



City of Costa Mesa

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 22-940

Meeting Date: 11/15/2022

TITLE:

COMMITMENT OF \$975,000 IN AMERICAN RESCUE PLAN ACT FUNDS TO FAMILIES FORWARD FOR DEVELOPMENT OF THE BUNGALOWS AFFORDABLE HOUSING PROJECT LOCATED AT 2039 POMONA AVENUE

DEPARTMENT: CITY MANAGER'S OFFICE

PRESENTED BY: NATE ROBBINS, NEIGHBORHOOD IMPROVEMENT MANAGER

CONTACT INFORMATION: LORI KARAGUEZIAN, SENIOR MANAGEMENT ANALYST,
714-754-5347

RECOMMENDATION:

Staff recommends the City Council:

1. Approve the appropriation and allocation of \$975,000 in American Rescue Plan Act (ARPA) funds, or any other viable source of funds, to Families Forward for the development of The Bungalows Project, an affordable housing project to serve an estimated 36 individuals, contingent upon the successful completion of a financial feasibility analysis by the City's third-party underwriting consultant, Keyser Marston Associates.
2. Authorize the City Manager or their designee to execute the Funding Agreement and all associated documents, as needed, to bring the project to fruition.

BACKGROUND:

Project Description

Families Forward is a local 501(c)(3) nonprofit organization, established in 1984 to serve homeless and at-risk families with minor children. Families Forward is an industry leader in high-quality service delivery, enabling each household they serve to achieve independence and stability. The mission of Families Forward is to help vulnerable households achieve and maintain economic stability and self-sufficiency through food, housing, counseling, education, and other support services.

The Bungalows Project ("The Bungalows" or "Project") is located at 2039 Pomona Ave, Costa Mesa, and aims to provide up to 36 individuals with permanent affordable housing and supportive services in eight housing units for Costa Mesa families earning at or below 50% of the Area Median Income for a period of not less than 20 years. Families Forward acquired the property in March 2021 for

\$2.4M in private donor funds.

The units were unoccupied at the time of purchase, therefore, there was no displacement of residents or required relocation expenses. Construction and rehabilitation costs for The Bungalows will be funded through a combination of Families Forward's existing capital, a construction loan, in-kind donations, and public/private grants.

Families Forward is collaborating on the Bungalows with HomeAid Orange Country for project management assistance to reduce construction costs by securing in-kind donations of materials and supplies. With the increase of inflation, oil prices, and labor shortages in mind, Families Forward is relying on grants to cover any additional project costs.

Request for Qualifications (RFQual)

On July 18, 2022, the City issued RFQual #23-01 soliciting proposals for HOME funds for the development of affordable housing projects. The RFQual was published on the City website, on Planet Bids, and an electronic letter was emailed to interested developers and nonprofit organizations who had previously requested to be informed of affordable housing development opportunities and funding.

Following the release of RFQual #23-01, Families Forward submitted a proposal requesting gap financing for The Bungalows.

American Rescue Plan Act (ARPA) Funds

The American Rescue Plan Act (ARPA) of 2021, passed by the United States Congress and signed into law on March 11, 2021, includes \$350 billion of Coronavirus State and Local Fiscal Recovery Funds (SLFRF) to state, local, and Tribal governments across the country to support their response to and recovery from the COVID-19 public health emergency. The program ensures that governments have the resources needed to:

- Fight the pandemic and support families and businesses struggling with its public health and economic impacts,
- Maintain vital public services, amid declines in revenue, and
- Build a strong, resilient, and equitable recovery by making investments that support long-term growth and opportunity.

The City of Costa Mesa was allocated ARPA-SLFRF funds of \$26,481,093, of which 50% was received and expended in FY2020-21 primarily for small business grants and to offset revenue losses and increased costs resulting from the pandemic. The other 50% was received in FY2021-22. ARPA-SLFRF is eligible to use for housing assistance including development of affordable housing.

