



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of May 12, 2026

TO: Mayor and Members of the City Council

VIA: Patrick Tang, Interim City Manager

SUBMITTED BY: Timothy Rood AICP, Community Development Director

SUBJECT: Housing Asset Funding Proposals: Community HousingWorks (Bayline); Satellite Affordable Housing Associates (Sycamore Crossing); Eden Housing (Victoria Green)

RECOMMENDED ACTION:

Receive a report on the three proposals received from affordable housing developers to the City's Notice of Funding Availability ("NOFA") for \$5 million in Housing Asset Funding for affordable housing development. This item is for information only.

BACKGROUND:

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.

Housing Asset Funds may be used on a variety of project development costs with the following restrictions:

- At least 30% must be spent assisting extremely low income rental households earning 30% or less of the AMI. No more than 20% may be spent on low income households earning 60% to 80% of the Area Median Income ("AMI").
- Moderate and above moderate-income households (above 80% AMI) may not be assisted with Housing Asset Funds.

- Housing Asset Funds may be used to assist senior units if no more than 50% of rental units assisted by any City funding source are restricted for seniors.

All affordable housing units developed with this funding source must be income restricted for at least 55 years. All deed-restricted affordable housing units within Hercules City limits are subject to the City’s Affordable Housing Policy.

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 proposals were received, as shown in Table 1.

Table 1: Developer Proposals				
Developer	Community HousingWorks (“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 rehab units

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.

Below is a summary of each proposed development:

Bayline Project

Community HousingWorks submitted a proposal in response to the NOFA for a modified version of its Bayline project on Bayfront Boulevard (Waterfront Blocks F & G) (Attachment 3). This site is located within the Waterfront District Master Plan (WDMP) area and is subject to the WDMP development standards, However, the site is not within the Bayfront project and is not covered by the Bayfront project’s development agreement, affordable housing plan implementation agreement, or parking operations agreement.

By way of background, in May 2025, CHW submitted a preliminary application invoking California Senate Bill 35 (SB 35) for a five-story 100% affordable housing development that included 107 units and 87 parking spaces. SB 35, enacted in 2017, streamlines affordable housing approvals in cities and counties failing to meet state housing targets. The law aims to accelerate housing construction. It requires "ministerial" (non-discretionary) approval for qualified multi-family developments with at least 10%–50% affordable units, bypassing lengthy CEQA reviews. Ministerial approvals are required by state law to be made at the staff level for qualifying projects and are made without a public hearing.

Following a required community meeting held in June 2025 and conclusion of the required tribal consultation, Community HousingWorks revised their design to reduce the building height from five stories to four stories and reduce the number of units to 83. In February 2026, CHW submitted a full application for ministerial approval of the revised four-story project under SB 35. Although no parking is required for affordable housing units under the City's Waterfront District Master Plan, the project proposes 87 parking spaces accessed from a rear alley, along with a landscape buffer with trees.

The City denied the SB 35 application in March 2026 because the site does not meet the urban surroundings requirement of Government Code Section 65913.4(a)(2)(B) to qualify for streamlined ministerial approval. Less than 75% of the perimeter of the site abuts land developed or previously developed with urban uses. Government Code Section 65913.4(m)(13) defines "urban uses" as: "any current or former residential, commercial, public institutional, public park that is surrounded by other urban uses, parking lot or structure, transit or transportation passenger facility, or retail use, or any combination of those uses." The prior use of the vacant parcels surrounding the site was industrial. Industrial use is not included within this statutory definition of urban uses.

Although the project did not qualify for streamlined ministerial review under SB 35, the City noted that CHW was free to resubmit the project under the standard discretionary review process. The project proposed in CHW's NOFA response appears to be consistent with the revised SB 35 application (i.e. 4 stories, 83 units) and would require one or more discretionary approvals, including but not limited to Planning Commission approval of a Design Review Permit.

Sycamore Crossing Former Hotel Site

Satellite Affordable Housing Associates (SAHA) submitted a proposal for a 100-unit, 5-story multifamily affordable housing development on the portion of the Sycamore Crossing site previously entitled as a Hampton Inn Hotel (Attachment 4). One hundred (100) surface parking spaces would be provided. No development review application for this project has been submitted. The approval pathway for this project may also include discretionary approvals, including but not limited to amendment of the Sycamore Crossing Planned Development Plan and a Design Review Permit.

Victoria Green

Eden Housing, which owns and operates the existing Victoria Green affordable housing development within Victoria by the Bay, submitted a proposal for 66 new senior housing units and common amenities in new three-story buildings on the portion of the site that is currently project open space and the project's clubhouse, along with the rehabilitation of 132 existing units (Attachment 5). All existing parking would be preserved, but no additional parking would be added. No development review application for this project has been submitted. The approval pathway for this project may also include discretionary approvals, including but not limited to amendment of the New Pacific Properties Specific Plan and a Design Review Permit.

ANALYSIS:

RSG's evaluation memo (Attachment 1) presents key components of each development proposal for the City Council's consideration. RSG will present their analysis, and staff and RSG will be available for questions.

City staff and RSG recommend funding one project, versus splitting the \$5 million award between multiple projects. This approach ensures the best opportunity for the funded project to be more competitive for other key funding sources and, thus, have a higher chance of successful and timely development.

Tonight's presentation is for information only. Staff and RSG plan to return to the City Council on May 26, 2026 with a recommendation and request for direction to enter into exclusive negotiation with one of the three developers for the award of the Housing Asset funding.

FISCAL IMPACT:

There is no fiscal impact from this informational item. There is sufficient funding for the NOFA award and the City's anticipated legal and consultant expenses in the Housing Successor's Low and Moderate Income Housing Asset Fund ("Housing Asset Fund"). The Housing Asset Fund houses all former redevelopment agency housing assets and is subject to expenditure requirements detailed in Health and Safety Code ("HSC") Section 34176.1. The City oversees expenditure of the Housing Asset Fund.

ATTACHMENTS

- Attachment 1 – RSG evaluation memo
- Attachment 2 – RSG presentation
- Attachment 3 – CHW proposal
- Attachment 4 – SAHA proposal
- Attachment 5 – Eden Housing proposal