



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: DECEMBER 14, 2021

FROM: OFFICE OF HOMELESS SOLUTIONS WARD: ALL

SUBJECT: APPROVAL OF A RESOLUTION ALLOWING THE CITY OF RIVERSIDE TO APPLY FOR AND RECEIVE ONGOING FUNDING FROM THE STATE OF CALIFORNIA'S SENATE BILL 2 PERMANENT LOCAL HOUSING ALLOCATION PROGRAM; AND APPROVAL OF THE AMENDED FIVE-YEAR FUNDING PLAN FOR 2019-2023 – SUPPLEMENTAL APPROPRIATION

ISSUE:

Approval of a Resolution allowing the City of Riverside to apply for ongoing funding from the State of California's Senate Bill 2 Permanent Local Housing Allocation Program and approving the amended five-year funding plan for 2019-2023.

RECOMMENDATIONS:

That the City Council:

1. Adopt a Resolution allowing the City of Riverside to apply for ongoing funding from the State of California's Senate Bill 2 Permanent Local Housing Allocation Program;
2. Approve the amended Permanent Local Housing Allocation Program 2019-2023 five-year funding plan;
3. Authorize the City Manager, or designee, to sign an applicable standard agreement and other grant-related documents required to secure and administer the Permanent Local Housing Allocation funds; and
4. With at least five affirmative votes, authorize an increase in revenues and appropriate expenditures in an amount equal to \$2,521,285 in the Development Grants Fund, Permanent Local Housing Allocation Program (PLHA) 2021 Program.

BACKGROUND:

On February 26, 2020, the State of California Department of Housing and Community Development (HCD) released a Notice of Funding Availability (NOFA) for the first round of Permanent Local Housing Allocation (PLHA) Program funding. The PLHA Program is funded pursuant to Senate Bill (SB) 2 (Chapter 364, Statutes of 2017). SB 2 creates a surcharge on document applicable land transfer documents of \$75 per document, per parcel of land with a cap of \$225 per transaction.

SB 2 established a PLHA Program Fund and authorizes HCD to allocate 70 percent of funds collected and deposited in the PLHA Program Fund, beginning in calendar year 2019, to local governments for eligible housing and homelessness activities. The intent of the bill is to provide a permanent, ongoing source of funding to local governments for housing-related projects and programs that assist in addressing the unmet housing needs of their local communities.

PLHA Program allocates funding to localities like Riverside who are federal entitlement cities based on their CDBG allocation formula. There is a capped 5% set-aside for administration based on annual allocations. As PLHA Program funding is based on land transfer fees which are sensitive to the economy and other considerations, and the CDBG allocation formula, the State can estimate revenues on an annual basis, but actual appropriations may vary.

The first year of PLHA Program funding was provided to the City as a one-time planning grant and on September 17, 2019, the City Council authorized approximately \$660,000 in City housing-related planning initiatives and projects activities related to this set-aside. Subsequent years of PLHA Program funding are designated for eligible housing and homelessness activities.

On July 7, 2020, the City Council approved a five-year funding strategy and an application for, and receipt of, the first PLHA funding round of \$1,622,125, which was allocated to the following activities:

PROJECT	DEVELOPER	NO. OF UNITS	PROPOSED PLHA PROGRAM FUNDING
Pierce Street and Golden Avenue Affordable Housing Project (Ward 7)	National Community Renaissance	80 units of very low-income affordable housing	\$1 million
The Aspire (Third Street and Fairmount Boulevard – Ward 1)	Innovative Housing Opportunities	32 units of permanent supportive housing for youth	\$541,019
Administration (5% of grant)	City of Riverside		\$81,106

DISCUSSION:

On May 3, 2021, the State of California Department of Housing and Community Development (HCD) released an annual Notice of Funding Availability (NOFA) for the 2021 round of PLHA funding. According to the NOFA, the City is estimated to receive \$2,521,285 of FY 2020/2021 in FY 2021/2022 and an estimated \$9,732,750 over the first five years of PLHA program funding. It is expected that award appropriations will vary year-to-year depending on the number of local real estate transaction fees, which is the basis of PLHA funding as a portion of these transaction fees are returned to the City.

Staff is requesting to amend the PLHA five-year funding plan to allocate \$1,600,000 (66%) of funds towards shelter operations for the 30-pallet shelter program and 28-bed bridge housing

program, \$795,221 (33%) for affordable housing development, and \$126,064 (5%) for administration. If funding should become available from other grant resources to cover the shelter operations, then staff is requesting the authority to reallocate \$1.6 million towards the development of affordable housing.

STRATEGIC PLAN ALIGNMENT:

Ongoing funding for the SB2 PLHA Program aligns with the **Strategic Priority 2 – Community Well-Being** and **Goal No. 2.1** – to facilitate the development of a quality and diverse housing supply that is available and affordable to a wide range of income levels. SB2 PLHA also aligns with **Goal 2.3** – to strengthen neighborhood identities and improve community health and the physical environment through amenities and programs that foster an increased sense of community and enhanced feelings of pride and belonging citywide.

The Project aligns with each of the Cross-Cutting Threads as follows:

1. **Community Trust** – The Housing Authority identifies priority development areas to meet the greatest needs of residents in the City. Priorities are based on the City's HUD Annual Action Plan for federal entitlement grants, the 5-year HUD Consolidated Plan for federal entitlement grants, and the Housing Element; Plans that are vetted in the City through Community Ward Meetings, Post Card Surveys, and online. The information gathered in specific focus groups and interviews with various organizations and service providers in the housing and community development field. PLHA funding allows for funding projects that are deemed to be priority in the City's planning documents.
2. **Equity** – Pursuant to State law, the Housing Authority provides critical funding to build projects that ensure all eligible persons receive equitable access to housing with dignity, respect, and compassion regardless of their circumstances, ability, or identity.
3. **Fiscal Responsibility** – This item allows the City to utilize State housing funds to create low-income housing to create economic stability for low-income residents. The Authority's investments typically enjoy a 10:1 to 20:1 return with funded projects.
4. **Innovation** – Projects funded with PLHA program funds allow the City to capitalize on new and changing funding sources in partnership with federal, state, and private partners to meet ongoing and changing needs of low- to moderate income members of the community.
5. **Sustainability & Resiliency** – Projects funded with PLHA program funds will promote sustainable community and economic development growth and encourage community engagement and resiliency.

FISCAL IMPACT:

The total fiscal impact of this action is \$2,521,285. Upon Council approval and receipt of the grant award, an increase of \$2,521,285 will be recorded in the revenue account and an equal amount appropriated to expenditure account in the Development Grants Fund, PLHA 2021 Program revenue account number 9344800-334100 and expenditure account 9344800-440210.

Prepared by: Michelle Davis, Housing Authority Manager
Certified as to
availability of funds: Edward Enriquez, Chief Finance Officer/City Treasurer
Approved by: Lea Deesing, Assistant City Manager

Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. Resolution
2. Updated Five-Year PLHA Funding Plan