



CITY OF  
**PALO  
ALTO**

**September 30, 2024**

The City of Palo Alto is pleased to announce the release of an **Affordable Housing Funds Notice of Funding Availability (NOFA)** for rental and ownership affordable housing projects.

Approximately **\$5 million** in local and State-awarded funds is available for affordable housing projects in Palo Alto. The funding is intended to fill a financing gap between the projected total development costs and other available funding sources.

The eligible project types solicited by this NOFA are broad. For example, projects could be:

- New construction of affordable housing for rent or ownership, including mixed-use projects or mixed-income projects;
- Rehabilitation of existing affordable housing;
- Preservation of existing multi-family affordable housing nearing the end of affordability terms;
- Converting existing market rate or affordable units to deeper income affordability;
- Adaptive reuse/conversion of existing buildings into affordable housing
- Additional project types that could be considered as affordable housing;
- Acquisition of buildings or land to build affordable housing; or
- Affordable housing-related predevelopment activities.

Eligible applicants may submit one or more applications under this NOFA.

The Affordable Housing Funds NOFA is posted at: [www.CityofPaloAlto.org/AffordableHousingFund](http://www.CityofPaloAlto.org/AffordableHousingFund). Visit this webpage periodically for updates to the NOFA process, as well for the day/time for the NOFA pre-application and informational meeting in October 2024. The NOFA itself contains additional information including affordable housing project eligibility types, funding sources, goals/priorities, the application, and application instructions. The City Council will award project funding based on a competitive process.

Potential applicants are strongly encouraged to attend the NOFA pre-application and informational meeting where City staff will be available to respond to questions. **The deadline to submit an application under this NOFA is 5:00 pm Monday, October 28, 2024.**

For questions regarding this NOFA, you may also contact Robert Feign, Housing Planner, by calling (650) 329-2195 or emailing [Robert.feign@cityofpaloalto.org](mailto:Robert.feign@cityofpaloalto.org).

Sincerely,  
Coleman Frick, Manager of Long-Range Planning



# **Planning & Development Services Department**

## **AFFORDABLE HOUSING FUNDS NOTICE OF FUNDING AVAILABILITY (NOFA)**

**Applications Available: Monday September 30, 2024**

**Applications Due: Monday, October 28, 2024, 5:00 PM**

Contact:

Robert Feign, Housing Planner

[Robert.feign@cityofpaloalto.org](mailto:Robert.feign@cityofpaloalto.org)

(650) 329-2195



## AFFORDABLE HOUSING FUNDS NOTICE OF FUNDING AVAILABILITY

### Introduction and Overview

September 30, 2024

#### INTRODUCTION

The City of Palo Alto is announcing the availability of approximately **\$5 million** in local and State-awarded funds for affordable housing projects in Palo Alto. This Affordable Housing Funds Notice of Funding Availability (NOFA) is intended to support City Council allocation of these existing local and State-awarded funds in 2024. **The deadline to submit an application under this NOFA is 5:00 pm Monday, October 28, 2024.**

#### OVERVIEW

##### A. Eligible Applicants

Eligible applicants may submit one or more applications under this Affordable Housing Funds NOFA.

**Organization Type** - Eligible applicants include for-profit or nonprofit corporations, general or limited partnerships, joint ventures, or limited liability companies.

**Experience** - Applicants must have demonstrated experience and capacity in the management and/or development of affordable housing. Applicants must have experience and capacity in the development and management of at least three (3) affordable housing projects. This experience could be ongoing daily management of affordable housing properties, management of affordable housing rehabilitation projects, and/or construction new or conversion of existing buildings to produce affordable housing.

**B. Eligible Projects**

The eligible project types solicited by this NOFA are broad. For example, projects could be:

- New construction of affordable housing for rent or ownership, including mixed-use projects or mixed-income projects\*;
- Rehabilitation of existing affordable housing;
- Preservation of existing multi-family affordable housing nearing the end of affordability terms;
- Converting existing market rate or affordable units to deeper income affordability;
- Adaptive reuse/conversion of existing buildings into affordable housing;
- Additional project types that could be considered as affordable housing;
- Acquisition of buildings or land to build affordable housing; or
- Affordable housing-related predevelopment activities.

\*For both mixed-use and mixed-income projects, only the affordable housing portion of the project can be assisted under this Affordable Housing Funds NOFA. Commercial costs and/or market-rate-unit costs need to be funded separately from the affordable housing costs. Generally, for mixed-use projects, living space should make up the majority of the development.

