

City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: MARCH 12, 2024

FROM: HOUSING AND HUMAN SERVICES WARDS: ALL

SUBJECT: RESOLUTIONS AUTHORIZING THE CREATION OF A LOCAL AFFORDABLE HOUSING TRUST FUND AND APPLICATION FOR, AND RECEIPT OF, CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT PROHOUSING INCENTIVE PILOT PROGRAM ROUND 2 FUNDING – SUPPLEMENTAL APPROPRIATION AND INTERFUND TRANSFERS

ISSUES:

Adoption of resolutions authorizing the creation of a Local Affordable Housing Trust Fund and an application for, and receipt of, the California Department of Housing and Community Development Prohousing Incentive Pilot Round 2 grant funds to be used as matching funds for the Local Affordable Housing Trust Fund.

RECOMMENDATIONS:

That the City Council:

1. Adopt the attached resolution (Attachment 1) to create a local affordable housing trust fund;
2. Authorize the Chief Financial Officer, or designee, to create a Local Housing Trust Fund with three different section numbers for federal, state, and local resources;
3. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to annually record an appropriation and interfund transfer of future program income from the HOME Investment Partnerships Program Fund, Neighborhood Stabilization Program Fund and the Development Grants Fund – CalHome accounts to the new Local Housing Trust Fund;
4. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record a supplemental appropriation and interfund transfer of \$1,500,000 from the Development Grants Fund – Permanent Local Housing Allocation account to the new Local Housing Trust Fund;
5. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record future supplemental appropriations and interfund transfers equal to 50% of future land sale proceeds of City-owned properties originally purchased with General Fund resources to the new Local Housing Trust Fund;

6. Adopt the attached resolution (Attachment 2) authorizing the City Manager, or designee, to submit an application for the Prohousing Incentive Program Round 2 grant funds to be used as Local Housing Trust Fund matching funds;
7. Authorize the City Manager, or designee, to accept and receive such funds and to execute any documents necessary to secure the Prohousing Incentive Program Round 2 grant fund award and administer the Prohousing Incentive Pilot Program grant;
8. Upon grant award and with at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record an increase in revenue and supplemental appropriation in an amount up to \$1,500,000 in the Local Housing Trust Fund, Pro-Housing Incentive Program 2; and
9. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record future supplemental appropriations as needed in the new Local Housing Trust Fund to issue loans in alignment with the purposes of the loan program and within the parameters described in this report.

COMMITTEE RECOMMENDATION:

On February 26, 2024, the Housing and Homelessness Committee met with Chair Erin Edwards, Vice Chair Gaby Plascencia, and Member Clarissa Cervantes, to discuss the creation of a local affordable housing trust fund (LAHTF) and the submission of a Pro-Housing Incentive Program (PIP) Round 2 funding application for up to \$1,500,000 to use as trust fund matching funds. After discussion, the Committee conceptually approved: (1) Creating a LAHTF with \$1,500,000 of Permanent Local Housing Allocation (PLHA) grant funds; (2) Allocate program income received from the HOME Investment Partnerships Program (HOME), Neighborhood Stabilization Program (NSP), CalHome, Permanent Housing Local Allocation (PLHA), American Rescue Plan (ARPA) Act – Affordable Housing Fund into the LAHTF; an (3) Allocate 50% of the future land sale proceeds of City-owned properties purchased with General Funds.

The Committee also recommended the following eligible activities for the LAHTF with a focus on housing for seniors and justice-involved people.

1. Matching funds for State and/or Federal fund
2. New construction of rental and homeownership units
3. Preservation/rehabilitation of multi-family and homeownership housing
4. Acquisition of vacant land and dilapidated properties
5. Emergency repairs on homeownership properties
6. Tenant Based Rental Assistance

In addition, the Committee recommended increasing the affordability period to 99 years and making LAHTF funds available to market rate developers who commit 10% of their housing units for affordable rental housing and 5% for affordable homeownership.

BACKGROUND:

Every eight years, the California Department of Housing and Community Development assesses the projected housing needs of the entire state and assigns a minimum number of housing units to be produced over the following eight-year period to the governing bodies of the state's major regions. Those governing bodies are then responsible for assigning the individual communities within their boundaries their share of those units – called the Regional Housing Need Allocation (RHNA). The City of Riverside's Regional Housing Needs Assessment allocation for the period of 2021 -2029 is 18,458 units. Below is the RHNA allocation income category breakdown:

Income Category	RHNA Allocation
Very Low (50% of Area Median Income – “AMI”)	4,861
Low (30% of AMI)	3,064
Moderate (120% of AMI)	3,139
Above Moderate	7,394
Total RHNA	18,458

Providing a full range of housing choices is one of the most fundamental elements needed in creating vibrant and livable communities. Unfortunately, the dream of homeownership and the ability to obtain affordable housing is out of economic reach for many households.

