



COUNCIL REPORT

DATE: December 10, 2024

CATEGORY: Consent

DEPT.: Housing

TITLE: **Application for State Funding—
Prohousing Incentive Program, Round 3**

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 \$890,000; to Execute and Deliver on Behalf of the City Any and All Documents, Including Amendments, Necessary to Receive an Award of Prohousing Incentive Program Funds; and Certifying to the California Department of Housing and Community Development Compliance with the Prohousing Incentive Program Requirements, 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. One key benefit of receiving this 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 City Council meeting on [February 14, 2023](#), Council adopted a resolution which authorized the City to submit an application to the state's Prohousing Designation Program. In March 2023, the City submitted its application.

On January 31, 2024, HCD announced that the City of Mountain View was awarded the Prohousing Designation. As of August 1, 2024, there are 50 cities and counties in California that have received the designation, and Mountain View remains the only recipient in Santa Clara County. In addition to exclusive access to grant programs such as PIP, the designation also provides the City with an advantage for certain competitive state grant funding programs. This

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 in 2017 to increase the supply of affordable housing. HCD released the first round of PIP funding in 2023. At that time, the City had not yet received the Prohousing Designation and was, therefore, not eligible to apply.

On January 23, 2024, HCD released a Notice of Funding Availability (NOFA) for the second round of PIP funding totaling \$9.5 million. The City received the Prohousing Designation at the end of that same month, which allowed an application to be submitted. On [February 27, 2024](#), the City Council approved a resolution authorizing the City to submit an application for these funds, and on July 8, 2024, HCD awarded the City with \$870,000 in PIP Round 2 funding. Staff is coordinating with HCD on the grant agreement for these funds. Once the funding agreement is executed, an item will be brought to Council to officially accept and appropriate the funds. It was staff’s recommendation that these funds be appropriated to the Alta Housing affordable housing project located at 1020 Terra Bella Avenue.

On August 15, 2024, HCD released a NOFA for the third round of PIP funding totaling an estimated \$8 million. As with the prior PIP NOFAs, eligibility thresholds 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 apply, and a completed application. Council adopted the Housing Element on [April 11, 2023](#), and it was certified by HCD on May 26, 2023. The Annual Progress Report went to Council for review on [March 26, 2024](#), and was submitted to HCD on March 27, 2024. The PIP Round 3 application is due by December 31, 2024. If awarded, the funds must be expended by June 30 2027.

ANALYSIS

The City meets all of the eligibility criteria to apply for PIP Round 3 funding. HCD’s formula states that based on its population size, Mountain View is eligible for a base award of \$500,000. The City is eligible to receive an additional \$390,000 for the 39 points (\$10,000 bonus per point) it received for achieving the Prohousing Designation. This means that the City can request a maximum of \$890,000 in PIP Round 3 funds.¹

¹ The City initially received 37 points when the Prohousing Designation was awarded. In its PIP Round 2 application, the City was, therefore, eligible to apply for \$870,000. Subsequently, HCD updated the City’s score to 39 points. Therefore, the increased amount of PIP Round 3 funds that the City can now apply for is \$890,000.

Key eligible uses of the fund include:

1. 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.
2. Workforce/moderate-income housing.
3. Matching portions of funds placed into local or regional housing trust funds.
4. Services connected to the creation of new permanent supportive housing.
5. Assisting persons who are experiencing or at-risk of homelessness.
6. Accessibility modifications.
7. Homeownership opportunities.

Recommendation to Apply for Eligible Use No. 3—Local Housing Trust Fund

The City Council adopted a resolution on [May 9, 2023](#) to establish the City of Mountain View Local Housing Trust Fund (City LHTF) as a requirement for the HCD Local Housing Trust Fund grant program (unrelated to the PIP program). The HCD trust fund program incentivizes cities across California to dedicate local, ongoing public revenues towards affordable housing initiatives. The City generates ongoing revenues from Housing Impact Fees, which can be allocated to the City LHTF.

