

# Agenda Report

**DATE: NOVEMBER 3, 2003**  
**TO: CITY COUNCIL**  
**FROM: CYNTHIA J. KURTZ, CITY MANAGER**

**SUBJECT: RECOMMENDATION TO SUBMIT AN APPLICATION TO STATE OF CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT FOR FUNDING FROM THE LOCAL HOUSING TRUST FUND PROGRAM.**

## **RECOMMENDATION**

It is recommended that the City Council take the following actions:

1. Adopt a resolution approving the submission of an application to the California Department of Housing and Community Development to participate in the Local Housing Trust Fund ("LHTF") Program and for an allocation of matching grant funds not to exceed \$2,000,000 for the development of affordable multifamily rental housing;
2. Earmark an amount not to exceed \$2,000,000 from the City's Inclusionary Housing Trust Fund as a match for the LHTF Program, which amount shall consist of Inclusionary In-Lieu Fee payments on deposit as of November 14, 2003; and
3. Authorize the City Manager to execute, and the City Clerk to attest, any documents which may be required in connection with the submittal of the LHTF Program application and associated program implementation.

## **ADVISORY BODY RECOMMENDATION**

At its regular meeting on October 23, 2003 the Community Development Committee unanimously recommended that the City Council approve the subject recommendations.

## **BACKGROUND**

The Local Housing Trust Fund (“LHTF”) Program, administered by the State of California Department of Housing and Community Development (“HCD”) was created by AB 1891 (Diaz) and funded under the Housing and Emergency Shelter Trust Fund Act of 2002, popularly known as Proposition 46. The LHTF Program provides \$23.8 million in matching grant funds on a competitive basis to eligible public or non-profit agencies for the development of affordable multifamily rental housing. Applicants are allowed to apply for a maximum of \$2 million and a minimum of \$1 million in Program funds. As proposed, the City will apply for up to \$2,000,000 in Program grant funds. The deadline to submit an LHTF funding application to HCD is November 14, 2003. LHTF awards are scheduled to be announced on or before December 31, 2003. The LHTF Program is a one-time-only funding program; the State has no plans to allocate monies for future funding cycles after the original authorization of \$23.8 million is awarded.

## **KEY PROVISIONS OF LHTF PROGRAM**

The LHTF Program requires a dollar-for-dollar local match of funds from governmental sources (or private contributions) that are not legally restricted by state or federal law for use in housing programs (federal HOME and Community Development Block Grant funds, and redevelopment agency tax increment set-aside funds would not qualify as eligible local match funding sources). As proposed, the source of the City’s eligible local match will be its Inclusionary Housing Trust Fund, established pursuant to the City’s Inclusionary Housing Ordinance, effective September 13, 2001. For the purpose of this application the current cash balance in the Inclusionary Housing Trust Fund is \$2,000,000, consisting of In-lieu Fee payments deposited in the amount of \$756,342 and \$1,243,654 on deposit from the General Fund. The deposit from the General Fund shall be released upon receipt of the outstanding In-Fee payments evidenced by signed In-Lieu Fee Certificates (\$590,646) and In-Lieu Fee payments from pending projects estimated at \$5,236,678.

LHTF grant recipients will have 30 months to encumber awarded funds to specific projects, with funds to be expended no later than 30 months after the date of encumbrance. It is contemplated that the City’s selection of projects to receive funding assistance will be in accordance with on the following criteria: 1) Priority given to affordable housing projects serving very low and low income households, 2) Project supports goals and objectives of the General Plan, Housing Element, Specific Plan and Redevelopment Plan, 3) Project readiness, 4) Project financial feasibility, and 5) Project removes blight and/or improves/revitalizes a neighborhood. LHTF grant proceeds shall be used to provide loans for the construction or rehabilitation of rental housing units affordable to, and restricted for persons and families not earning more than 60% of the area median income. All units assisted with Program funds shall be subject to such restrictions for not less than 55 years.

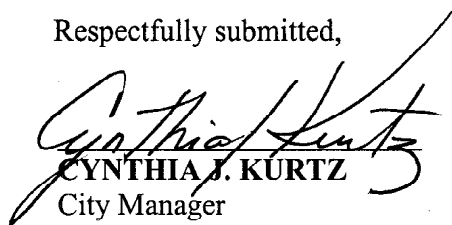
The program requires that applicants must have committed long term on-going revenues to continue the operation of its Local Housing Trust Fund for a minimum of five (5) years. The Program defines “Local Housing Trust Fund” as a public (or joint public/private) fund which was established to receive specific revenue to address local housing needs. The key characteristic of a Local Housing Trust Fund is that it receives on-going revenues from dedicated sources of funding such as taxes and fees. The City’s Inclusionary Housing Trust Fund,

established pursuant to Section 17.71.110 of the Inclusionary Housing Ordinance and Part VII of the Inclusionary Housing Regulations, meets this requirement.

**FISCAL IMPACT**

Approval of the subject recommendation and the successful leveraging of up to \$2,000,000 in state funds under the LHTF Program will increase the City Inclusionary Housing Trust Fund balance by \$2,000,000.


Respectfully submitted,

  
**CYNTHIA J. KURTZ**  
City Manager

Prepared by:

  
**KERMIT E. MAHAN**  
Project Manager

Reviewed by:

  
**GREGORY ROBINSON**  
Administrator, Housing &  
Community Development

Approved by:

  
**RICHARD J. BRUCKNER**  
Director, Planning & Development