



**AGENDA SUMMARY
EUREKA CITY COUNCIL**

TITLE: Eureka 4th Street Limited Partnership “Eureka Homeless and Veteran Housing” Affordable Housing Project Loan

DEPARTMENT: Development Services

PREPARED BY: Rob Holmlund, Development Services Director; Melinda Petersen, Housing Projects Manager

PRESENTED FOR: Action Information only Discussion

RECOMMENDATION: Authorize the expenditure of up to \$250,000 from the Housing Successor Fund as a loan to the Eureka 4th Street Limited Partnership to develop a low income and affordable housing project for US veterans and those at risk for homelessness and authorize the City Manager to negotiate the terms of the loan.

FISCAL IMPACT: Up to a maximum of \$250,000 expenditure from the Housing Successor fund.

No Fiscal Impact Included in Budget Additional Appropriation

COUNCIL GOALS/STRATEGIC VISION: Per the March 2017 City Council Strategic Plan, City Council is seeking:

- More affordable housing;
- New affordable housing units;
- Reduction in homelessness;
- City/County partnership in transitional/permanent housing.

This project contributes to each of the goals above. The project also satisfies many of the goals and policies outlined in the City’s 2014-2019 Housing Element.

DISCUSSION:

Danco Communities (a locally-owned private development company) contacted City staff in 2015 and indicated that the company intended to apply for a grant from the Veterans Housing and Homelessness Prevention Program (VHHP) administered by the California Department of Housing and Community Development (HCD) to develop permanent affordable housing for veterans. Danco was electing to apply for the grant and to construct the project because there is significant demand in Eureka for affordable housing for US veterans and homeless/at-risk veterans and therefore a grant application for a project in Eureka would be very competitive.

The project as envisioned is estimated to cost in the range of \$16,000,000, which is significantly more than the \$1,000,000 that would be available through the VHHP grant. Accordingly, Danco worked to couple multiple funding sources together for the project. One of the sources of additional funds is Low Income Housing Tax Credits (LIHTC), which is also a competitive program that requires matching funds. For a third source of funding, Danco worked with the Humboldt Housing Authority to secure a 15 year-commitment for 25 HUD Housing-Based VASH Vouchers, which are valued at the equivalent of over \$4,000,000 of operating subsidies. For a fourth source of funding, Danco worked with the Humboldt County Department of Health and Human Services (DHHS) to secure a 15-year commitment for 25 homeless housing vouchers, which are also valued at the equivalent of over \$4,000,000 of operating subsidies. While providing needed matching funds for the project, these DHHS vouchers required an expansion of the project to include some units for homeless individuals beyond the 25 units exclusively for veterans. Some additional funds were to come from private lender loans, with the bulk of the overall project cost to be covered by the LITC funding.

Since 2015, Danco submitted a VHHP grant application on three separate occasions. While the applications were not successful in the first two rounds, the project was selected in the third round. However, in order to compete for the LIHTC, the project is short of matching funds. Accordingly, Danco is requesting that the City provide up to \$250,000 in loan funds to fill the gap in matching funds. The purpose of this item before City Council is to determine if Council is supportive of expending the requested money from the Housing Successor Fund for the proposed project.

As envisioned, the project consists of a multi-story building containing approximately 51 residential units servicing low-income veterans and individuals at risk for homelessness. The facility would include 24-hour on-site permanent supportive housing programs and services with full-time around-the-clock staff to help veterans and those at-risk of homelessness lead a productive life in our community. The on-site services will be provided by the non-profit Veteran's Resource Centers of America (VRC), which is a partner in the project. VRC is funded by the Federal government and brings their own grant funds to the project to provide on-site services. In addition, DHHS has committed to providing on-site services. The on-site services that will be provided include:

- On-site security to prevent non-residents from entering the building and to prevent other on-site security problems;
- On-site management of the rental units;
- Post-traumatic stress syndrome recovery counseling and services;
- Job counseling and training;
- Life-skills coaching;
- Food services;
- Mental health programing;
- Drug and alcohol rehabilitation;
- And other related services and programs.

The intention of the project is to rehabilitate tenants and reintroduce them back into society. While tenants of the facility/program would have the option to stay in their rental units indefinitely, it is common with these sorts of projects for some tenants to move on to other types of housing once they have received needed counseling, supportive services, and job coaching.

Danco expended substantial effort in finding an optimal site for the project. Their siting analysis utilized the following criteria for selecting potential locations:

- Avoid sites that are directly adjacent to existing residential neighborhoods;
- Find a site with immediate or easy access to bus services;
- Find a site within walking distance to regular shopping amenities, such as grocery stores, pharmacies, post office, etc;
- Find a site that is appropriately-zoned for multi-family residential projects and for which the envisioned project is principally-permitted;
- Find a site that is near the existing North Coast Veteran Resources Center at 109 4th Street;
- Find a site that would allow a large building but that provides sufficient on-site space for the building to be as isolated as possible from other nearby buildings.

