



COUNCIL REPORT

DATE: February 27, 2024
CATEGORY: Consent
DEPT.: Housing
TITLE: **Application for, and Receipt of, Prohousing Incentive Program Funds**

RECOMMENDATION

Adopt a Resolution of the City Council of the City of Mountain View Authorizing the City Manager or Designee to Submit an Application for an Award of Prohousing Incentive Program Funds in an Amount Not to Exceed \$870,000 and to Execute and Deliver on Behalf of the City Any and All Documents Necessary to Receive an Award of Prohousing Incentive Program Funds, to be read in title only, further reading waived (Attachment 1 to the Council report).

BACKGROUND

In 2019, Assembly Bill (AB) 101 established the Prohousing Designation Program (Prohousing Designation) administered by the California Department of Housing and Community Development (HCD). The Prohousing Designation is designed to recognize jurisdictions that have enacted or proposed policies that accelerate housing development and are in alignment with broader State goals. A key benefit of receiving the designation includes being eligible for State affordable housing grant funding programs available only for Prohousing communities. The Prohousing Incentive Program (PIP) is one such grant program.

Prohousing Designation

At the February 14, 2023 City Council meeting, Council adopted Resolution No. 18742, which authorized the City to submit an application to the State's Prohousing Designation Program. In March 2023, the City duly submitted the application to HCD for consideration.

On January 31, 2024, HCD announced that the City of Mountain View (along with six other jurisdictions) had secured the Prohousing Designation. There are now 37 cities and counties in California that are a Prohousing community, and Mountain View is the first city in Santa Clara County to receive this designation. Besides exclusive access to grant programs such as PIP, the designation also provides the City of Mountain View with a competitive advantage for certain State grant funding programs, which is crucial given the City's considerable affordable housing pipeline, projected funding gap, and the need to attain external funding to advance the pipeline.

Prohousing Incentive Program

The Prohousing Incentive Program (PIP) is a State investment from the Building Homes and Jobs Trust Fund created through Senate Bill 2 (passed in 2017) to increase the supply of affordable housing. The PIP released the first round of funding in 2023. At the time, the City had not yet received the Prohousing Designation and was, therefore, not eligible for the first round of PIP funding.

On January 23, 2024, HCD released a Notice of Funding Availability (NOFA) for the second round of PIP funding totaling \$9.5 million. Eligibility thresholds for this NOFA include: receipt of the Prohousing Designation, an adopted compliant Housing Element with a submitted and legally sufficient Annual Progress Report, compliance with applicable State housing laws, an authorizing resolution to submit an application, and a completed application. The application is due by March 15, 2024. If awarded, the funds must be expended by June 30, 2026.

ANALYSIS

Now that the City has received the Prohousing Designation, Mountain View is eligible to apply for the PIP Round 2. Utilizing the PIP formula of a base award of \$500,000 for a medium-size city plus a bonus of \$370,000 for the 37 points the City received for the Prohousing Designation, staff estimates the City can request \$870,000 in PIP funds. Eligible uses of the fund include:

- Predevelopment, development, acquisition, rehabilitation, and preservation of multi-family, residential live-work, rental housing that is affordable to extremely low, very low, low-, and moderate-income households, including necessary operating subsidies.
- Workforce/moderate-income housing.
- Services connected to the creation of new permanent supportive housing.
- Assisting persons who are experiencing or at-risk of homelessness.
- Accessibility modifications.
- Home-ownership opportunities.
- Up to 5% (\$43,500) of the award is allowed for administrative costs.

The PIP application requires that the City establish a work plan that includes proposed activities and expenditure schedules.

Staff recommends that Council adopt a resolution authorizing the submittal of the PIP application. The application must be accompanied by an authorizing resolution adopted by the City Council (Attachment 1).

If awarded, staff recommends that the PIP funding be allocated for Alta Housing's affordable project at 1020 Terra Bella Avenue for necessary predevelopment activities. Advancing the City's affordable housing pipeline is a top priority to increase the supply and the timing and characteristics of the 1020 Terra Bella Avenue project (Terra Bella project or project) in order to best align with the PIP funding requirements. The following is a summary of key funding milestones for the Terra Bella project:

- On September 13, 2022, Council committed \$13.5 million in Housing Impact Funds (HIF), of which \$1.3 million was appropriated to cover eligible predevelopment costs for this project.
- On May 9, 2023, Council authorized submittal of an application for the State's Local Housing Trust Fund (LHTF) grant (unrelated to the PIP program). The Council also approved reprogramming the City's \$13.5 million contribution for the Terra Bella project from the HIF to the Below-Market-Rate (BMR) In-Lieu Fee fund. This reprogram allowed the HIF to be freed up and serve as matching funds for the LHTF, which was a State requirement.
- On October 2, 2023, HCD awarded the City of Mountain View an LHTF award of \$4,205,452.
- On February 13, 2024, Council appropriated \$2.4 million in HCD's LHTFs for the Terra Bella project and reduced the City's contribution by \$2.4 million.

The PIP application is due on March 15, 2024, with award announcements anticipated in May 2024.

FISCAL IMPACT

Applying for and receiving the PIP Funds will have no fiscal impact on the City's General Fund. Staff will continue to evaluate the affordable housing projects pipeline for eligibility to apply to the State's affordable housing and infrastructure grant programs specified above. If the application is successful, staff will return to Council to accept the award, appropriate the PIP funding to the Terra Bella project and reduce the City's contribution by an equal amount (similar to the LHTF grant funding). Receiving the PIP Funds would replace committed City Housing Investment Funds for the Terra Bella project, thereby freeing up City resources for an alternative, future affordable housing project.

ALTERNATIVES

1. Do not adopt the Resolution authorizing an application for, and receipt of, the State of California Housing and Community Development Prohousing Incentive Program Funds and do not submit an application for the funds.
2. Provide other direction to staff.

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:

Julie Barnard
Housing and Neighborhood Services
Manager

Approved by:

Wayne Chen
Housing Director

Arn Andrews
Assistant City Manager

JB/1/HSN
845-02-27-24CR
203906

Attachment: 1. Resolution