



County of Monterey

Item No.

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Legistar File Number: RES 22-199

November 08, 2022

Introduced: 10/31/2022

Current Status: Agenda Ready

Version: 1

Matter Type: BoS Resolution

Conduct a public hearing and Adopt Resolutions to:

- a. Authorize the County Administrative Officer or his designee to request the California Department of Housing and Community Development (HCD) approve Amendment 1 to the County's Permanent Local Housing Allocation (PLHA) program Standard Agreement;
- b. Authorize the County Administrative Officer or his designee enter, execute, and deliver a State of California an amended Agreement (Standard Agreement as required by PLHA, subject to review and approval of the Office of the County Counsel as to form and legality;
- c. Authorize the Director of Housing and Community Development to enter into a Grant Agreement with Interim, Inc. to provide \$400,213 in PLHA Activity 6 funding for construction cost overruns at the Sun Rose Gardens Permanent and Transitional Housing Development in Salinas.
- d. Apply for Permanent Local Housing Allocation (PLHA) grant funding on behalf of the City of Carmel-by-the-Sea;
- e. Apply for PLHA grant funding on behalf of the City of Soledad; and,
- f. Authorize the Director of Housing & Community Development to execute Agreements for the Joint Participation in the PLHA Funding Program for program years 2019-2023 with the cities of Carmel-by-the-Sea and Soledad.

RECOMMENDATION:

It is recommended that the Board of Supervisors conduct a Public Hearing and:

- a. Authorize the County Administrative Officer or his designee to request the California Department of Housing and Community Development (HCD) approve Amendment 1 to the County's Permanent Local Housing Allocation (PLHA) program Standard Agreement;
- b. Authorize the County Administrative Officer or his designee enter, execute, and deliver a State of California an amended Agreement (Standard Agreement as required by PLHA, subject to review and approval of the Office of the County Counsel as to form and legality;
- c. Authorize the Director of Housing and Community Development to enter into a Grant Agreement with Interim, Inc. to provide \$400,213 in PLHA Activity 6 funding for construction cost overruns at the Sun Rose Gardens Permanent and Transitional Housing Development in Salinas.
- d. Apply for Permanent Local Housing Allocation (PLHA) grant funding on behalf of the City of Carmel-by-the-Sea;
- e. Apply for PLHA grant funding on behalf of the City of Soledad; and,
- f. Authorize the Director of Housing & Community Development to execute Agreements for the Joint Participation in the PLHA Funding Program for program years 2019-2023 with the cities of Carmel-by-the-Sea and Soledad

SUMMARY

On August 17, 2022, the state Department of Housing and Community Development released a Notice of Funding Availability (NOFA) for the 2021 funding cycle. The NOFA included a list of eligible cities that have not previously applied for PLHA funding. Eligible cities may delegate authority to the County to apply for and administer PLHA funding on their behalf. County staff reached out to the various cities to discuss if there was any interest in the County applying for and managing the PLHA funds on their behalf. The cities of Carmel-by-the-Sea and Soledad expressed an interest. As such, the recommended actions will authorize the County to enter into the necessary agreements with the cities of Carmel-by-the-Sea and Soledad to apply for and manage PLHA funding on their behalf for the 5-years period 2019-2023. PLHA regulations require that separate resolutions be adopted by the Board of Supervisors for each city that has delegated its PLHA allocation to the County.

DISCUSSION:

In 2017, Governor Brown signed a 15-bill housing package aimed at addressing the state's housing shortage and high housing costs. Specifically, it included Senate Bill 2 (SB 2), referred to as the "Building Homes and Jobs Act." SB 2 establishes a permanent, on-going source of funding dedicated to promoting and facilitating affordable housing development. HCD created the PLHA program to manage distribution of SB2 funding to jurisdictions throughout the state to assist local governments in eligible housing-related projects and programs. The PLHA is funded through a fee on real estate documents recorded by throughout the state. The PLHA program is composed of 10 activity areas that can be funded at the local jurisdiction's discretion. While there are no mandated activities, the PLHA regulations do require that 20% of PLHA funding statewide be used for Affordable Ownership Workforce Housing (AOWH). Early indications from HCD are that this requirement is not being met.