PIP Round 3 allows cities that have an LHTF to use it as matching funds to meet program requirements (eligible use No. 3 above). The PIP program requires that the matching contribution be new local funds not already dedicated for deposit into the City LHTF. Staff recommends applying for the maximum PIP amount of \$890,000 and matching this amount with \$890,000 in the City's Housing Impact Fees to meet the 1:1 match requirement, for a total of \$1.78 million. The City match will be a new deposit into the City LHTF to meet the PIP requirement. The funding will then be used to fund one of the affordable housing projects in the City's pipeline.

Rationale

If awarded, the PIP funding must be expended by the June 30, 2027. One of the City's top priorities is securing funding to go towards the affordable housing pipeline. The City has an active affordable housing pipeline with funding needs. However, the timing of the projects is difficult to predict and does not line up with the PIP expenditure deadline. Therefore, rather than directly

identifying and allocating PIP funding into a specific project at this time (eligible use No. 1), placing the PIP funds into the City LHTF will secure crucial funding to help fill existing funding gaps in the pipeline while meeting the expenditure deadline of June 2027 through a reimbursement process. This would be a multi-step process:

- Step 1: PIP funding application (the approval for which is the subject of this Council report) and subsequent award announcement.
- Step 2: Council appropriation of Housing Impact Fee funds (in an amount covering the PIP award amount and the City match, \$1.78 million using the example above (the actual appropriation amount may differ depending on the actual HCD award amount)).
- Step 3: The City would then request from HCD a reimbursement equal to the award amount. The reimbursement would allow the City to meet the June 30, 2027 expenditure requirement and provide more flexibility to fund a pipeline project.

HCD has confirmed the process with staff and that the transfer of the City match from the Housing Impact Fees Fund can be made up to three months before the expenditure deadline. Staff is anticipating a scenario where a partial award is made. Therefore, if approved by Council, staff will wait until award announcements have been made by HCD before appropriating funding. Staff will then return to Council to seek the appropriation for the award amount and the City match. This approach will allow the City to appropriate the exact funding match and not more funding than is needed (as noted in Step 2 above).

The Round 3 PIP application is due by December 31, 2024, with award announcements anticipated in April 2025. If Council authorizes submittal of an application for PIP Round 3, staff will submit the application before the end of December. If and when the City is awarded, an agreement for the PIP funds will be executed with HCD, and the City will request the funds as reimbursement for the deposit made into the City LHTF.

FISCAL IMPACT

The recommended action has no financial impact on the General Fund. If approved, the City would be eligible to apply for up to \$890,000 of Prohousing Incentive Program Round 3 grant funds. The funding would supplement City funding for programs and initiatives related to the 2022-2027 Affordable Housing Strategic Plan, the City's Housing Element, and the City's Federal Consolidated Plan. Should the grant be awarded, staff will return to the City Council to accept the award and appropriate the PIP funding.

LEVINE ACT

California Government Code Section 84308 (also known as the Levine Act) prohibits city officials from participating in any proceeding involving a “license, permit, or other entitlement for use” if the official has received a campaign contribution exceeding \$250 from a party, participant, or agent of a party or participant in the proceeding within the last 12 months. A city official is similarly prohibited from accepting, soliciting, or directing a campaign contribution exceeding \$250 from a party, participant, or agent of a party or participant to any proceeding involving a license, permit, or other entitlement for use for 12 months after a final decision is rendered in said proceeding.

Please refer to the “X” in the checklist below for information about whether the recommended action for this agenda item is subject to or exempt from the Levine Act.

SUBJECT TO THE LEVINE ACT

- Land development entitlements
- Other permit, license, or entitlement for use
- Contract or franchise

EXEMPT FROM THE LEVINE ACT

- Competitively bid contract
- Labor or personal employment contract
- General policy and legislative actions

For more information about the Levine Act, please see the Fair Political Practices Commission website: www.fppc.ca.gov/learn/pay-to-play-limits-and-prohibitions.html.

ALTERNATIVES

1. Do not adopt a resolution authorizing the City to apply for, and receive, Prohousing Incentive Program Round 3 Funds, which results in no application being submitted and would forego the opportunity to secure external funding sources to help fill the City’s affordable housing funding gap.
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.

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Attachment: 1. Resolution Authorizing Application to the Prohousing Incentive Program