Affordability categories and income limits for each category for the City of Palo Alto and Santa Clara County are as follows:

<b>Number of Persons in Household:</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
Santa Clara County Area Median Income: \$184,300	Acutely Low	19350	22100	24900	27650	29850	32050	34300	36500
	Extremely Low	38750	44250	49800	55300	59750	64150	68600	73000
	Very Low Income	64550	73750	82950	92150	99550	106900	114300	121650
	Low Income	102300	116900	131500	146100	157800	169500	181200	192900
	<b>Median Income</b>	129000	147450	165850	<b>184300</b>	199050	213800	228550	243300
	Moderate Income	154800	176900	199050	221150	238850	256550	274250	291900

Source: State of California Department of Housing and Community Development, 2024 State Income Limits, May 9, 2024: <https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2024.pdf>.

The City is seeking applications that:

- Demonstrate an understanding of the community, the unique attributes, and opportunities of the neighborhood where the project would be located;
- Successful experience in developing and/or managing affordable housing; and
- Commitment to an inclusive and responsive public participation process.

### **C. Funding Sources**

The approximately **\$5 million** in local and State-awarded funding included in this Affordable Housing Funds NOFA comes from the following sources:

- Residential Housing In-Lieu Fund (Fund 233);
- Residential Housing Impact Fee Fund (Fund 293);
- Commercial Housing Fund (Fund 234); and
- 2022 Local Housing Trust Fund (LHTF) Award (Fund 252).

City staff will use the information in the applications to determine which funding sources would be applicable to each project, given that some sources have project eligibility restrictions or expenditure deadlines.

In the case of LHTF, this NOFA serves as the announcement for both:

- The availability of 2022 LHTF and associated City-matching funds; and
- Solicitation of additional LHTF qualifying affordable housing projects.

With this NOFA, the City seeks to develop a roster of Council-designated LHTF-qualifying affordable housing projects. This would help the City distribute existing funds and/or assist with “readiness” competitive points on a future LHTF application. Note that all 2022 LHTF funds are to be used toward new affordable multi-family residential rental housing projects.

While the City of Palo Alto is an entitlement City for Federal Community Development Block Grant (CDBG) funds, CDBG funds are awarded through a separate process. This NOFA is for local and State-awarded funds only.

### **D. Required Project Information and Selection Process**

All applications must contain the required application information. Incomplete applications will not be considered. Applications from affordable housing managers and/or developers that do not meet the City's minimum required experience will not be considered. Staff will review all applications for completeness and to verify that the applicant and project are eligible. Applicants may be requested to provide additional information or tours of similar projects in their portfolio.

The Affordable Housing Funds NOFA application instructions, application form, and other application supporting materials are designed to ultimately assist the City Council in making funding commitments. The materials will help distinguish how each application would meet City goals and priorities for affordable housing in Palo Alto.

While a point system is not applied to applications, it is possible that City Council would be interested in projects that meet LHTF eligibility, promote expedited achievement of the City's 6<sup>th</sup> Cycle Housing Element, and that help the City achieve its Sustainability and Climate Action Plan goals. Considerations could include project readiness (site control or receipt of project entitlements), the ability to spend housing funds expeditiously, the number of housing units that would be assisted, the per unit cost of the project, affordability targeting levels, provision of larger sized affordable units, provision of units for people with disabilities or other special needs, provision of supportive housing units with on-site

services, and/or preservation or rehabilitation of existing affordable housing.

More information on the City’s affordable housing needs can be found online:

- **City of Palo Alto Comprehensive Plan 2030** - <https://www.cityofpaloalto.org/Departments/Planning-Development-Services/Housing-Policies-Projects/2030-Comprehensive-Plan>;
- **City of Palo Alto 6<sup>th</sup> Cycle Housing Element** (Certified by HCD on August 20, 2024) - <https://paloaltohousingelement.com/> and
- **City of Palo Alto Sustainability and Climate Action Plan** - <https://www.cityofpaloalto.org/City-Hall/Sustainability/SCAP>.

Staff will review and assess all complete and eligible applications. Staff will score proposals and make funding recommendations to the City Council for consideration. The City Council will evaluate and may decide funding commitments based on how projects address the City’s affordable housing goals and priorities.

**E. Terms of Funding**

Long term financing is available in the form of 55 years at 3% simple interest, either amortized or deferred, depending on the circumstances of the project’s financial need. The loan must be secured by a promissory note and deed of trust, as well as a regulatory agreement securing project affordability. Loans will be residual receipts notes and require a split of residual receipts between City and the project sponsor.

