



COUNCIL REPORT

DATE: October 25, 2022

CATEGORY: Consent

DEPT.: Community Development

TITLE: **Application for State Funding—
Permanent Local Housing Allocation**

RECOMMENDATION

1. Adopt a Resolution of the City Council of the City of Mountain View Authorizing Application to the Permanent Local Housing Allocation Program, Approving a Five-Year Plan for the Permanent Local Housing Allocation Program Formula Allocation of an Estimated \$1,539,306, and Certifying to the California Department of Housing and Community Development Compliance with the Permanent Local Housing Allocation Program Requirements, to be read in title only, further reading waived (Attachment 1 to the Council report).
2. Authorize establishment of a new Housing special revenue subfund for the Permanent Local Housing Allocation Program, and authorize the Finance and Administrative Services Director to establish appropriations based on the actual amount of funding received each year. (Five votes required)

BACKGROUND

In September 2017, the California Legislature approved Senate Bill 2 (SB 2), known as the Building Homes and Jobs Act, which established a \$75 recording fee on most real estate documents. The revenues generated from the fee fund various housing programs meant to increase the supply of affordable housing. One of the programs established by SB 2 and funded by the recording fee is the Permanent Local Housing Allocation (PLHA) program administered by the California Department of Housing and Community Development (HCD). The program 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.

Allocations were announced in late 2019 for the five-year period, allocation year 2019 through 2023. The allocation amount for entitlement jurisdictions, including Mountain View, is noncompetitive. While this allocation is set aside for each entitlement jurisdiction, the City has to apply for the funding on an ongoing basis to receive it. The City's estimated allocation for the five-year period is \$1,539,306, but the actual allocation will vary for each fiscal year based on the

volume of transactions subject to the fee. The HCD PLHA Notice of Funding Availability for 2019, 2020, and 2021 funding was released on August 17, and applications are due on November 30, 2022. Due to COVID-19 impacts and staffing constraints, the City has not previously applied and will be applying for the combined funding available for 2019, 2020, and 2021 (\$1,094,136). Given that this is a new funding source, most other jurisdictions are also applying for these funds for the first time this year.

A summary of the amount available to the City of Mountain View each year and the expenditure deadline are included in Table 1 below.

Table 1: PLHA Funding by Year and Expenditure Deadline

Allocation Year	Budget Appropriation	Funding Amount (in \$)	Expenditure Deadline
2019	7/1/2019	\$256,551	4/30/2024
2020	7/1/2020	\$398,761	4/30/2025
2021	7/1/2021	\$438,824	4/30/2026
2022	7/1/2022	~\$222,585 (based on allocation, actual unknown)	4/30/2027
2023	7/1/2023	~\$222,585 (based on allocation, actual unknown)	4/30/2028
Total Estimated 2019 to 2023 Allocation Amount		\$1,539,306	

ANALYSIS

The PLHA program assists local governments in addressing their housing needs by providing financial assistance for eligible housing-related projects and programs (Exhibit A to Attachment 1). Key requirements for applying for PLHA program funds are summarized below.

Key Program Requirements

- The five-year expenditure plan must detail how the allocated funds will be used for eligible activities and include a description of how it is consistent with the programs set forth in the City’s Housing Element.
- In case of loans being used for activities that generate program income, a reuse plan is to be included in the application.
- Up to 5% of the grant can be used for general administrative costs related to tracking, execution of the eligible activities, and annual reporting. Staff recommends allocating 5% of the funding allocation toward administrative costs.

- During the five-year expenditure plan period, up to 10% of the planned expenditure for each type of eligible activity may be reallocated to another activity subject to Council approval and does not require submission of a plan amendment; however, changes exceeding this amount require submittal of an amendment to HCD for approval.
- Per the Building Homes and Jobs Act, 20% of the total funds are to be expended for Affordable Owner-Occupied Workforce Housing (AOWH). Current program guidelines do not require every jurisdiction to allocate a specific percentage of its funding for AOWH and HCD has not released information if the allocations altogether meet program guidelines of 20% being expended for AOWH. As part of the annual funding process for future years, HCD may mandate a specific amount that must be expended on AOWH, if needed, to comply with the Act. At this time, staff is recommending that 10% of PLHA funding be allocated for AOWH activities for the reasons listed later in this report. If HCD decides that each jurisdiction must allocate 20% towards this purpose, the City can update its plan to allocate funds from later years to meet this threshold. Given that the City's current allocation towards this program will be a pilot program, as described below, staff recommends not allocating the full 20% at this time.

