



To: Timothy Rood, Community Development Director
CITY OF HERCULES

From: Suzy Kim and Mark Sawicki, Directors
RSG, INC.

Date: May 7, 2026

SUBJECT: REVIEW OF DEVELOPMENT PROPOSALS: HERCULES HOUSING SUCCESSOR AGENCY NOFA (2026)

The City of Hercules (“City”) serves as the Housing Successor Agency (“Housing Successor”) to the former Hercules Redevelopment Agency (“Redevelopment Agency”). The Housing Successor’s Low and Moderate Income Housing Asset Fund (“Housing Asset Fund”) had a \$6.2 million cash balance as of June 30, 2025. The balance is primarily from loan repayments related to homeowner and developer loans issued by the former Redevelopment Agency.

The City issued a Notice of Funding Availability (“NOFA”) in October 2025 inviting developers to submit proposals to develop affordable housing utilizing up to \$5 million in Housing Asset Funds. Three developers submitted proposals as shown in Table 1.

Developer	Community Housing Works (“CHW”)	Satellite Affordable Housing Associates (“SAHA”)	Eden Housing (“EDEN”)	
Project Name	Bayline Apartments	Sycamore Crossing	Victoria Green	
# of Units	83	100	66 new units	+132 <i>rehab units</i>

City staff and RSG, Inc. (“RSG”) evaluated each proposal based on the following criteria, as described in the NOFA:

- developer qualifications and experience,
- financial capacity,
- alignment with community and Housing Element goals,
- project readiness and economic viability, and
- project eligibility and affordability.

RSG scrutinized development pro formas for each proposal and found they all have reasonable

cost assumptions that comply with California Tax Credit Allocation Committee rent limits, operating expense minimums, and reserve requirements.

City staff and RSG recommend awarding \$5 million to the CHW Bayline Apartments project based on the following key factors:

- Proposes the deepest level of affordability
- Serves the highest number of new residents based on bedroom count
- Produces 82 new units that count toward the City's Regional Housing Needs Allocation ("RHNA")
- Meets income and age limit restrictions for Housing Asset Fund expenditures
- Meets Housing Element goal to facilitate development serving a special needs population
- Estimates positive cash flows sufficient to cover expenses and debt service
- CHW owns the proposed site
- CHW brings strong experience and financial capacity
- CHW is furthest along in development application efforts

While all the projects and developers are worthy of support, City staff and RSG recommend funding one project, versus splitting the \$5 million award between multiple projects. This approach better ensures that the funded project will be more competitive for other key funding sources and, thus, have a higher chance of successful and timely development.

Table 2 presents key components of each development proposal for City Council's consideration.

Developer	CHW	SAHA	Eden	
Project Name	Bayline Apartments	Sycamore Crossing	Victoria Green	
Location	Bayfront Boulevard	Sycamore Ave. & San Pablo Ave.	Paradise Drive (near Victoria Crescent W)	
APN	404-490-102-5 404-490-101-7	404-020-098 404-020-099	404-030-050	
Population Served	Individuals and families (62 units) Persons with Intellectual and Developmental Disabilities (IDD) (21 units)	Individuals and families (100 units)	Seniors (66 new units) Reserve the right to change if it conflicts with existing regulatory agreements	<i>Individuals and families (132 existing units)</i>
Unit Type	1, 2, and 3 bed	Studio, 1, 2, and 3 bed	Studio and 1 bed	<i>Studio, 1, 2, and 3 bed</i>
Number of Units by Income Level:				
			New Units	<i>New + Rehab</i>
30% AMI	29	11	7	21
50% AMI	16	30	45	85
60% AMI	27	58	13	67
80% AMI	10			23
Manager	1	1	1	2
# of Units	83	100	66	198
# of Permanent Supportive Housing Units	0	0	0	0
Weighted Average Bedroom Size	1.74	1.69	0.71	1.69
Est. Resident Count	269	260	92	508
Target Income Levels as % of Total Units:				
30% AMI	35%	11%	11%	11%
50% AMI	19%	30%	69%	43%
60% AMI	33%	59%	20%	34%
80% AMI	12%	0%	0%	12%
Manager	1%	1%	1%	1%
Weighted Average Affordability Level	49% AMI	54% AMI	50% AMI	53% AMI

Table 2 Developer Proposal Summary				
Developer	CHW	SAHA	Eden	
Project Name	Bayline Apartments	Sycamore Crossing	Victoria Green	
Building Size and Scale:				
Total Building Square Footage	95,980	102,660	46,681	
Number of Buildings	2	1	1 new	
Number of Stories	4	5	3	
Development Cost:				
			<i>New Units</i>	<i>New + Rehab</i>
Total Development Cost (net of land)	\$60,430,339	\$77,897,924	\$34,427,523	\$40,427,523
Total Development Cost per Unit (net of land)	\$728,076	\$778,979	\$521,629	\$204,179
Developer Fee (net of contributions)	\$2,800,000	\$3,842,078	\$5,919,086	
Total Amount of City Funding Requested	\$5,000,000	\$5,000,000	\$5,000,000	
City Funding per Unit	\$60,241	\$50,000	\$75,758	\$25,253
Development Costs Include Prevailing Wage	Yes	Yes	No	
Site Control	Yes, owns site	Yes, with execution of Purchase & Sale Agreement by May 2026 with final option expiring Dec 2026	Yes, owns site	
Cash Flow	Positive NOI, Maintains 1.15 debt service coverage that increases each year, Soft loan repayments begin in Year 11	Positive NOI, Maintains 1.15 debt service coverage that increases each year, Soft loan repayments begin in Year 7	Negative NOI after 24 Years, Debt service coverage declines after Year 12, No soft loan repayments	

