



East Bay Housing Organizations

August 16, 2021

Dear Members of the Concord City Council,

On behalf of East Bay Housing Organizations (EBHO) and our 300 organizational and individual members, I write to express our appreciation for the work that the City of Concord has invested in reanimating the Concord Naval Weapons Station (CNWS) reuse project. The CNWS is the East Bay's premier opportunity to build a truly inclusive community—one that includes good homes, good jobs, and great recreational amenities that are accessible to current and future residents across a range of incomes.

Along those lines, we applaud the City for requiring that 25% of the homes built at the base will be affordable to low-income households, per the adopted Area Plan, and for memorializing this commitment in the current RFQ for a new master developer. This commitment is the result of a tremendous amount of work on the part of residents, advocates, and City staff, who've deemed inclusive housing opportunities to be a hallmark of a successful project. Now, the selection of a new master developer is a vital opportunity to reaffirm the City's commitment to the community's vision in a material and meaningful way.

This is a matter of not only integrity, but policy. The 25% affordability requirement was included as one of the mitigating measures under the California Environmental Quality Act (CEQA) in the Final Environmental Impact Report (EIR) for the Area Plan that was certified by the City Council. According to case law, CEQA requires the responsible agency to take steps to ensure that such "mitigation measures will actually be implemented as a condition of development, and not merely adopted and then neglected or disregarded."¹ The City of Concord, as the responsible agency, is therefore required under CEQA to ensure that the new master developer is capable of implementing the 25% affordability measure. To put it simply, words aren't enough. Concrete actions are required.

¹ See *Federation of Hillside & Canyon Associations v. City of Los Angeles* (2000) 83 Cal. App. 4th 1252.

Additionally, failure to meet the 25% affordability requirement would make it even more difficult for the City to meet its soon-to-be-expanded RHNA obligations for low-income households. With two years left in the current RHNA cycle, the City has only met 2% of the need for new homes for low- and very-low-income households. Moreover, this need is slated to increase by 64% during the 6th Cycle RHNA. The current pattern of development makes it clear that without a successful and expeditious effort to build affordable homes at the CNWS, Concord will once again fail to meet its RHNA obligations, thus exposing the City to a loss of local development controls per State law.

Therefore, in order to comply with CEQA, meet RHNA goals, and prevent further project delays, the City must do the due diligence needed to select a master developer that has a concrete and realistic financing plan to support the construction of over 3,000 affordable homes. EBHO has developed 6 principles that we see as essential to achieving this end.

These principles are based upon our members' extensive experience with not only affordable housing development across the East Bay, but also the CNWS reuse project. Collectively, our mission-driven developer members have built and maintained tens of thousands of high-quality, deeply affordable homes in the Bay Area, including hundreds in Concord. As an organization, EBHO has been involved in shaping the vision of the CNWS since 2007. And our members are represented on all six teams of the Homeless Collaborative that will be responsible for building housing for people experiencing homelessness at the CNWS under the City's Legally Binding Agreements (LBAs)—which is a prerequisite for the City of Concord, as the Local Reuse Authority (LRA), to receive the land from the federal government.

In the interest of extending and deepening this partnership, and in keeping with our historical positions, we present these principles as key to meeting the City's existing commitments and the affordability needs of the community at large:

1. Developer Financial Contribution

It's essential that the new master developer commit to making a direct financial contribution to the cost of building affordable homes. On average, it costs over \$600,000 per unit to build an affordable project in the Bay Area—costs that are likely to increase due to a pandemic-induced increase in the price of labor and materials. However, as of July 2020, the City of Concord only had \$6 million in its Affordable Housing Trust Fund. Similarly, Contra Costa County doesn't have bond proceeds or another reliable means to capitalize affordable developments. This lack of a "local contribution" is particularly concerning when thinking about achieving 25% affordability at the CNWS because local funds are generally considered a prerequisite to receive low-income housing tax credits (LIHTC) and other state and federal resources. **Given the dearth of local resources, it's unlikely that the City of Concord will be able to meet the 25% affordability requirement without a direct financial contribution from the master developer.**

The previous master developer recognized this fact, committing to contribute \$120,000 per unit for the first phase of development (\$40 million total). Likewise, the next master developer must commit adequate funds to make sure that the 25% requirement is met. In light of changing costs and market conditions, we recommend that the City require the master developer to agree to an updated financial contribution based upon a current analysis of the affordable housing financing gap for new developments in Concord.

