



# COUNCIL REPORT

**DATE:** February 13, 2024

**CATEGORY:** Consent

**DEPT.:** Housing

**TITLE:** **Accept and Appropriate Permanent Local Housing Allocation (PLHA) Funds for Affordable Housing Projects and Programs**

## **RECOMMENDATION**

Adopt a Resolution of the City Council of the City of Mountain View: (1) Accepting and Appropriating a State of California Permanent Local Housing Allocation (“PLHA”) Program Award in the Amount of \$1,094,136; (2) Allocating \$930,000 of the PLHA Funds to the 96 West El Camino Real Affordable Housing Project; (3) Allocating \$110,000 of the PLHA Funds to the Below-Market-Rate (“BMR”) Downpayment Assistance Pilot Program; (4) Authorizing Use of up to \$54,136 of the PLHA Funds for Eligible Administrative Costs; and (5) Reducing the Previous Appropriation of \$8,000,000 from the Housing Impact Fund for the 96 West El Camino Real Project by \$930,000, to be read in title only, further reading waived (Attachment 1 to the Council report).

## **BACKGROUND**

On October 25, 2022, the City Council adopted a resolution approving submission of the Permanent Local Housing Allocation (PLHA) Program application to the California Department of Housing and Community Development (HCD) (see Attachment 2). PLHA is a five-year funding program that began in 2019 and prioritizes investments that increase the supply of housing to households that are at or below 60% of the Area Median Income (AMI), adjusted for household size. The City Council approved allocation of the funds toward Multi-Family Affordable Housing Development and a Below-Market-Rate (BMR) Downpayment Assistance Pilot Program. The City applied for and was awarded \$1,094,136 of PLHA funds for the grant allocation years of 2018-19 through Fiscal Year 2020-21 and entered into a standard agreement with HCD on June 20, 2023 which outlined the terms and conditions of the award.

### **Multi-Family Affordable Housing Development**

Staff has identified the Danco development at 96 West El Camino Real as the most eligible project in the City’s affordable housing pipeline for the PLHA funds because of the project’s timing and project readiness, including completing land use entitlements, environmental review, and having already received a City funding commitment at the time of PLHA application submittal. The

project was ministerially approved via Assembly Bill (AB) 2162 in June 2023 and is expected to start construction in Q4 2024. The project will provide 79 units of affordable housing to households earning between 30% and 60% of the AMI.

On February 14, 2023, Council appropriated \$8 million from the City's Housing Impact Funds for this project. Staff recommends that Council reduce the appropriation of Housing Impact Funds by \$930,000 and appropriate \$930,000 of the 2019-21 PLHA allocation toward the fully affordable project at 96 West El Camino Real developed by Danco Housing.

Use of the PLHA funds toward the Danco project aligns with the City's affordable housing strategy and Housing Element goal to maximize leverage of non-City funds to support the City's affordable housing pipeline given the pipeline's \$50 million funding gap. Reducing a portion of the City's funding contribution and appropriating PLHA funds toward the Danco project will allow the City's limited housing funds to be utilized for future pipeline projects to address the funding gap.

HCD has provided a preliminary determination that the Danco project is eligible for PLHA funding, subject to final HCD confirmation. To this end, staff recommends that Council allocate \$930,000 of the PLHA grant funds to the 96 West El Camino Real affordable housing project.

### **BMR Downpayment Assistance Pilot Program**

As discussed in the June 14, 2022 Housing Element Study Session and the August 30, 2022 affordable housing Study Session, staff is actively exploring funding options to support homeownership. As part of this effort, up to \$110,000 of the PLHA allocation will be used to develop a pilot grant program offering very low-, low-, and moderate-income-earning residents assistance with closing costs for the purchase of ownership units as they come online.

Now that funding has been secured, the next step is to develop and implement the program. The October 2022 staff report discussed securing a nonprofit partner to assist with due diligence and programming. However, staff will also evaluate the option to implement the program in house. Further, staff will continue to seek other funds and partnerships to respond to Council's work plan priority to address middle-income housing and homeownership. Staff estimates that the pilot program will be implemented by Q1 2025.

### **Administration**

The City plans to use up to \$54,136 of the award allocation for administrative costs related to the execution of eligible activities, as allowed under the PLHA guidelines.

**FISCAL IMPACT**

The recommended action has no financial impact on the General Fund. Acceptance of the PLHA award will result in funds being used toward the 96 West El Camino Real affordable housing development, replacing already appropriated Housing Impact Funds, and toward development of the BMR Downpayment Assistance pilot program and administrative costs related to execution of the programs. Reducing the appropriation of Housing Impact Funds by \$930,000 and appropriating the \$930,000 of the 2019-21 PLHA allocation toward the fully affordable project at 96 West El Camino Real developed by Danco Housing has no overall fiscal impact to the budget, as it is a reallocation of funding.

This action will also allow previously appropriated City housing funds to facilitate the affordable housing project pipeline, which will help address the gap funding needs of the pipeline currently projected of at least \$50 million.

**ALTERNATIVES**

Do not accept the funds for the Permanent Local Housing Allocation award.

**PUBLIC NOTICING**

The meeting agenda and Council report have been posted on the City’s website and announced on Channel 26 cable television.

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- Attachments:   1.   Resolution  
                  2.   Council Report Dated October 25, 2022