



City of Arts & Innovation

Housing and Homelessness Committee Memorandum

TO: HOUSING AND HOMELESSNESS COMMITTEE MEMBERS **DATE: FEBRURY 26, 2024**

FROM: DEPT. OF HOUSING & HUMAN SERVICES **WARDS: ALL**

SUBJECT: ESTABLISH A LOCAL HOUSING TRUST FUND AND SUBMIT A \$1,500,000 PROHOUSING INCENTIVE PROGRAM ROUND 2 GRANT APPLICATION FOR MATCHING FUNDS

ISSUES:

To consider establishing a local housing trust fund and submitting a \$1,500,000 Prohousing Incentive Program Round 2 grant application for matching funds.

RECOMMENDATIONS:

That the Committee conceptually approve:

1. Establishment of a \$1,500,000 local housing trust fund funded through the 2021 Permanent Local Housing Allocation; and
2. Recommend submission of a \$1,500,000 Prohousing Incentive Program Round 2 grant application for matching funds.

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.

DISCUSSION:

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

Local housing trust 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 requesting the Committee to consider establishing a local housing trust fund 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 Investment Partnerships (HOME) Program, Permanent Local Housing Allocation (PLHA), Neighborhood Stabilization Program (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 housing trust fund by priority.

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

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.

To ensure affordable housing units assisted with local housing trust funds are counted towards the City's RHNA allocation, staff is recommending that 45-year affordability covenants be required for homeownership projects and 55-year affordability covenants be required for rental projects.

If the City has an established local housing trust fund, staff can apply for matching housing trust funds that may become available in the future through the state and federal government like the ProHousing Incentive Program Round 2. The maximum the City can apply for is \$1 million 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.

Staff is requesting the Committee to consider creating a local housing trust fund with staff's recommendations summarized in Attachment 1 to address the most critical housing needs and apply for \$1.5 million in Prohousing Incentive Program Round 2 grant funds.

STRATEGIC PLAN:

The local housing trust fund projects align with **Strategic Priority #2 - Community Well-Being** and **Goal 2.1** to facilitate the development of quality and diverse housing developments that are made available and affordable to a wide range of income levels and **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.

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 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:

The fiscal impact of this action is a maximum of \$3,000,000, including a \$1,500,000 trust that will be funded through the 2021 Permanent Local Housing Allocation. If awarded, the Prohousing Incentive Program Round 2 grant may provide \$1,000,000 in funding along with a bonus award amount not to exceed \$500,000.

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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

Attachments:

1. Local Housing Trust Fund Summary
2. Presentation