2. Development-Ready Parcels

In keeping with the LBAs and past commitments, affordable housing parcels must be delivered on land that is development-ready—meaning it has appropriate entitlements, utilities, and other infrastructure—at no cost to the downstream developers.

3. Honoring the Legally Binding Agreements (LBAs)

As mentioned above, one of the LBAs for the CNWS requires that the LRA oversee the construction of 130-260 homes for homeless households. Indeed, this Agreement is one of the preconditions for the conveyance of land from the federal government, without which the reuse project wouldn't exist. It's thus essential that the City prioritizes members of the Homeless Collaborative in providing affordable homes, with supportive services, for people experiencing homelessness according to best practices in permanent supportive housing.

4. Integrated Housing

It's vital to ensure that affordable homes are integrated throughout the reuse project in terms of location and timing. In terms of location, siting affordable developments alongside market-rate ones in proximity to transit and other amenities is needed to make the former competitive for LIHTC and other state and federal funds. It's also a matter of social equity. In terms of timing, Concord has seen a rapid escalation of market rents in recent years, threatening the stability of low-income renters. It's thus in the interest of the community to expedite affordable development and ensure that affordable homes are delivered as a pro rata share of all of the homes built over the life of the project.

5. Inclusive and Sustainable Housing

The Area Plan requires that 25% of the homes built at the CNWS are affordable to households that make no more than 80% of the area median income (AMI). However, the rents of 80% AMI units are often still too expensive to provide stable housing to low-income residents of Concord, especially those struggling to avoid displacement due to the escalating rents mentioned above. The City should thus encourage development that's affordable at the 60% AMI level and below, especially in light of upcoming increase in RHNA obligations for very-low-income housing. The City should also prioritize projects that are accessible to people with disabilities and families with children. And it should make sure that affordable projects are built using the best in healthy and

sustainable design practices, to the benefit of both low-income residents and the community as a whole.

6. Local Mission-Driven Developers

Affordable housing is no longer the sole province of mission-driven community developers. It's become a large-scale sector that attracts market-rate developers, national corporations, and institutional investors. In that sense, the umbrella term of "affordable housing" can mask meaningful differences between developers. In order to build the types of homes that will make the CNWS truly inclusive, accessible, and sustainable, as described in Item #5, the City should encourage the master developer to work with local/regional mission-driven affordable housing developers. These developers have the long-range expertise and commitment to Concord to make the community vision for the CNWS a reality. For example, while many for-profit entities will only maintain the affordability of LIHTC units for the minimum 15-year compliance period, non-profit developers are committed to using public dollars efficiently to achieve permanent affordability. Likewise, non-profit developers have the expertise needed to finance and manage projects that are affordable to very- or extremely-low-income and/or special needs households.

In conclusion, we strongly recommend that the City ensure that the next master developer is capable of fulfilling these six principles. It's not enough for a candidate to say that they'll meet the 25% affordability requirement. Rather, the City and the master developer must commit to take the affirmative steps needed to realize this complicated and technical affordable housing obligation. Anything short of that is neither credible nor realistic. It would threaten to undermine a decade of community participation, the project timeline, and the City's obligations under both RHNA and CEQA, specifically the project's Final EIR.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to be 'Alex Werth', with a stylized, sweeping flourish extending to the right.

Alex Werth
Policy Manager
East Bay Housing Organizations