Recommended Allocations

Staff has prioritized recommended uses of the funds as summarized in Table 2, and further described below, and in accordance with the following guidelines:

- The recommended uses are aligned with the components following documents:
 - Affordable Housing 2022-2027 Strategic Plan, as discussed at the August 30, 2022 Study Session;
 - The City's Housing Element; and
 - The City's Federal Consolidated Plan outlining goals for the use of Federal housing funds.
- Implementation is practically feasible given the expenditure deadline for PLHA funding.

Table 2: Recommended Uses Per PLHA Program Guidelines

Recommended Program Activities	Recommended Funding Allocation (in %)
Multi-family rental housing: predevelopment, development, acquisition, rehabilitation, and preservation (up to 120% AMI)	85%
Homeownership opportunities, including down payment assistance	10%
Administrative costs	5%

1. *Multi-Family Affordable Housing Development*

Staff recommends allocating a majority of the PLHA funds towards the City’s 100% affordable housing pipeline. This may include reimbursement for funds expended or designated for the Lot 12, La Avenida, and Montecito projects. This may also include future pipeline projects. Both of these uses would make local affordable housing funds available for future projects. This prioritization aligns with the Housing Element goal to leverage non-City funds to support the City’s affordable housing pipeline and will increase the City’s overall available funds for affordable housing.

2. *Homeownership Assistance*

As discussed in the June 14, 2022 Housing Element Study Session and the August 30, 2022 Affordable Housing Study Session, staff is seeking funding options to support homeownership, including support for down payment assistance and closing costs. Staff recommends using 10% of PLHA funds 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. These funds may be particularly useful for households transitioning from tenancy to homeownership as they seek to exercise “first right of refusal” options that come with SB 330. To implement this pilot, staff will seek out a nonprofit partner and will continue to seek other funds as needed to meet demand for homeownership assistance.

Other Eligible Uses

HCD lists 10 eligible activities in its PLHA Program Guidelines, included in Attachment 2. In evaluating the eligible activities, staff identified five eligible activities, listed below, that could be considered for future uses as the City continues to receive PLHA funds. For the current plan, staff recommends only allocating the funds to the uses recommended above—as those have preidentified needs for funds, and staff is confident the funds can be spent within the PLHA

program expenditure guidelines. That said, staff will continue to evaluate if future PLHA funds might be used for the eligible uses listed below:

1. Capitalized Reserves for Services related to preservation and creation of new permanent supportive housing
2. Assisting persons experiencing or at risk of homelessness
3. Accessibility modifications in lower-income owner-occupied housing
4. Matching portions of funds placed into Local or Regional Housing Trust Funds
5. Affordable rental and ownership housing, including ADUs

In addition to the above, staff has determined that the following eligible uses are not currently applicable to the City:

1. Matching portions of funds available through the Low- and Moderate-Income Housing Asset Fund. *The City does not currently participate in this program.*
2. Acquisition and rehabilitation of foreclosed or vacant homes and apartments. *The City does not currently have a significant number of foreclosed properties.*
3. Fiscal incentives made by a county to a city to incentivize approval of affordable housing projects, or matching funds invested by a county in an affordable housing development project. *This use is only for counties.*

FISCAL IMPACT

If approved, the City would receive approximately \$1.5 million for the allocation years of 2019 through 2023. The funding would supplement City funding for programs and initiatives related to the 2022-2027 Strategic Plan, the City's Housing Element, and the City's Federal Consolidated Plan. Each future year's PLHA allocation amount would be appropriated in the applicable fiscal year when received.

ALTERNATIVES

1. Do not apply for the Permanent Local Housing Allocation program.
2. Change recommended funding allocations for Permanent Local Housing Allocation plan.

PUBLIC NOTICING

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

Prepared by:

Wayne Chen
Assistant Community Development
Director

Micaela Hellman-Tincher
Housing and Neighborhood Services
Manager

Harsha Ramchandani
Housing Specialist I

WC-MHT-HR/4/CAM
821-10-25-22CR
202329

Approved by:

Aarti Shrivastava
Assistant City Manager/
Community Development Director

Audrey Seymour Ramberg
Assistant City Manager/
Chief Operating Officer

- Attachments:
1. Resolution Authorizing the Application and Adopting the PLHA Plan for the Permanent Local Housing Allocation Program and Exhibit A: Five Year PLHA Allocation Plan
 2. List of Eligible Activities per PLHA Program Guidelines