On February 7, 2023, City Council approved an ARPA allocation of \$1,388,797 from the unprogrammed line item to the Affordable Housing fund to invest in affordable housing developments. The ARPA funds are to be loaned and any principal and interest received would be used to fund additional affordable housing loans.

California's fiscal year 2019-2020 budget established the Prohousing Designation Program (PDP) as part of a spectrum of support, incentives, and accountability measures to help meet California's housing goals. The City of Riverside has demonstrated that its housing related policies, programs, and activities exceed minimum State requirements and was granted a Prohousing designation under PDP in 2023 and is eligible to apply for Prohousing Incentive Pilot (PIP) Program Round 2 grant funds. In addition to receiving a Prohousing Designation by the State of California in April 2023, the City has received additional third-party assessments and recognition.

In December 2023, the City of Riverside received its first ever Bronze Medal from CityHealth, a national initiative of the de Beaumont Foundation and Kaiser Permanente that provides a package of evidence-based policy solutions aimed at helping people live longer, better lives. The initiative assesses how the nation's 75 largest cities rate in 9 policy areas that influence health and quality of life. Riverside was one of 46 cities to medal. One of the 9 areas identified by CityHealth as an evidence-based solution is the establishment and operation of an affordable housing trust. The City did not receive a medal in the “Affordable Housing Trust” category. The establishment of an Affordable Housing Trust will enable the City to bolster our overall standing with respect to future third party assessments, making a strong case for the City to receive a medal again from CityHealth for the upcoming year and continue to shine a bright light on the actions of the City of Riverside. Additionally in December 2023, the City Council approved partial funding to further the Blue Zones certification initiative. Included in the Blue Zones Report are action items related to reducing the costs of housing and the establishment of a trust to provide affordable housing.

DISCUSSION:

A tool for the City to consider in addressing the need for affordable housing is the creation of a LAHTF, which is dedicated funds held in a trust to be used to address the most critical housing needs. LAHTF funds:

1. Receive ongoing revenues, usually from dedicated sources, and are not dependent exclusively on annual appropriations;
2. Are designated to support affordable housing rather than other community needs; and
3. Include sources of funding in addition to those that are otherwise restricted or available to support housing.

LAHTF funds can be used to address priority needs.

There are 763 local housing trust funds nationwide and 41 in California. Some of the most common forms of dedicated revenues used for local housing trust funds in California include:

- **Dedicated Housing Fees.** Some jurisdictions have established commercial linkage fees or housing impact fees on commercial or residential development projects that generate new jobs. The fees are used to support the development of housing affordable to employees. In addition, many jurisdictions have adopted inclusionary housing programs that require new housing developments meeting certain criteria to provide a percentage of affordable housing. These programs generally allow in-lieu fees to be paid as an alternative to direct construction of the required housing.
- **Discretionary Local Revenues.** Some local jurisdictions contribute directly to the housing trust fund from discretionary local revenues. These can include general fund appropriations or a designated portion of existing local revenue sources, such as a share of the local sales tax, transient occupancy tax, or cell tower lease revenue.
- **Grant and Charitable Contribution Funds.** Some funds accept grants, charitable contributions, or other non-recurring sources of funding that are dedicated to affordable housing. These can include revenues from capital campaigns organized by private sector organizations or ongoing contributions by major employers. These housing trust funds may be operated by a single jurisdiction, a consortium of several local agencies, or even an independent nonprofit agency.
- **Loan Repayments and Commercial Development Loans.** Often housing trust funds lend money to private or nonprofit developers for affordable housing projects. Loan repayments are then used to create a revolving fund that allows the trust fund to make additional investments. Housing trust funds can also be used to convey bank commercial development loans, such as investments made to receive credits under the Community Reinvestment Act (CRA).

Staff is recommending the creation of a LAHTF that would include loan repayments and grants and charitable contributions that can be used to make investments in affordable housing. Loan payments would be generated from the City's HOME Program, PLHA, NSP, CalHOME and ARPA – Affordable Housing Fund. Historically, the Housing Authority received over the counter applications for HOME and PLHA funding requests. In 2024, the Housing Authority will release a

Notice of Funding Availability (NOFA) for HOME funds that will be made available for the development of affordable housing. The PLHA NOFA will be released after the State releases the PLHA NOFA, the City has applied for its direct allocation of grant funds and these funds are awarded through a standard agreement. Staff is recommending that these funds continue to be loaned at a low interest rate of three percent (3%).

When creating a local housing trust fund, the City must determine eligible purposes for the use of these funds. The eligible activities that local housing trust funds support nationwide include in order of the most common to least: New construction, preservation/rehabilitation of existing multi-family, property acquisition, housing for those with special needs, elderly housing, preservation/rehabilitation of existing single-family housing, permanent homeless housing, transitional housing, housing for ex-offenders, match for state and/or federal funds, development activities, vacant/abandoned properties, down payment assistance, emergency repairs, energy efficiency improvements in existing housing, weatherization/energy efficiency upgrades, renewable energy, water efficiency upgrades, tenant based rental assistance, homeless services, foreclosure prevention, housing education and counseling, organizational administration, operating and maintenance costs, emergency rental assistance, capacity building, community land trusts, project based rental assistance, and supportive services.

