

February 24, 2021

Subject: **Rounds 3, 4, and 5 Affordable Housing and Sustainable Communities Program Guidelines Amendments**

Reporting Period: December 2020 – February 2021

Staff Lead: Ryan Silber, AHSC Program Manager

Recommended Actions

- b) Amend Sections 104 and 111 of the Fiscal Year 2016-17 Round 3 Affordable Housing and Sustainable Communities Program Guidelines according to staff recommendations made to accommodate project delays caused by the COVID-19 pandemic.
- c) Amend Sections 104 and 111 of the Fiscal Year 2017-18 Round 4 Affordable Housing and Sustainable Communities Program Guidelines according to staff recommendations made to accommodate project delays caused by the COVID-19 pandemic.
- d) Amend Sections 104 and 111 of the Fiscal Year 2018-19 Round 5 Affordable Housing and Sustainable Communities Program Guidelines according to staff recommendations made to accommodate project delays caused by the COVID-19 pandemic.

Background

Since the COVID-19 pandemic began in early 2020, multiple AHSC awardees have notified the California Strategic Growth Council (SGC) that awarded projects are not on track to meet their construction start and completion deadlines, as specified in the AHSC guidelines, due to delays induced by the pandemic. To accommodate awardees and help ensure successful completion of these projects, Staff recommend amending the Affordable Housing and Sustainable Communities Program (AHSC) guidelines for Rounds 3, 4, and 5 to extend project delivery timelines by approximately one year and allow awardees to incur eligible costs earlier in the project delivery process, providing greater flexibility for awardees in project delivery.

The delays reported by AHSC awardees result from a variety of processes including city inspections, curtailed and socially distanced construction workforce, and supply chain issues associated with COVID-19 disruptions. Project partners, including lenders, have expressed concern that if a project misses AHSC deadlines that SGC would withdraw the project's AHSC award, which has compounded delays on some AHSC projects. Extending AHSC project delivery timelines by approximately one year will remove one unexpected barrier to the successful completion of these complex, integrated projects.

Staff also propose allowing projects to begin incurring AHSC-related costs before awardees sign their contractual agreements with the Department of Housing and Community Development (HCD), AHSC's implementation partner. Due to the structure of affordable housing finance, which needs all funding secured prior to commencement of construction, this change would only affect AHSC's transportation projects, allowing them to reach project completion and provide public benefit more quickly. This practice is used by other transportation agencies such as the Federal Railroad Administration and Federal Transit Administration. Costs are considered at-risk until the grant agreement has been executed and all costs will be authorized only to the extent they are allowable under the approved scope and terms of the grant agreement.

Next Steps

Following the California Strategic Growth Council's adoption of these amended Guidelines, the California Department of Housing and Community Development (HCD) will have authority to reimburse additional eligible costs and allow extended timelines for completion of projects awarded under these guidelines.

Council Recommendations

- b) Amend Sections 104 and 111 of the Fiscal Year 2016-17 Round 3 Affordable Housing and Sustainable Communities Program Guidelines according to staff recommendations made to accommodate project delays caused by the COVID-19 pandemic.

- b) Amend Sections 104 and 111 of the Fiscal Year 2017-18 Round 4 Affordable Housing and Sustainable Communities Program Guidelines according to staff recommendations made to accommodate project delays caused by the COVID-19 pandemic.

- c) Amend Sections 104 and 111 of the Fiscal Year 2018-19 Round 5 Affordable Housing and Sustainable Communities Program Guidelines according to staff recommendations made to accommodate project delays caused by the COVID-19 pandemic.

Should the Council agree with staff's recommendation, the following motion language is suggested:

For action a): **"I move that the Council amend Sections 104 and 111 of the Fiscal Year 2016-17 Round 3 Affordable Housing and Sustainable Communities Program Guidelines according to staff's recommendations."**

For action b): **"I move that the Council amend Sections 104 and 111 of the Fiscal Year 2017-18 Round 4 Affordable Housing and Sustainable Communities Program Guidelines according to staff's recommendations."**

For action c): **“I move that the Council amend Sections 104 and 111 of the Fiscal Year 2018-19 Round 5 Affordable Housing and Sustainable Communities Program Guidelines according to staff’s recommendations.”**

Attachments

Attachment 1 – Fiscal Year 2016-17 Round 3 Affordable Housing and Sustainable Communities Program Guidelines, amended.

Attachment 2 – Fiscal Year 2017-18 Round 4 Affordable Housing and Sustainable Communities Program Guidelines, amended.

Attachment 3 - Fiscal Year 2018-19 Round 5 Affordable Housing and Sustainable Communities Program Guidelines, amended.