



DATE: November 16, 2022

TO: Mayor and Members of the City Council

FROM: John R. Gillison, City Manager

INITIATED BY: Michael Parmer, Assistant to the City Manager

SUBJECT: Consideration of a Resolution Authorizing the Application and Adopting the PLHA Plan for the Permanent Local Housing Allocation Program. **(RESOLUTION NO. 2022-145) (CITY)**

RECOMMENDATION:

Staff recommends the City Council adopt a resolution authorizing the application and five-year PLHA plan, and acceptance and appropriation of Permanent Local Housing Allocation Grant Funds from the State of California in the amount of \$450,476 for FY 2019, \$700,179 for FY 2020, \$770,526 for FY 2021, and amounts in the next two fiscal years to be determined each following fiscal year for a total allocation of approximately \$2,702,856.

BACKGROUND:

In 2017, Governor Brown signed a 15-bill housing package aimed at addressing the State's housing shortage and high housing costs. As part of the package, the Building Homes and Jobs Act (SB2) established a \$75 recording fee on real estate documents, which would be directed toward increasing the supply of affordable homes in California. The intent of the bill is to provide a permanent, on-going source of funding to local governments for housing-related projects and programs that assist in addressing the unmet housing needs of local communities (Permanent Local Housing Allocation (PLHA) program).

Of the PLHA funds, 90 percent will be distributed to Entitlement Jurisdictions, based on the 2017 Community Development Block Grant (CDBG) Formula Allocation, with the remaining 10 percent to be disbursed in a competitive process to Non-Entitlement Jurisdictions. The City of Rancho Cucamonga (City), is eligible to apply for the Formula Allocation as an Entitlement Jurisdiction to receive PLHA funds from the State based on the 2017 CDBG Formula Allocation and will receive an allocation and administer the PLHA program.

In October 2022, HCD released an amended PLHA Notice of Funding Availability (NOFA, Attachment 2), with applications due no later than November 30, 2022.

The amount of PLHA funds allocated to each entitlement jurisdiction is directly proportionate to each jurisdiction's share of the total 2017 CDBG allocation in California. The State estimates the City will receive approximately \$2,702,856 over the program's five years. The City will receive an allocation of \$450,476 for FY 2019, \$700,179 for FY 2020, \$770,526 for FY 2021, and amounts in the next two fiscal years to be determined each following fiscal year.

ANALYSIS:

PHLA funds provide a stable funding source for local government to address affordable housing stock shortages through increasing the supply of affordable housing, increasing assistance to affordable owner-occupied workforce housing, assisting persons experiencing or at-risk-of homelessness, facilitating housing affordability, and promoting projects and programs to meet the local government's unmet share of regional housing needs allocation.

The City must submit a PLHA program application to receive the funding allocation and the application must meet the following requirements:

- The City's Housing Element is in substantial compliance with State Housing Element Law.
- The City submitted the General Plan's Annual Progress Report to State HCD as required.
- The PLHA application requests an allocation to one or more eligible activities and the submission is authorized by the City Council.
- PLHA funds distributed to a program operation do not have a conflict of interest and must be accessible to the public.
- A five-year PLHA activity plan (incorporated into the application) is approved and adopted by the City Council.
- Funds used for acquisition, construction, or rehabilitation of for-sale housing projects or units within for for-sale housing projects, then a deed restriction shall be recorded against the property as described in Section 302(c)(6)(A-C).

There are ten eligible activities under the PLHA grant (Page 7 of NOFA – Attachment 2), several of which are highlighted below:

- The predevelopment, development, acquisition, rehabilitation, and preservation of multifamily, residential live-work, rental housing that is affordable to extremely low-, very low-, low-, or moderate-income households (up to 120 percent of Area Median Income (AMI), including necessary operating subsidies.
- The predevelopment, development, acquisition, rehabilitation, and preservation of Affordable rental and ownership housing, including Accessory Dwelling Units (ADUs), that meets the needs of a growing workforce earning up to 120 percent of Area Median Income (AMI).
- Accessibility modifications in lower-income owner-occupied housing (up to 120 percent of Area Median Income (AMI)).
- Homeownership opportunities, including, but not limited to, down payment assistance to those earning up to 120 percent of Area Median Income (AMI).

The City of Rancho Cucamonga intends to utilize allocated PLHA program funding under the direction of eligible activity §301(a)(2) - the predevelopment, development, acquisition, rehabilitation, and preservation of affordable rental and ownership housing that meets the needs of a growing workforce earning up to 120 percent of AMI. The City will dedicate funding received for all five years to the predevelopment and development of affordable owner-occupied single-family residences.

The application must be submitted to HCD no later than November 30, 2022. Following application approval, HCD will execute an agreement with the City that encompasses funding for all five years. Once the agreement has been executed, funding will be advanced to the City each year. An annual report is due to the State by July 31st of each year reporting on the activities provided and detailing the appropriate expenditure of funds.

ENVIRONMENTAL DETERMINATION:

Staff recommends the City Council find this action is not subject to the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

FISCAL IMPACT:

The City of Rancho Cucamonga would receive and allocate an estimated \$2,702,856 in grant funding from Permanent Local Housing Allocation (PLHA) funds during FY 2022/23 through FY 2027/28. These funds will reduce the amount of General Fund resources that would otherwise be required to support the proposed project. No General Fund monies would be allocated.

COUNCIL MISSION / VISION / VALUE(S) ADDRESSED:

The PLHA grant funds is aligned and advances the City Council mission, vision, and values as creating affordable, for-sale housing ensures all who live, work, and play in the City have an equitable quality of life as workforce housing targets workers who provide vital services to the City, but often are unable to live in the community they serve.

ATTACHMENTS:

1. Resolution No. 2022-145
2. Permanent Local Housing Allocation Notice of Funding Availability
3. Draft City of Rancho Cucamonga Five-Year PLHA Plan