

# Agenda Report

June 13, 2022

**TO:** Honorable Mayor and City Council  
**FROM:** Housing Department  
**SUBJECT: RESOLUTION TO APPLY FOR THE CALIFORNIA HOUSING FINANCE AGENCY ACCESSORY DWELLING UNIT GRANT PROGRAM**

## **RECOMMENDATION:**

It is recommended that the City Council:

- 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 a significant effect on the environment;
- 2) Adopt a Resolution approving the City's submission of an application to the California Housing Finance Agency ("CalHFA") to provide grants related to predevelopment costs for the construction of accessory dwelling units; and
- 3) Authorize the City Manager to execute, and the City Clerk to attest, a standard agreement, any amendments, and any and all other related documents deemed necessary to participate in the CalHFA program, if selected for funding.

## **BACKGROUND:**

The California Housing Finance Agency (CalHFA) is currently accepting applications from cities to become approved lenders for its accessory dwelling unit (ADU) grant program. The program provides up to \$40,000 to reimburse income qualified homeowners who participate in a local government ADU loan program, for pre-development and non-reoccurring closing costs associated with the construction of an ADU.

In October 2020, the Department launched the 2<sup>nd</sup> Unit ADU Program. The pilot program offered homeowners comprehensive assistance to finance, design, permit, and construct new ADUs. Through the program, homeowners could apply for a loan of up to \$150,000 to construct a new ADU in their backyard or convert their garage, with a

requirement to rent the unit to a Pasadena rental assistance client (e.g., Section 8) for seven years. Low income homeowners could also apply for a \$75,000 loan to bring an illegal garage conversion up to code. During a 30-day application period, the City received 35 applications. Due to the program's limited funding only five applicants were selected. Those projects are currently in the design phase.

The recommended adoption of the Resolution would enable the City to submit an ADU application to the CalHFA program to become an approved lender. This will allow reimbursement of pre-development costs incurred by participants in the 2<sup>nd</sup> Unit ADU Program. The City will not be a grantee and will not receive any funding. Reimbursement of pre-construction costs are credited directly towards the homeowner's loan with the City. Currently, four of the five homeowners are eligible to receive retroactive reimbursement for design costs. In addition, future homeowners who participate in the City's 2<sup>nd</sup> Unit ADU Program may be eligible for the grant if they meet program requirements.

#### **COUNCIL POLICY CONSIDERATION:**

This proposed action supports the City Council Strategic Planning Three-Year Goals in the areas of improving, maintaining, and enhancing public facilities and infrastructure; improving mobility and accessibility throughout the City of Pasadena; and supporting and promoting the quality of life and the local economy.

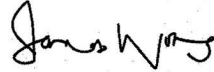
#### **ENVIRONMENTAL ANALYSIS:**

The proposed action 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 proposed activity, City approval of the Resolution and submission of the application to the CalHFA ADU grant program, will not have a significant impact on the environment as it only provides a funding mechanism for the construction and rehabilitation of ADUs. Therefore, the proposed activity is not subject to CEQA.

**FISCAL IMPACT:**

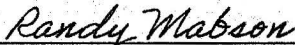
There is no fiscal impact as a result of this action and the action will not have any indirect or direct support cost requirements. The adoption of the Resolution approving the submission of the grant application and execution of a standard agreement, if the City is approved, is required for submission to the CalHFA program.

Respectfully submitted,



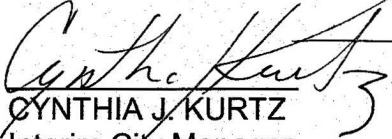
for WILLIAM K. HUANG  
Housing Director

Prepared by:



RANDY MABSON  
Program Coordinator

Approved by:



CYNTHIA J. KURTZ  
Interim City Manager