

Agenda Report

October 24, 2022

TO: Honorable Mayor and City Council

FROM: Department of Housing

SUBJECT: ADOPTION OF A RESOLUTION TO AUTHORIZE SUBMITTAL OF AN AMENDED FIVE-YEAR PLAN 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 "common sense" provision that CEQA only applies to projects that may have an effect on the environment; and
- 2) Adopt a Resolution authorizing an amended five (5) year plan for the expenditure of the City's grant award of Permanent Local Housing Allocation ("PLHA") funding, as set forth in this report and its attachments, to provide and preserve affordable housing to Very Low, Low, Moderate, and Workforce Income households in Pasadena.

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 an 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.

The City submitted an application to the State of California Department of Housing and Community Development ("HCD") for PLHA funding in July 2020. HCD issued a notification approving the City's award in February 2021. As part of the initial application for funding, the City submitted a Five-Year Plan (Attachment A), which contemplated the following uses of the PLHA funding:

<u>Program</u>	<u>PLHA Funding – Initial Five-Year Plan</u>
Permanent Supportive Housing Operating Reserves	\$561,647 (10%)
Workforce Homebuyer Assistance	\$2,106,174 (37%)
Short Term Rental Assistance	\$ 1,123,293 (20%)
ADU Program	\$1,544,528 (27%)
Admin	\$280,823 (5%)
TOTAL	\$5,616,465

The initial plan allocated the percentages of funding evenly across the five years of anticipated funding (see Attachment B: Approved Funding Breakdown). After receiving the notification of PLHA award approval from HCD, staff began to reassess the original funding allocation in the approved Five-Year Plan. In particular, there is a need to fund the City's ADU pilot program at a much higher level than previously approved. On the other hand, PLHA funding for Short Term Rental Assistance is substantially reduced primarily due to the availability of another funding source (HOME TBRA) to provide such assistance. Similarly, the proposed funding for the Workforce Homebuyer Assistance program is also significantly reduced due in part to the availability of a new state-funded down payment assistance program. The amended PLHA funding allocations are summarized in the table below:

<u>Program</u>	<u>PLHA Funding – Amended Five-Year Plan</u>
Permanent Supportive Housing Operating Reserves	\$675,914 (12%)
Workforce Homebuyer Assistance	\$1,400,000 (25%)
Short Term Rental Assistance	\$500,000 (9%)
ADU Program	\$2,759,728 (49%)
Admin	\$280,823 (5%)
TOTAL	\$5,616,465

The following is the proposed allocation of funding as reflected in Attachment C: Proposed Funding Breakdown and Attachment D: Amended Five-Year Plan:

- **Accessory Dwelling Unit (“ADU”) Program.** The largest allocation of PLHA funding will be used to supplement the City’s nationally recognized ADU pilot program, to encourage the development of affordable rental ADUs throughout the City. There is a current lack of funding sources for this program; the PLHA funding has the flexibility to provide loans of up to \$200,000 for the development of newly constructed ADUs, conversion of existing structures to ADUs, or bringing existing unpermitted ADUs up to code. These ADUs will then be rented as affordable units to Section 8 voucher holders. The first phase of the ADU pilot program received thirty-two (32) applications; a total of five (5) were funded, demonstrating the need for this type of program. A total of \$2,759,728 has been allocated for this use in the amended Five-Year Plan.
- **Permanent Supportive Housing Operating Reserves.** An amount not to exceed \$675,914 will support operating reserves for the 144-unit 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. Upon an updated analysis of the project’s operating budget and cash flow, the amended Five-Year Plan ADU Program reflects the need for a slightly higher amount than originally anticipated.
- **Workforce Homebuyer Assistance.** 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”) as published annually by HCD and adjusted by household size), a portion of the PLHA funding will be available to address the needs of the households who earn more than 120% of AMI. The initial Five-Year Plan contemplated using 40% of the annual funding for down-payment assistance for Workforce Income households. The State of California has subsequently announced the roll-out of the “California Dream for All” program, which is anticipated to provide \$1 billion per year over ten (10) years towards down payment assistance for first-time homebuyers earning up to 150% of AMI. Therefore, in the Amended Five-Year Plan, down payment assistance for Workforce income households has been reduced. The amended Five-Year Plan proposes allocating a total of \$1,400,000 towards down payment assistance. For the first year’s funding (\$400,000), available down payment assistance in the amount not to exceed \$50,000 per household will be targeted to the eight (8) Workforce Income households purchasing homes at the newly constructed Lincoln Orange Grove project. Any PLHA funds not used in the Lincoln Orange Grove project during first year will be rolled into the general Workforce Income Down Payment program. The “general” program is allocated a total of \$1,000,000, which is expected to provide assistance of up to \$75,000 for up to thirteen (13) Workforce Income households. Staff anticipates that this program will combine over-the-counter funding which may be targeted to certain Workforce income sectors, such as local educators, first responders, and Veterans.

- **Short Term Rental Assistance.** This program would provide emergency rental assistance of up to two (2) years for very low-income tenants (at 30% of Area Median Income) who are at-risk of being displaced from older affordable units with City density bonus covenants set to expire over the next three years. There are a total of 37 such units located in four (4) older apartment projects. Of this total, 22 units are currently occupied by tenants that are at risk of displacement when the covenants expire in February to March, 2023 and the affordable rents convert to market rate. Staff estimates that 17 of these 22 tenants will receive rental assistance from the Tenant-Based Rental Assistance Program (a separate program funded with HOME-ARPA monies) and that one (1) will purchase an affordable homeownership unit. Due to the availability of the Tenant-Based Rental Assistance Program, fewer tenants in units with affordability covenants expiring in 2023 will need to be assisted with PLHA funds, resulting in a reduced allocation of PLHA funding for Short Term Rental Assistance. Hence, four (4) tenants in affordable units with covenants expiring in 2023 will be eligible for PLHA rental assistance. Finally, it is estimated that five (5) tenants in affordable units with covenants expiring in 2025 will be eligible for PLHA rental assistance.

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.

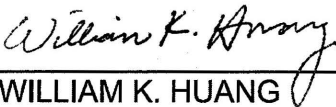
ENVIRONMENTAL ANALYSIS:

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 amended five-year expenditure plan 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. After the amended five-year PLHA plan has been submitted to the State and a Standard Agreement for PLHA Program funds has been fully executed, staff will return to Council with a recommendation to amend the Department's operating budget to reflect the grant revenue accordingly.

Respectfully submitted,



WILLIAM K. HUANG
Director of Housing

Prepared by:



CAROLINE LOCKWOOD NELSON
Program Coordinator

Approved by:



MIGUEL MÁRQUEZ
City Manager

Attachments:

- A. Original PLHA Five-Year Plan
- B. Approved Funding Breakdown
- C. Proposed Funding Breakdown
- D. Amended PLHA Five-Year Plan