



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JULY 7, 2020

FROM: OFFICE OF HOMELESS SOLUTIONS WARDS: ALL

SUBJECT: ADOPTION OF A FIVE-YEAR FUNDING STRATEGY AND RESOLUTION AUTHORIZING AN APPLICATION FOR, AND RECEIPT OF, SENATE BILL 2 PERMANENT LOCAL HOUSING ALLOCATION PROGRAM FUNDS FROM THE CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT, IN AN AMOUNT NOT TO EXCEED \$1,622,125, SUPPLEMENTAL APPROPRIATION – PUBLIC HEARING

ISSUE:

Adoption of a five year funding strategy an application for, and receipt of, Senate Bill 2 Permanent Local Housing Allocation Program application to the California Department of Housing and Community Development for an amount not to exceed \$1,622,125, in order to provide funding to the Golden and Pierce and The Aspire affordable housing projects.

RECOMMENDATIONS:

That the City Council:

1. Hold a public hearing pursuant to California Health and Safety Code Section 50470 *et seq.*, to gather public comment regarding a five-year funding strategy for use of Senate Bill 2 Permanent Local Housing Allocation Program funds;
2. Adopt the attached Resolution authorizing the City Manager, or designee, to submit a Senate Bill 2 Permanent Local Housing Allocation Program application to the California Department of Housing and Community Development for an amount not to exceed \$1,622,125, and authorizing the City Manager, or designee, to accept and receive such funds and to execute any documents necessary to secure such award and administer the grant; and
3. Upon award of the grant funds, authorize an increase in revenue in the amount of \$1,622,125 to Fund 223 - Development Grants Fund account and appropriate \$1,000,000 to the Golden and Pierce Project account, \$541,019 to The Aspire project account, and \$81,106 to the Permanent Local Housing Allocation Program Administration account.

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 current round of Permanent Local Housing Allocation (PLHA) Program. 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 moneys 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, on-going source of funding to local governments for housing-related projects and programs that assist in addressing the unmet housing needs of their local communities.

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 housing project development, which is the subject of this staff report.

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. According to the NOFA, the City is estimated to receive \$1,622,125 in FY 2019/20 and \$9,732,750 over the first five years of PLHA Program funding activities. Five year appropriation estimates may be lower if an economic recession negatively impacts the local housing market, and lowers the transfer tax fees that are the basis of the PLHA appropriation to the City.

DISCUSSION:

To apply for the City’s first year allocation of PLHA Program funding, staff recommends funding the following projects:

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	\$1,000,000
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
TOTAL			\$1,622,125

These projects will be brought back separately to the City Council and/or Housing Authority Board for funding agreement approval at a later date. The Resolution contemplated in this report is a requirement for the receipt of PLHA Program funds, as is the signing of a standard funding agreement with HCD.

The City's application for PHLA funds requires the submission of a five-year funding use plan. Staff has drafted the attached plan (Attachment 2) that has been made available for public comment. In year one of the Plan, PLHA funds would be split between the two above listed projects. In subsequent years (2-5) funding would be split between housing project development and management of the City's bridge housing project that is slated to be constructed at 2881 Hulen Place. If alternative funding is identified for the operation of the bridge housing project, the PLHA funds will be used for the development of affordable housing.

FISCAL IMPACT:

Upon receipt of the PLHA Program grant award, the Finance Department will increase the revenue in the amount of \$1,622,125 to Fund 223 - Development Grants Fund account number 9342000-334100 and appropriate \$1,000,000 to the Golden and Pierce Project account number 9342020-440210, \$541,019 to The Aspire project account number 9342010-440210, and \$81,106 to the PLHA Program Administration account number 9342000-440210.

Prepared by: Michelle Davis, Housing Authority Manager
Certified as to availability of funds: Edward Enriquez, Chief Finance Officer/City Treasurer
Approved by: Moises Lopez, Deputy City Manager
Approved as to form: Gary G. Geuss, City Attorney

- Attachments:
1. Resolution
 2. Funding Allocation Plan