through the Pilot NOAH Loan Program, amount of the loans, and number of units of housing impacted by the program.

Staffing

The HCID currently has at least 10 Management Analyst positions that have been vacant since December 2016 and are not part of the Consolidated Plan program delivery or administration. This Office recommends that HCID utilize existing, vacant position authorities to implement the Pilot NOAH Loan Program until it reports back to Council in 12 months, at which time Council can determine the need to continue the program and/or provide additional resources.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund. The recommended actions comply with City Financial Policies in that they are fully funded by the Affordable Housing Trust Fund.

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