**F. Proposal Scoring**

<b><u>Category</u></b>	<b><u>Maximum Points</u></b>
<b>1. Organizational Capacity and Relevant Experience</b> Organization is well qualified to complete and operate project, considering years of relevant experience and number of similar projects completed.	<b>15</b>
<b>2. Project Need</b> Project clearly addresses the housing goals and priorities listed in this NOFA, the <a href="#">Affordable Housing Fund Guidelines</a> , and the City’s Housing Element and Comprehensive Plan.	<b>20</b>
<b>3. Project Design and Readiness</b> Project design (physical and operational) is cost-effective, feasible, compatible with the neighborhood, includes green building/sustainability considerations, and effective in meeting the stated goals and objectives. Applicant is ready and able to apply for other financing upon issuance of conditional funding award.	<b>20</b>
<b>4. Budget and Financial Management</b> Financial management points based on clean financial audits and a strong record of financial and regulatory compliance at other projects owned or managed by applicant. Budget scores based on realistic cost estimates and budget for development and operation of project, and projected competitiveness of project costs in tax credit applications, etc. If applicable, Proposals must address how units will be made affordable to households with incomes between 0% to 30% of AMI (i.e., through use of project-based subsidies or other means).	<b>15</b>

<p><b>5. Percentage of Matching Funds</b></p> <p>Points are awarded based on the following formula:</p> <ul style="list-style-type: none"> <li>- 5 points for the minimum required match (25%);</li> <li>- 10 points for a 50% match; and</li> <li>- 15 points for a match of 75% or more.</li> </ul> <p>Proposals with match ratios in between these percentages will be awarded 1 point for every 5% of match up to 15 points maximum. Matching percentage is determined by the percent of project cost to be funded by sources other than the requested City funds, according to applicant’s proposed project budget. Matching funds do not include existing City funding awards.</p>	<b>15</b>																																																																																						
<p><b>6. Affordability Level</b></p> <p>Points are awarded based on the percentage of restricted units limited to various percentages of Area Median Income (AMI) and adjusted by household size. The proposed affordability restrictions included in the application will be incorporated into a City Affordable Housing Regulatory Agreement or other regulatory agreement prior to disbursement of funds. Points are awarded as follows:</p> <table border="1" data-bbox="253 800 786 1278" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="4" style="text-align: center;">Rental Projects</th> </tr> <tr> <th colspan="2"></th> <th colspan="2" style="text-align: center;">Percent of AMI</th> </tr> <tr> <th colspan="2"></th> <th style="text-align: center;">50%</th> <th style="text-align: center;">30%</th> </tr> </thead> <tbody> <tr> <th rowspan="10" style="text-align: center; vertical-align: middle;">Percent of Restricted Units</th> <th style="text-align: center;">100%</th> <td style="text-align: center;">8</td> <td style="text-align: center;">15</td> </tr> <tr> <th style="text-align: center;">90%</th> <td style="text-align: center;">8</td> <td style="text-align: center;">15</td> </tr> <tr> <th style="text-align: center;">80%</th> <td style="text-align: center;">7</td> <td style="text-align: center;">15</td> </tr> <tr> <th style="text-align: center;">70%</th> <td style="text-align: center;">7</td> <td style="text-align: center;">14</td> </tr> <tr> <th style="text-align: center;">60%</th> <td style="text-align: center;">6</td> <td style="text-align: center;">12</td> </tr> <tr> <th style="text-align: center;">50%</th> <td style="text-align: center;">5</td> <td style="text-align: center;">10</td> </tr> <tr> <th style="text-align: center;">40%</th> <td style="text-align: center;">4</td> <td style="text-align: center;">8</td> </tr> <tr> <th style="text-align: center;">30%</th> <td style="text-align: center;">3</td> <td style="text-align: center;">6</td> </tr> <tr> <th style="text-align: center;">20%</th> <td style="text-align: center;">2</td> <td style="text-align: center;">4</td> </tr> <tr> <th style="text-align: center;">10%</th> <td style="text-align: center;">1</td> <td style="text-align: center;">2</td> </tr> </tbody> </table> <table border="1" data-bbox="253 1314 786 1797" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="4" style="text-align: center;">Ownership Projects</th> </tr> <tr> <th colspan="2"></th> <th colspan="2" style="text-align: center;">Percent of AMI</th> </tr> <tr> <th colspan="2"></th> <th style="text-align: center;">120%</th> <th style="text-align: center;">80%</th> </tr> </thead> <tbody> <tr> <th rowspan="10" style="text-align: center; vertical-align: middle;">Percent of Restricted Units</th> <th style="text-align: center;">100%</th> <td style="text-align: center;">8</td> <td style="text-align: center;">15</td> </tr> <tr> <th style="text-align: center;">90%</th> <td style="text-align: center;">8</td> <td style="text-align: center;">15</td> </tr> <tr> <th style="text-align: center;">80%</th> <td style="text-align: center;">7</td> <td style="text-align: center;">15</td> </tr> <tr> <th style="text-align: center;">70%</th> <td style="text-align: center;">7</td> <td style="text-align: center;">14</td> </tr> <tr> <th style="text-align: center;">60%</th> <td style="text-align: center;">6</td> <td style="text-align: center;">12</td> </tr> <tr> <th style="text-align: center;">50%</th> <td style="text-align: center;">5</td> <td style="text-align: center;">10</td> </tr> <tr> <th style="text-align: center;">40%</th> <td style="text-align: center;">4</td> <td style="text-align: center;">8</td> </tr> <tr> <th style="text-align: center;">30%</th> <td style="text-align: center;">2</td> <td style="text-align: center;">6</td> </tr> <tr> <th style="text-align: center;">20%</th> <td style="text-align: center;">1</td> <td style="text-align: center;">4</td> </tr> <tr> <th style="text-align: center;">10%</th> <td style="text-align: center;">0</td> <td style="text-align: center;">2</td> </tr> </tbody> </table>	Rental Projects						Percent of AMI				50%	30%	Percent of Restricted Units	100%	8	15	90%	8	15	80%	7	15	70%	7	14	60%	6	12	50%	5	10	40%	4	8	30%	3	6	20%	2	4	10%	1	2	Ownership Projects						Percent of AMI				120%	80%	Percent of Restricted Units	100%	8	15	90%	8	15	80%	7	15	70%	7	14	60%	6	12	50%	5	10	40%	4	8	30%	2	6	20%	1	4	10%	0	2	<b>15</b>
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**G. Application Deadline**