PLHA guidelines recognize that not all eligible jurisdictions have the capacity to apply for and manage grants and that the amounts available to jurisdictions maybe insufficient to provide a meaningful amount of financial support to affordable housing. To address these potential short comings the PLHA program allows eligible cities to delegate authority to apply for and manage their PLHA allocations to other eligible jurisdictions. County staff have reached out to all eligible cities that have not drawn down PLHA funding and encouraged them to delegate their PLHA funding to the County. This outreach includes the cities of Carmel-by-the-Sea, Greenfield, Marina, Sand City, Seaside, and Soledad.

In June 2022, the Board of Supervisors approved an amended 5-Year PLHA Plan. The amended Plan allocated funding to four activities: capitalizing the Monterey County Local Housing Trust Fund, construction financing for new permanent supportive housing, operating funds for navigation centers, and new construction of transitional housing. At that time the County allocated approximately \$1.322 million to operate the Salinas Share Center and \$400,000 to Interim, Inc.'s Sun Rose Gardens Permanent and Transitional Supportive Housing development in Salinas. Since that action, an urgent need to continue funding CSUMB's Community Health Engagement program for street outreach and case management has been identified. To fund this activity the County needs to amend its PLHA Plan a second time. The amendment will also allocate funding for the Local Housing Trust Fund between AOWH and rental housing development activities. By funding AOWH activities now, the County should have a more stable funding stream for the other activities should HCD begin mandating that

jurisdictions set-aside 20% of their PLHA funding for AOWH activities. The recommended amendment does eliminate funding to support permanent supportive housing. Because the state grants portal was not open when the Board approved the amended 5-Year Plan in June, this amendment is technically Amendment 1 and the state has not seen the County's approval for the Sun Rose Gardens project.

Total PLHA funding for the first 5-year funding cycle that cities of Carmel-by-the-Sea and Soledad and the County can apply for totals \$5,107,754. The County's share of this funding is \$3,890,280. By applying for PLHA funding on behalf of the participating cities, the County will increase funding for a variety of affordable housing projects by \$1,217,474 over the 5-year period. Attachment 6 illustrates the 5-year PLHA funding available to each city in the County. Because cities that delegate their PLHA allocation to the County also adopt the County's 5-Year PLHA Plan, the attachment also shows how much is potentially available to each activity.

The County will work with the participating cities to develop project pipeline and guidelines to use when selecting projects for funding. The primary consideration when allocating PLHA funding is to support shovel ready projects so that the funds are quickly invested to support affordable housing. By accepting delegated PLHA funds the County is not obligated to invest those dollars into the qualifying city. The recommended agreement does, however, recognize that cities are the most appropriate place to locate affordable housing due to the proximity of infrastructure and that most PLHA funding will be used in the participating cities.

OTHER AGENCY INVOLVEMENT:

The City Councils of Carmel-by-the-Sea and Soledad have held the required public hearings and adopted resolutions delegating authority to apply and manage their PLHA allocations to the County and execute the required agreement. The Office of the County Counsel reviewed and approved the Agreements and Resolutions as to form and legality. The California Department of Housing and Community Development (HCD) administers the PLHA Grant Program.

FINANCING:

Amending the PLHA Agreement will not change the amount of funding available from HCD under the Agreement. The County's existing PLHA award is included in Unit 013-3100-8546-HCD005 (Community Development). When the grant is awarded, the Board will be asked to increase current year revenue and appropriations by \$352,777 to recognize PLHA funding for the City of Carmel-by-the-Sea and \$497,328 for the City of Soledad. The County may use up to five percent of each year's grant allocation to manage the grant. For the current fiscal year, the County may use up to \$55,452 of its PLHA grant. PLHA grants to the participating cities will increase the amount available for grant management by \$16,443, for a total of \$71,895.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

Increase Affordable Housing: Determine policies, projects and programs that will advance the effort to create new affordable housing. In addition, there will be new revenue to dedicate savings to capital investment and establish a new housing trust fund.

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Mark a check to the related Board of Supervisors Strategic Initiatives

- ☐ Economic Development Administration
- ☐ Administration
- ☒ Health & Human Services Infrastructure
- ☐ Infrastructure
- ☐ Public Safety

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Approved by: Erik Lundquist, AICP, Director of Housing and Community Development, x5154

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The following attachments are on file with the Clerk of the Board:

- Attachment 1 - Resolution to Apply for Calendar 2021 PLHA Funding
- Attachment 2 - Resolution to Apply on Behalf of Carmel
- Attachment 3 - Resolution to Apply on Behalf of Soledad
- Attachment 4 - Draft Agreement with Carmel
- Attachment 5 - Draft Agreement with Soledad
- Attachment 6 - Available Funding