

Agenda Report

July 20, 2020

TO: Honorable Mayor and City Council

FROM: Department of Housing

SUBJECT: ADOPTION OF A RESOLUTION TO AUTHORIZE SUBMITTAL OF AN APPLICATION TO THE STATE OF CALIFORNIA FOR PERMANENT LOCAL HOUSING ALLOCATION GRANT FUNDS

RECOMMENDATION:

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

- 1) Find that the recommended action is exempt from the California Environmental Quality Act ("CEQA"), pursuant to State CEQA Guidelines per Section 15061 (b)(3), the General Rule that CEQA only applies to projects that may have an effect on the environment;
- 2) Adopt a Resolution authorizing the City to submit a grant application to the State of California under the Permanent Local Housing Allocation ("PLHA") Program;
- 3) Authorize and adopt a five (5) year PLHA Plan (attached), describing the manner in which allocated funds shall be used for eligible activities; and
- 4) Authorize the City Manager or his designee to approve any documents in connection with the PLHA grant application or, in the event that the City receives an award, any PLHA grant contract documents that may be required by the State.

BACKGROUND:

On February 26, 2020 the State of California issued a Notice of Funding Availability announcing the availability of approximately \$195 million in grant funds under the Permanent Local Housing Allocation Program Formula Component ("PLHA") from funds deposited into the Building Homes and Jobs Trust Fund during calendar year 2019. The funds are available to local jurisdictions statewide. PLHA funds are provided pursuant to Senate Bill (SB) 2, which authorizes the State to allocate a portion of the Building Homes and Jobs Trust Fund monies to local governments for eligible housing and homelessness activities.

The City of Pasadena (the "City") is considered an "Entitlement" local government, meaning that its PLHA funding is directly proportionate to its share of 2017 Community Development Block Grant (CDBG) funding.

As Entitlement local government, the City is eligible for \$936,076 in funding for the 2019-2020 Fiscal Year and for an estimated total five-year allocation of \$5,616,456.

The purpose of the PLHA program is to provide a permanent and ongoing source of funding to local governments that is flexible enough to allow such local governments to identify and address unmet housing needs in their communities, particularly unmet housing needs that may not have another source of funding available.

Eligible uses of the PLHA grant funds include construction loans and/or permanent financing, loans to pay for predevelopment costs, acquisition costs, and other costs associated with the development or rehabilitation of affordable rental housing projects, or emergency shelters, transitional housing, permanent supportive housing, and affordable homebuyer/homeowner projects. Uses of the PLHA funding include operating subsidy for existing rental developments, rental assistance to households who are experiencing or are at risk of homelessness, down payment assistance to eligible households, and the construction, conversion, repair, and rehabilitation of Accessory Dwelling Units ("ADU").

PLHA funding will be allocated according to the 5-Year PLHA Plan. That plan contemplates the following uses of the funding:

Program	Percentage of PLHA Funding
Permanent Supportive Housing Operating Reserves	10%
Workforce Homebuyer Assistance	40%
Short Term Rental Assistance	20%
ADU Program	30%

Given the flexibility of the PLHA funds, these uses have been identified as areas of unmet need that may not have alternate funding sources:

- Operating reserves for the Centennial Place permanent supportive housing project which will ensure that the project can operate with a high standard of maintenance and offer excellent supportive housing for the residents.
- Since the PLHA funding allows for homebuyer down payment assistance for "Workforce" Income households (those who earn up to 150% of Area Median Income ("AMI")), PLHA is one of the only sources of funding available to address the needs of the households who earn more than 80% of AMI. The homebuyer down payment assistance to be provided with PLHA funds will be the lesser of half of the homebuyer's down payment or \$50,000. This program will initially target Pasadena public school teachers.

- A total of 37 affordable older Density Bonus units have City covenants that expire in 2023. PLHA funding will provide the tenants of these units with short-term rental assistance as they look to relocate. Other Density Bonus units (89 total) have stronger City covenants.
- Finally, the rest of PLHA funding will be used to supplement the City's upcoming ADU pilot program, to encourage the development of affordable rental ADUs throughout the City.

The application deadline for the current funding cycle is July 27, 2020. It is anticipated that the State will announce grant awards between August, 2020 and October, 2020.

COUNCIL POLICY CONSIDERATION:

The proposed action supports the City Council strategic objectives to maintain fiscal responsibility and stability and to support and promote the quality of life and the local economy.


ENVIRONMENTAL ANALYSIS:

The action proposed herein is exempt from the California Environmental Quality Act (CEQA), pursuant to State CEQA Guidelines Section 15061 (b)(3), the "General Rule" provision of CEQA which applies to projects which may have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. The submittal of an application to the State for PLHA grant funding will not have a significant effect on the environment and, hence, is not subject to CEQA.

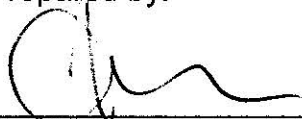
FISCAL IMPACT:

Approval of the staff recommendation will have no immediate fiscal impact. However, in the event that the City is awarded PLHA Program funds from the State, staff will return with a recommendation to amend the Department's operating budget to reflect the grant revenue accordingly.

Respectfully submitted,


for WILLIAM K. HUANG
Director of Housing

Prepared by:


for CAROLINE LOCKWOOD NELSON
Program Coordinator

Approved by:


STEVE MERMELL
City Manager

Attachment: PLHA Five-Year Plan