

Date: April 29, 2022

To: Chair Teresa Mosqueda and Members, Finance and Housing Committee

From: Maiko Winkler-Chin, Director, Office of Housing

RE: Response to Statement of Legislative Intent [OH-010-A-001](#) (Funding Policies Modifications)

Statement of Legislative Intent

This Statement of Legislative Intent (SLI) requests the Office of Housing (OH) “to work with the City Council to develop proposed modifications to the City’s Housing Funding Policies to address policy barriers, including partnership requirements, for small, community-based developers that may have difficulty accessing the Acquisition and Preservation Loan Program and other acquisition programs funded by the Jumpstart Payroll Expense Tax.”

Current Policy

The existing Acquisition and Preservation (A&P) Loan Program requires borrowers to meet certain eligibility criteria to mitigate the significant risk associated with the temporary financing OH has traditionally used for this program. Criteria include experience developing and operating at least three affordable housing projects, or partnering with an organization with this experience, demonstrated capacity to secure permanent financing within five years for the proposed project, as well as good standing on any existing OH loans.

JumpStart Opportunity

Funding from the JumpStart Payroll Expense Tax presents an opportunity to create a new permanent source of acquisition funding. This resource shall be available to support smaller community-based organizations to secure acquisition and preservation financing, allowing different eligibility criteria from the existing A&P Program, and improving OH’s equitable lending practices. OH recognizes that community-based development may take a significant amount of time from conception to development. The permanent nature of this resource allows for more flexible development timelines. This new program reduces barriers for community-based organizations (CBOs) to enter the affordable housing sector, particularly for those CBOs that have traditionally been excluded from the industry. This program will support more community driven projects to be realized by communities living with the past and present impacts of displacement and housing discrimination.

Proposed Policy

OH proposes modifications to the Housing Funding Policies to create a new JumpStart Acquisition and Preservation (JumpStart A&P) Program funded by JumpStart revenue, which will operate with different eligibility criteria. Funds are intended to contribute to the City’s equitable development goals by investing in organizations and projects that are working to address displacement and redress the longstanding harms of discriminatory housing practices.

Eligibility Criteria

1. Limited to Community-Based Organizations and Community Development Corporations
2. Funds will be prioritized for organizations that are working directly with vulnerable and low-income communities who have been most negatively impacted by discriminatory housing practices
3. Funds will be prioritized for projects that advance equitable development goals and address displacement, including those proposed or supported by local, community-based, non-profit organizations that are culturally relevant and historically rooted, particularly when the project site is in an area that is at high risk for displacement.
4. Must have a development plan in place within five years of receiving acquisition funding
5. Organizations with annual housing revenue below \$8 million will be prioritized.
6. Documented Board intent to own and operate multifamily rental and/or permanently affordable homeownership
 - To be eligible for the JumpStart CBO Capacity and Grant Program, Board intent may be established by a resolution
 - To be eligible for the JumpStart A&P Loan Program, Board intent must be established in the organizational by-laws

Funding and Technical Assistance

Up to 13% of available Payroll Expense Tax Fund revenue for Housing and Services will be allocated to this Program, to support both acquisition and permanent development financing. This funding allocation aligns with the Jumpstart Spending Plan passed in Resolution 31957. These funds are intended to be dedicated to anti-displacement efforts.

Within this fund, up to \$2 million annually will be set aside for third party intermediaries, who will administer the JumpStart CBO Capacity and Grant Program (JumpStart CGP). The JumpStart CGP will offer two primary phases of technical assistance and funding to support CBOs interested in acquiring and developing affordable housing.

Phase I, Predevelopment: Grants of up to \$250,000 to cover trainings, project specific predevelopment expenses, working capital, capacity building activities, approved consultants/partnerships, and other activities related to launching the acquisition and development of affordable housing.

Training may include the following topics: Identifying target populations, Fair Housing, developing affordable housing, how to build a development team, asset management, and other related topics.

Phase II, Acquisition and Development: Organizations that enroll and participate in JumpStart CGP will be eligible to apply for a JumpStart A&P Loan, as well as up to \$500,000 additional Developer Fee to support organizational capacity and infrastructure tied to a specific awarded project.

Legislation and Housing Funding Policy Amendment

OH staff plan to submit this legislation for consideration at F&H Committee in June/July 2022.