

# Agenda Report

February 26, 2024

**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 :

- 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 application and 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's initial grant award was based on an estimated total five-year allocation of \$5,616,456 (per HCD's projections). Now, the City

anticipates a total of \$6,332,349, as its allocation for 2020 is \$1,454,952 and its 2021 allocation is \$1,601,129, both of which are greater than the \$1,170,099 originally projected by HCD for each of those years. The new funding total is reflected in Attachment D: Proposed Funding Breakdown.

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. A Standard Agreement was executed between the City and HCD on August 19, 2022. The City’s initial Five-Year Plan was attached as an exhibit to the Standard Agreement. The initial Five-Year Plan and approved funding breakdown are reflected in Attachments A (Original PLHA Five-Year Plan) and B (Approved Funding Breakdown), respectively.

Staff began to reassess the original funding allocation in the approved Five-Year Plan and returned to Council in October 2022 with a revised Five-Year Plan (Attachment C- Revised 2022 Funding Breakdown), which reflected a need to fund the City’s ADU pilot program at a much higher level than previously approved and a reduction in the amount of Short Term Rental Assistance required due to the availability of other funding sources.

The City was unable to amend its plan with HCD due to a change in HCD’s processing process, which was amended in Fall 2022 to require that jurisdictions submit a “streamlined application” for each year of funding. The City was precluded from submitting a “streamlined application during the Fall 2022 window due to new criteria requiring a compliant Housing Element (which was certified by HCD on March 10, 2023).

On December 29, 2023, HCD published a NOFA requiring all entitlement jurisdictions to apply for Calendar Year 2020 funding by February 29, 2024. Staff now proposes amending the Five-Year Plan to reflect the City’s current funding need; the following is the proposed allocation of funding as reflected in Attachment D: Proposed Funding Breakdown and Attachment E: 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. An estimated total of \$3,289,450 has been allocated for this use in the amended Five-Year Plan.

- **Permanent Supportive Housing Operating Reserves.** An amount not to exceed \$655,254 will support operating reserves for the 144-unit Centennial Place permanent supportive housing project. This amount is slightly higher than originally allocated based on an updated analysis of the project's operating budget and cash flow. The project will undergo substantial rehabilitation under a state grant in the amount of \$26.2M awarded to developer Abode Communities in July 2023. The PLHA operating reserves funding will ensure that the renovated project can operate with a high standard of maintenance and offer excellent supportive housing for the residents.
- **Workforce Homebuyer Assistance.** The initial Five-Year Plan contemplated using approximately \$2.1M of the total funding for down-payment assistance for Workforce Income households, which are households earning between 121% and 150% of Area Median Income ("AMI"). The State of California has subsequently announced the roll-out of the "California Dream for All" program, which provides down payment assistance to first-time homebuyers earning up to 150% of AMI. This program is expected to deploy over \$250 million in Spring 2024, with loans available for the lesser of 20% of the purchase price or \$150,000.

Therefore, in the Amended Five-Year Plan, down payment assistance for Workforce income households has been reduced to \$351,026 (which amount will assist seven (7) Workforce Income households purchasing units at the recently completed Lincoln Orange Grove affordable homeownership project). The amended Five-Year Plan proposes allocating the balance of the funding for Calendar Year 2020 and beyond to other uses.

- **Short Term Rental Assistance.** This program provides emergency rental assistance of up to two (2) years for extremely low-income tenants (earning up to 30% of Area Median Income) who are at-risk of being displaced from their affordable units when the City density bonus covenants expire and owners convert the units to market rate. Under the original Five-Year Plan a total of 22 tenants resided in three (3) apartment projects with density bonus covenants set to expire in February and March 2023. However, 12 of the 22 tenants applied for and received two-year rent subsidies under the City's Tenant-Based Rental Assistance Eviction Prevention Program (TBRA-EP, a separate program funded with HOME-ARPA monies). The other 10 households have either found housing elsewhere (including one tenant who purchased a home in one of the City's affordable homeownership projects) or have remained in their units and are being assisted by department staff to identify other housing options. Hence, due to the availability of the TBRA-EP Program, fewer tenants in units with affordability covenants expiring in 2023 needed to be assisted with PLHA funds, resulting in a reduced allocation of PLHA funding for Short Term Rental Assistance in the estimated amount of \$500,000. This amount will be available to assist tenants in affordable units with covenants expiring in the future, should the

need arise. The City will be using the Calendar Year 2019 funds initially programmed for rental assistance towards safe parking (an activity which is considered eligible under the same program category by the State).

- **Safe Parking.** \$1,220,000 of the City's total allocation will support the operations of a safe parking program, with approximately 25 parking spaces at a location to be determined for households currently experiencing homelessness in Pasadena and living in their vehicles. The 2023 Pasadena Point-in-Time Homeless Count found 27 individuals (4.9% of all people experiencing homelessness) to be residing in their cars.

### **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.

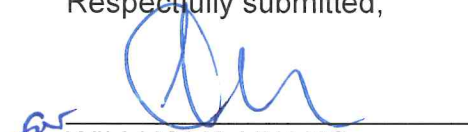
### **ENVIRONMENTAL ANALYSIS:**

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 an amended 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,

  
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Attachments:

- A. Original PLHA Five-Year Plan
- B. Approved Funding Breakdown
- C. Revised 2022 Funding Breakdown
- D. Proposed Funding Breakdown
- E. Amended PLHA Five-Year Plan
- F. Resolution to Amend Five-Year Plan