In July 2022, the US Department of the Treasury and the Department of Housing and Urban Development (HUD) collaborated to release the "Affordable Housing How-To Guide", which provides guidance to local governments on best-practices when utilizing ARPA funds to develop housing.

As stated in the Guide, "[ARPA] funds used for affordable rental housing... are presumptively eligible uses if the units funded serve households at or below 65% of AMI for a period of 20 years or greater."

The Bungalows, as proposed, is affordable rental housing serving households at or below 50% AMI for a period of 20 years; therefore, is presumed eligible to receive an award of ARPA funds.

ANALYSIS:

Families Forward has updated and resubmitted their proposal (Attachment 1) for The Bungalows, wherein, they are requesting a \$975,000 grant as gap financing to develop the Project.

The Bungalows is an 8-unit, in-fill, affordable housing development situated in a predominantly multi-family residential neighborhood that will serve up to 36 individuals. The Project includes substantial rehabilitation of all internal and external spaces, including the renovation of 6 existing units, as well as ground-up construction of 2 new accessory dwelling units (ADUs). The Project will consist of four 1-bedroom/1-bath units, three 2-bedroom/2-bath units, and one 3-bedroom /2-bath unit, with a total livable area of 5,282 square feet. At lease-up, the Bungalows will provide permanent housing and supportive services for up to eight (8) households (up to 34 people) earning at or below 50% of the Area Median Income (i.e. \$67,750/yr for a household of four). As will be stipulated in the Affordable Housing Agreement, a local preference for all eight units will be given to homeless and at-risk households with strong “Live, Work, School” ties to Costa Mesa throughout the 20-year affordability period.

The Project also contemplates the rehabilitation of existing on-site amenities including the driveway, landscaping, laundry facilities, two courtyards, storage building and updated utility connections. The Bungalows will be closely managed by Families Forward’s Property Management Team as well as a Property Maintenance Technician. In addition, tenants will have access to a 24/7 emergency maintenance line and an online portal to complete tasks such as requesting repairs or paying rent.

City Staff has reviewed Families Forward’s proposal and determined the Project aligns with the Council Goal to “Diversify, Stabilize and Increase Housing to Reflect Community Needs.” Additionally, the Project’s new construction of two (2) very-low income ADU’s will count toward the City’s 6th Cycle Regional Housing Needs Assessment (RHNA) allocation of 11,760 housing units. Lastly, through a strong partnership with the Newport Mesa Unified School District (NMUSD), the City has identified the need for affordable housing able to accommodate households consisting of 3+ members. Per NMUSD’s data regarding the Free-Reduced Price Meal Program, 35% (5,929) of the nearly 18,000 students enrolled are eligible to receive free meals. Eligibility for the Free Meal Program is contingent upon a student’s annual household income being at or below 130% of the Federal Poverty Level, or \$36,075 annually for a household of four.

The Project is in the best interest of the City and will provide much-needed affordable housing for Costa Mesa families with children.

ALTERNATIVES:

The City Council may choose not to approve an award of \$975,000 to the Project. If the City does not approve the funding, Families Forward will likely not be able to move forward with this project. This is not recommended as long-term affordable housing for very-low income Costa Mesa families experiencing and at-risk of homelessness is a Council priority.

FISCAL REVIEW:

Upon City Council approval, ARPA funds or other eligible funds in the amount of \$975,000 will be appropriated for this project.

LEGAL REVIEW:

The City Attorney's Office has reviewed this report and approved as to form.

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the following City Council Goal:

- Diversify, Stabilize and Increase Housing to Reflect Community Needs

CONCLUSION:

Staff recommends the City Council:

1. Approve the appropriation and allocation of \$975,000 in American Rescue Plan Act (ARPA) funds, or any other viable source of funds, to Families Forward for the development of The Bungalows Project, contingent upon the successful completion of a financial feasibility analysis by the City's third-party underwriting consultant, Keyser Marston Associates.
2. Authorize the City Manager or their designee to execute the Funding Agreement and all associated documents, as needed, to bring the project to fruition.