The deadline to submit an application under this NOFA is 5:00 pm Monday, October 28, 2024. Please send the application materials to Robert Feign, Housing Planner, via email at [Robert.Feign@cityofpaloalto.org](mailto:Robert.Feign@cityofpaloalto.org). Applications submitted after the application deadline will not be considered. Eligible applicants with affordable housing projects that need funding in 2025 and 2026 are still encouraged to apply, given that funding would be disbursed reflective of the needs of individual projects and/or could be included in future NOFAs, if no longer needed by a project.

**H. NOFA Pre-Application & Informational Meeting**

Eligible applicants are encouraged to attend a NOFA Pre-Application and Informational Meeting.

**NOFA Pre-Application & Informational Meeting**

**Date/Time: October 2024 – Day/Time TBD**

(meeting details will be posted on City’s Affordable Housing Fund webpage: [www.CityofPaloAlto.org/AffordableHousingFund](http://www.CityofPaloAlto.org/AffordableHousingFund))

**Meeting Location: Virtual Meeting (Zoom)**

**I. Application Processing Timeline**

The tentative timeline for evaluating and selecting applications for City Council funding commitments is anticipated to be the following:

<b>Release and Circulation of NOFA</b>	<b>September 30, 2024</b>
<b>NOFA Pre-Application &amp; Informational Meeting</b>	<b>Early October 2024 – Day/Time TBD</b>
<b>Application Deadline</b>	<b>October 28, 2024, 5:00 pm</b>
<b>City Council Hearing</b>	<b>Winter 2024</b>

**CONTACT INFORMATION**

Questions and technical assistance regarding this Affordable Housing Funds NOFA may be directed to Robert Feign, Housing Planner, by calling (650) 329-2195 or sending an e-mail to [Robert.Feign@cityofpaloalto.org](mailto:Robert.Feign@cityofpaloalto.org).

**CITY RESERVATION**

The City of Palo Alto reserves the unqualified right to request additional information from applicants, reject any and all applications, discuss modifications to proposals with the applicants, waive any irregularities in the submittal requirements, or cancel, suspend, or amend the provisions of this NOFA. Submission of an application in response to this NOFA constitutes agreement on the part of the applicant to comply with this and all other rules and conditions of this NOFA.