

# Agenda Report

December 4, 2023

**TO:** Honorable Mayor and City Council

**FROM:** Housing Department

**SUBJECT: ADOPT A RESOLUTION TO ACCEPT A CALHOME PROGRAM FUNDING AWARD IN THE AMOUNT OF \$5,000,000 FROM THE STATE OF CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT AND TO ENTER INTO A STANDARD AGREEMENT WITH THE STATE FOR THE UTILIZATION OF THE CALHOME FUNDS**

## **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" exemption that CEQA only applies to projects that may have an effect on the environment;
- 2) Adopt a Resolution of the City of Pasadena City Council to accept a five million dollar (\$5,000,000) award from the State of California Department of Housing and Community Development's ("HCD's") CalHome program to provide financing for the rehabilitation and construction of accessory dwelling units and to provide downpayment assistance to low-income households; and
- 3) Authorize the City Manager and or his designee to execute a Standard Agreement, any amendments, and any and all other related program documents, with HCD in connection with the City's five million dollar (\$5,000,000) CalHome award.

## **BACKGROUND:**

The State of California Department of Housing and Community Development issued a Homeownership Super Notice of Funding Available ("Super NOFA") on January 6, 2023, announcing the availability of approximately \$170 million in funds for two homeownership programs, including the CalHome program.

CalHome program goals are as follows: 1) to increase homeownership, 2) to encourage neighborhood revitalization and sustainable development, and 3) maximize the use of the existing housing stock through various activities, such as assisting single-family homeowners to construct or rehabilitate accessory dwelling units (ADUs) and junior accessory dwelling units (JADUs).

The City applied to the Super NOFA on February 28, 2023, for a total award amount of five million dollars (\$5,000,000). City Council authorization was not required for the application. In its application, the City proposed an equal division of funds between down payment assistance and ADU development and construction after accounting for a five percent (5%) admin fee to the City. The City was notified on November 2, 2023, that its entire funding request was conditionally approved.

As proposed, the City will use \$2,500,000 (less the City's admin allocation) of the CalHome funds to provide downpayment assistance for first-time homebuyer households at low-income earning up to 80% of Area Median Income ("AMI"), adjusted for household size. Borrowers will receive up to \$200,000 in down payment assistance funding in the form of a thirty-year deferred payment loan, with a 3% simple interest rate. The funds would be allocated through a Notice of Funding Availability (NOFA) process to developers of affordable deed-restricted homeownership units, with a funding priority for converting moderate-income units to low-income units. Additional geographic funding criteria will also be required per the funding source. All potential homebuyers in projects awarded an allocation of CalHome funds will apply directly to the City for loan assistance and will be required to meet City eligibility and underwriting requirements.

CalHome funding in the amount of \$2,500,000 (less the City's admin allocation) will also be used for the development and construction of ADUs as part of the City's award-winning ADU Pilot Program. Funds will assist up to nine (9) households to either construct an ADU, convert an existing garage to an ADU, or bring an illegal ADU garage conversion up to code. Households will receive loans of up to \$225,000. Borrowers building a new ADU will be required to rent the ADU to a Housing Choice Voucher Participant for a minimum of seven (7) years. Only low-income households (those earning up to 80% of AMI) will be eligible to use CalHome funds to bring an existing ADU into compliance with applicable code.

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

The proposed action is consistent with the City's General Plan - Housing Element and the Five-Year Consolidated Plan. It also supports and promotes the quality of life and the local economy -- a goal of the City Council's Strategic Plan.

#### **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" exemption 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. Adopting a resolution to accept and disperse CalHome funding will not have a significant effect on the environment and, hence, are not subject to CEQA.

**FISCAL IMPACT:**

The recommended actions will have no direct fiscal impact. After the Standard Agreement between the City and HCD has been fully executed, staff will return to City Council as part of the FY 2025 budget process to appropriate the \$5,000,000 in CalHome funding in the Housing Department's FY 2025 Operating Budget.

Respectfully submitted,



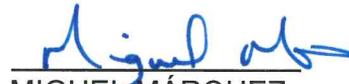
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