In the first set of applications, the project was located on a property on the west end of 6th Street, but Danco was unable to retain site control of that property after failing to secure the funding in the first round of VHHP grants. With some help from City staff, a new site was identified on the half-block of mostly vacant land on 4th Street between B Street and C Street (APN 001-071-001 and -002). The site has a total area of approximately 0.6 acres or 26,400 square feet. The site is desirable because it is on the southbound leg of Highway 101, has immediate access to bus stops, is within walking distance of multiple shopping amenities (including a grocery store), consists of an entire half-block and is therefore isolated from other buildings, is appropriately-zoned for the project, and is directly across the street from the North Coast Veteran's Resource Center. A Market Study completed by M.E. Shay & Company dated June 2017 indicated the there is significant need for the project in the Eureka area and that the site is in an optimal location for the proposed use. Danco obtained site control of the property through a purchase agreement.

The project site is in the City's Architectural Review Area and would therefore require review and approval by the City's Design Review Committee. In preparation to satisfy this requirement, Danco hired an architectural firm in early 2017 that has expertise in designing similar types of projects. It is Danco's reported intention to make the project a well-designed building that Eureka will be proud of. According to Danco:

"With over 240 feet of building frontage on 4th Street, the proposed building would be a considerable presence. The façade and building character envisioned for the project are intended to be creative and responsive to the site and cultural context of our unique region. The view of Humboldt Bay and the redwood forests that surround the City will be spectacular. There will be one (1) two-bedroom on-site manager's dwelling unit. There will be four on-site service provider offices and meeting rooms, common lounges, community meeting rooms, community kitchen, fitness room, laundry facilities, elevator,

stairs, and other circulation spaces. Common areas will include a common main entry lobby and manager’s office. Site development includes removal of existing structures, replacement of sidewalk and driveway improvements, new parking accessed from alley, new walkways, utility infrastructure, covered trash and recycling enclosure, gardening beds, landscaping, street trees (in the sidewalks), and storm water treatment.”

The following table summarizes the envisioned allocation of units:

Type of Unit	Number of Units
One-bedroom units for veterans with ≤30% of Area Median Income (AMI)	19
One-bedroom unit for veterans with ≤40% of AMI	6
Market-rate two-bedroom manager’s unit to be occupied by a veteran	1
One-bedroom units set aside for homeless at-risk individuals with ≤30% of AMI	19
One-bedroom units set aside for homeless at-risk individuals with ≤40% of AMI	6
TOTAL	51

The housing units are envisioned to be relatively modest in size, but will include a kitchen and bathroom in each unit. Tenants will be able to do their own food shopping and food preparation in their own units; the on-site community kitchen and food services for residents is intended to be supplemental and a supportive service.

Danco will be partnering with other entities to form the “Eureka 4th Street Limited Partnership” for the proposed project and the loan would be issued to the partnership. Staff recommends granting the applicant’s request and allocating up to \$250,000.00 of Housing Successor Funds to serve as a loan to the Eureka 4th Street Limited Partnership and recommends authorizing the City Manager to negotiate the terms of the loan. The Housing Successor Fund has sufficient balance to fund the loan and staff believes that the project is an excellent use of Housing Successor funds. As envisioned, the project will create much-needed housing for US veterans and at-risk homeless individuals. The project also has the added benefit of including 24-hour on-site services. These services will not only minimize the negative impacts that the project’s residents could have on the surrounding neighborhood, the services will also help the project’s residents integrate back into society as productive and functional members of our community.

As there is a limited amount of revenue coming into the Housing Successor Fund, the City must be careful in how the remaining funds in the account are allocated. According to the City’s Homeless Strategy and Implementation Plan (a.k.a. “Focus Strategy Plan”), the most effective means of spending money is the creation of diversion programs that prevent people from becoming homeless and the creation of “Housing First” housing units that allow homeless individuals to enter housing even when they are experiencing challenges that may make it difficult for them to be housed (such as long-term chronic homelessness, mental health issues, drug addiction, or PTSD). The proposed project has the benefit of including on-site diversion programs that should prevent tenants from re-entering a state of homelessness. The project also has the benefit of providing “Housing First” housing units in which new housing units are constructed accompanied with on-site services, thereby allowing at-risk individuals to become tenants of the project regardless of their challenges or state of “housing readiness.” For these reasons, Staff recommends granting the Danco’s request.

REVIEWED AND APPROVED BY:

City Attorney
City Clerk/Information Services
Development Services
Finance
Fire
Parks and Recreation
 Personnel
Police
Public Works

ATTACHMENTS: None