



Agenda Report

July 12, 2021

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 LOCAL HOUSING TRUST FUND PROGRAM 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 "common sense" provision 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 Local Housing Trust Fund ("LHTF") Program; and
- 3) Authorize the City Manager or his designee to approve any documents in connection with the LHTF grant application or, in the event that the City receives an award, any LHTF grant contract documents that may be required by the State.

BACKGROUND:

On May 3, 2021 the State of California issued a Notice of Funding Availability ("NOFA") announcing \$57 million in grant funds under the Local Housing Trust Fund ("LHTF") Program. The LHTF Program objective is to provide matching funds to local and regional housing trust funds dedicated to the creation, rehabilitation, or preservation of affordable housing, transitional housing and emergency shelters. The funds are available to local jurisdictions statewide. Eligible uses of the LHTF 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, including assistance to income-eligible homeowners to rehabilitate their homes. Funds

may also be used for the construction, conversion, repair, and rehabilitation of Accessory Dwelling Units.

The LHTF NOFA application is a competitive application with scoring criteria that emphasizes deeper affordability and the construction of new affordable rental housing. At least thirty percent (30%) of funds awarded must be expended to assist Extremely Low Income Households earning 30% or less of Area Median Income (“AMI”). In order for the application to score competitively, the remaining seventy percent (70%) of funds awarded will be committed to new construction rental housing developments that serve Low Income Households earning no more than 60% of AMI.

The City applied for LHTF funding in the previous 2020 NOFA cycle but the application was unsuccessful. The City’s application under the current NOFA will be in an amount not to exceed \$5,000,000, the maximum permitted under the program regulations. As required, the City must provide a dollar-for-dollar local match of LHTF funds. The local match would be a combination of Inclusionary housing funds and the value of City-owned land that is dedicated for affordable housing development (e.g., Heritage Square South). The Housing Department issued a Request for Project Proposals on June 30, 2021 to identify potential projects that would be eligible and competitive to receive LHTF funds should the City’s application result in an award from the state. The deadline for RFPP submissions is July 23, 2021.

The application deadline for the current funding cycle is August 3, 2021. It is anticipated that the State will announce grant awards by October 2021.

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 “common sense” 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 LHTF Program 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 LHTF Program funds from the State, staff will return with a recommendation to amend the Department's operating budget to reflect the grant revenue and local matching sources accordingly.

Respectfully submitted,


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Approved by:


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