Staff is recommending the following eligible purposes for the local affordable housing trust fund by priority with a focus on seniors and justice-involved populations.

1. Match for State and/or Federal fund
2. New construction of rental and homeownership units
3. Preservation/rehabilitation of multi-family and homeownership units
4. Acquisition of vacant land and dilapidated properties
5. Emergency repairs on homeownership properties
6. Tenant Based Rental Assistance

The HOME, PLHA, NSP, CalHome and ARPA – Affordable Housing funds that have been loaned and repaid into the housing trust fund must still be used to serve households at or below 50% and 80% of area median income and continue to adhere to grant regulations.

To provide funding for the creation of affordable housing for moderate income households – also known as the “workforce housing”, staff is requesting 50% of the future land sale proceeds of City-owned properties acquired with General Funds be deposited into the Local Affordable Housing Trust Fund account. Market rate developers can apply for the LAHTF if they set-aside 10% of their housing units for affordable rentals and 5% for homeownership.

To ensure affordable housing units assisted with LAHTF remain affordable for a long duration, the Housing and Homelessness Committee recommended 99-year affordability covenants be required for affordable rental and homeownership projects.

If the City has an established LAHTF, staff can apply for matching housing trust funds that may become available in the future through the state and federal government like the Pro-Housing Incentive Program Round 2. The maximum the City can apply for is \$1,000,000 based on its population and a bonus award that is calculated based on an eligible applicant’s Prohousing Designation score multiplied by 10,000. For example, an eligible applicant with a Prohousing

Designation score of 35 points will be eligible to receive up to a \$350,000 bonus award in addition to the base award. The bonus award amount shall not exceed \$500,000. The grant application deadline is March 30, 2024.

The State will also be releasing a NOFA for the Local Housing Trust Fund grant in March 2024, which staff will review and bring forth to City Council a resolution to apply for these grant funds.

Staff is requesting City Council to consider the creation of a local affordable housing trust fund with staff's recommendations summarized in Attachment 1 to address the most critical housing needs and apply for \$1,500,000 in Prohousing Incentive Program Round 2 grant funds.

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 2 – Community Well-Being (Goal 2.1 – Facilitate the development of a quality and diverse housing supply that is available and affordable to a wide range of income levels)** and **Strategic Priority 5 – High Performing Government (Goal 5.4 – Achieve and maintain financial health by addressing gaps between revenues and expenditures and aligning resources with strategic priorities to yield the greatest impact).**

1. **Community Trust** – Riverside is transparent and makes decisions based on sound policy, inclusive community engagement, involvement of City Boards & Commissions, and timely and reliable information. Activities and actions by the City serve the public interest, benefit the City's diverse populations, and result in greater public good.
2. **Equity** – The local affordable housing trust fund will provide critical funding to develop affordable housing projects that ensure all eligible persons receive equitable access to housing with dignity, respect, and compassion regardless of the circumstances, ability, or identity.
3. **Fiscal Responsibility** – Riverside is a prudent steward of public funds and ensures responsible management of the City's financial resources while providing quality public services to all.
4. **Innovation** – Riverside is inventive and timely in meeting the community's changing needs and prepares for the future through collaborative partnerships and adaptive processes.
5. **Sustainability & Resiliency** – Riverside is committed to meeting the needs of the present without compromising the needs of the future and ensuring the City's capacity to persevere, adapt and grow during good and difficult times alike.

FISCAL IMPACT:

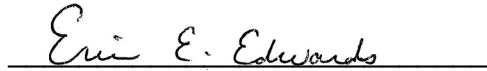
With the initial set up of the LAHTF, there is no impact to the General Fund. However, the future impact to the General Fund is the transfer of 50% of all future sale proceeds of City-owned properties purchased with General Funds to the LAHTF, which is currently undetermined. The remaining 50% of the sale proceeds are committed towards the long-term management of pension costs in accordance with the Pension Funding Policy adopted by the City Council on August 6, 2019.

The LAHTF will initially be set up with transferred program income from the HOME, NSP, and

CalHome programs and \$1,500,000 transferred from the PLHA grant. Matching funds in the amount of \$1,500,000 will come from the Prohousing Incentive Program Round 2 grant. Future program income from the HOME, NSP, CalHome, PLHA and ARPA – Affordable Housing programs will be appropriated into the LAHTF.

Prepared by: Michelle Davis, Housing and Human Services Director
Certified as to
availability of funds: Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Approved by: Mike Futrell, City Manager
Approved as to form: Phaedra A. Norton, City Attorney

Concurs with,



Erin Edwards, Chair
Housing and Homelessness Committee

Attachments:

1. Local Affordable Housing Trust Fund Resolution
2. Prohousing Incentive Pilot Program Round 2 Application Resolution
3. Local Affordable Housing Trust Fund Summary
4. Presentation