



City of Arts & Innovation

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL                      DATE: AUGUST 20, 2024**

**FROM: HOUSING AND HUMAN SERVICES                      WARDS: ALL**

**SUBJECT: RESOLUTION AUTHORIZING AN APPLICATION TO THE CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT FOR LOCAL HOUSING TRUST FUND PROGRAM MATCHING GRANT FUNDS OF \$1,000,000 FOR THE CITY'S LOCAL AFFORDABLE HOUSING TRUST FUND FOR THE DEVELOPMENT OF AFFORDABLE RENTAL HOUSING PROJECTS - SUPPLEMENTAL APPROPRIATION**

**ISSUE:**

Adoption of a resolution authorizing an application to the California Department of Housing and Community Development for a Local Housing Trust Fund Program matching grant funds of \$1,000,000 for the City's Local Affordable Housing Trust Fund for the development of affordable rental housing projects.

**RECOMMENDATIONS:**

That the City Council:

1. Adopt the attached resolution (Attachment 1) authorizing the City Manager, or designee, to submit an application to the California Department of Housing and Community Development for a Local Housing Trust Fund Program matching grant funds of \$1,000,000 for the City's Local Affordable Housing Trust Fund for the development affordable rental housing projects;
2. Authorize the City Manager, or designee, to accept and receive such funds and to execute any documents necessary to secure the Local Housing Trust Fund grant fund award and administer the Local Housing Trust Fund grant; and
3. 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 of up to \$1,000,000 in the Local Affordable Housing Trust Fund.

**BACKGROUND:**

On March 12, 2024, the City Council approved a resolution to create a Local Affordable Housing Trust Fund (LAHTF) to address the most critical affordable housing needs. LAHTF funds:

1. Receive ongoing revenue, usually from dedicated sources, and are not dependent

exclusively on annual appropriations;

2. Designed to support affordable housing rather than community needs; and
3. Include a source of funding in addition to those that are otherwise restricted or available to support housing.

The LAHTF resolution authorized the recordation of the following revenue to the LAHTF to be used to make loans for the purposes of creating and expanding affordable housing and as matching funds for local housing trust funds.

- 50% of future land sale proceeds of City-owned properties originally purchased with General Funds resources
- Permanent Local Housing Allocation (PLHA)
- HOME Investment Partnerships Act (HOME)
- Neighborhood Stabilization Program (NSP)
- CalHome
- American Rescue Plan Act (ARPA) - Affordable Housing funds

### **DISCUSSION:**

On July 9, 2024, the State of California released the 2024 Local Housing Trust Fund (LHTF) Program Notice of Funding Availability (NOFA). LHTF provides matching grants to local housing trust funds. These matching funds can be used as loans for acquisition, predevelopment expenses and development of affordable rental housing projects, transitional housing projects, emergency shelters and homeownership projects, including down payment assistance to qualified first-time homebuyers, and for rehabilitation of homes owned by income-eligible homeowners.

Under the 2024 Local Housing Trust Fund NOFA, fifteen percent of the funds are reserved for new local housing trust funds. If funded, the minimum allocation for a new local housing trust fund is \$500,000.

The City's LAHTF provides construction and permanent financing loans at simple interest rates of no more than 3 percent per annum to facilitate the development, acquisition, construction, and/or rehabilitation of housing for low- to moderate-income households. Proceeds from these loans are deposited back into the trust fund to be used to fund future loans.

At the time the City Council authorized the creation of the LAHTF, they also authorized the transfer of \$1,500,000 in PLHA funds to the LAHTF which can be used as eligible matching funds under this NOFA.

Staff is requesting authorization to submit a LHTF application for \$1,000,000 in match grant funds for the development of affordable housing units. For projects ranging between 65-80 units, we are seeing funding requests from affordable housing developers range from \$3 to \$4 million so several funding sources are needed to fill these projects funding gaps.

### **STRATEGIC PLAN ALIGNMENT:**

The Project supports **Strategic Priority 2 – Community Well-Being and Goal 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.

**FISCAL IMPACT:**

The total fiscal impact of this action is \$1,000,000. Upon City Council approval, an increase in the revenue in the amount of \$1,000,000 and an equal amount appropriated in expenditures will be recorded in the Housing & Human Services Grants Fund, HCD Local Housing Trust revenue account 9351900-331100 and expenditure account number 9351900-440446. Matching funds are available in this fund.

Prepared by: Agripina Neubauer, Housing Project Manager  
Approved 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 Norton, City Attorney

Attachment: LHTF Grant Resolution