Table 2 Developer Proposal Summary			
Developer	CHW	SAHA	Eden
Project Name	Bayline Apartments	Sycamore Crossing	Victoria Green
Sources of Funding:			
<i>Federal LIHTC Equity (4%)</i>		\$31,319,886	\$24,979,955
<i>Federal LIHTC Equity (9%)</i>	\$24,357,564		
<i>Federal Home Loan Bank Aff Hous Prog (AHP)</i>		\$1,500,000	
<i>HCD: Aff Hous and Sust Comm ("AHSC")</i>	\$17,303,893	\$26,350,208	
<i>HCD: Multifamily Housing Program ("MHP")</i>			\$7,722,481
<i>Contra Costa Co. (HOME)</i>	\$2,529,197		\$2,135,143
<i>Contra Costa Co. (Measure X)</i>	\$458,865		
City of Hercules	\$5,000,000	\$5,000,000	\$5,000,000
<i>East Bay Regional Center</i>	\$3,150,000		
<i>Deferred Developer Fee</i>	\$1,400,000	\$1,145,213	\$2,351,804
<i>Seller/Developer Carryback Loan</i>			\$15,697,047
<i>Income from Operations</i>			\$734,878
<i>GP Capital Contribution</i>		\$4,538,944	\$100
<i>Permanent Loan</i>	\$8,047,000	\$11,454,378	\$11,422,618
Total Sources	\$62,246,519	\$81,308,629	\$70,044,026
Developer Qualifications and Experience:			
Years of Experience	Nearly 40 years	Over 50 years	58 years
Development Portfolio	Developed over 5,100 apartments in 53 communities, with 1,500 units in the pipeline	Completed 75 affordable communities in the Bay Area. House over 4,000 residents	Developed or rehabilitated over 12,930 units statewide
Other Factors	Submitted SB 35 development application	If SAHA is unable to secure AHSC allocation, its alternate plan is HCD MHP funding. To be competitive for MHP projects on public land, SAHA asks City to purchase development site and lease to SAHA to shield City from property responsibilities before closing.	Simultaneous resyndication and rehabilitation of existing project to leverage tax credits in support of new construction 1/4 of construction budget for rehab; 3/4 of budget for construction of new units

Table 2 Developer Proposal Summary				
Developer	CHW	SAHA	Eden	
Project Name	Bayline Apartments	Sycamore Crossing	Victoria Green	
Housing Successor Compliance:				
<i>Minimum 30% @ 30% AMI, Maximum 20% @ 60-80% AMI</i>				
Number of 30% AMI Units	29	11	7	21
Housing Asset Fund Subsidy Per 30% AMI Unit	\$172,414	\$454,545	\$714,286	\$238,095
Total Development Cost Per Unit (net of land)	\$728,076	\$778,979	\$521,629	\$204,179
Can Allocate Full Request to 30% AMI (Per Unit Funding Less than Total Dev Cost)	Yes	Yes	No	No
<i>SB 341 Compliance by Income Level</i>	Complies, can allocate all funding to 30% AMI	Complies, can allocate all funding to 30% AMI	Subsidy per 30% AMI unit exceeds development cost	Subsidy per 30% AMI unit exceeds development cost
Percent Senior Units	0%	0%	100%	33%
<i>SB 341 Compliance by Age</i>	Yes	Yes	Exceeds 50% maximum for seniors	
Alignment with Community Goals / Housing Element Needs:				
Senior Housing Project (Program H2-3)	no	no	yes	
Alternative Housing Model (Program H2-5)	no	no	no	
Housing Choice Vouchers (Program H1-3)	no	no	no	
Housing for Persons with Special Needs (Program H4-1)	yes	no	yes	
Policy 1.5 Encourage development of new special needs housing for seniors, single parents, families, large families, the disabled, including those with developmental disabilities, and extremely low-income households	yes	yes	yes	

Table 2 Developer Proposal Summary				
Developer	CHW	SAHA	Eden	
Project Name	Bayline Apartments	Sycamore Crossing	Victoria Green	
Policy 1.6. Use density bonuses and other incentives to facilitate the development of new housing for extremely low, very low- and low-income households in conformity with State law	yes	yes	yes	
Policy H4.5 Encourage housing serving special needs such as elderly and disabled	yes	no	yes	
RHNA Fulfillment:				
<i># of Units That Fulfill Remaining RHNA Need (2025 remaining need)</i>				
Very Low or 50% AMI <i>(343 Units)</i>	45	41	52	0*
Low or 80% AMI <i>(196 Units)</i>	37	58	13	0*
Moderate or 120% AMI <i>(125 Units)</i>	0	0	0	0
Above Moderate <i>(309 Units)</i>	0	0	0	0

* Per Gov Code Section 64500, only substantial rehabilitated units that receive more than \$60,000 per unit of City funding can be included for RHNA reporting. According to Eden's proposal, the \$5 million NOFA funding would be used for constructing the new units and not for the rehab units.