



Monterey County

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

Board Report

File Number: RES 22-122

Agenda Date: 6/21/2022

Version: 1

Status: Agenda Ready

In Control: Board of Supervisors

File Type: BoS Resolution

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. Enter into, 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.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

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. Enter into, execute and deliver a State of California an amended 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.

SUMMARY

On July 21, 2020, the Board of Supervisors approved submitting a grant application to the California Department of Housing and Community Development (HCD) for the Permanent Local Housing Allocation (PLHA) program. HCD awarded the County a PLHA grant in a not to exceed amount of \$3,890,280, payable over five years. The amendment request before the Board of Supervisors will reallocate funding between activities already approved in the County's PLHA Agreement with HCD. The Amendment is necessary to address demand for funds in different percentages than anticipated by the PLHA Plan and the reallocations are greater than 10% of the funding approved for any one of the activities.

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. This source of funding is very dynamic from year-to-year. The amount of funding available is variable based on the volume of recorded documents subject to the fee. Because the amount of available funding changes, the PLHA program is set-up so that the County allocates a percentage of available funding for eligible activities over the five-year term of the grant. For example, in 2020 the County's allocation was \$648,380 and \$1,007,784 in 2021, a 55% increase. The County has the option of funding some or none of the eligible activities in some or all the five-years covered by the grant.

The purpose of the PLHA Grants Program is to fund housing-related projects and programs that assist in addressing the unmet housing needs of local communities, such as:

1. Extremely low-, very low-, low-, or moderate-income affordable housing development
2. Accessory Dwelling Unit production
3. Matching portions of funds placed into Local or Regional Housing Trust Funds or available through the Low- and Moderate-Income Housing Asset Fund
4. Capitalized reserves for services connected to permanent supportive housing
5. Assisting persons who are experiencing or at risk of homelessness
6. Accessibility modifications in lower-income owner-occupied housing
7. Efforts to acquire and rehabilitate foreclosed or vacant homes and apartments
8. Homeownership opportunities, including, but not limited to, down payment assistance
9. Fiscal incentives or matching funds made by a county to a city within the county

The County's PLHA Plan funded four activities: the development of affordable multi-family housing; the establishment of a Regional Housing Trust Fund under HCD's Local Housing Trust Fund (LHTF) program; capitalized reserves for services connected to the preservation and creation of new permanent supportive housing; and homeless services. Besides funding the eligible activities, the PLHA Plan also specified which years each of the activities would be funded.

The proposed amendment does several things. First, it eliminates one activity, direct funding for construction of affordable housing. Second, it increases the percentage of funding to capitalize the Monterey County Housing Trust Fund. Third, it reduces the overall amount of funding for activity 5 from 20% of available funds to 10% over the five-year grant. Fourth, it increases the percentage of available funding for activity 6 from 40% to 50% over the five-year grant period. The PLHA Application and Amendment Funding Allocations attachment includes tables that show the changes in overall funding and funding by year.

One challenge with the way the PLHA allocates funding is that if an unfunded activity that develops an unanticipated need, the County cannot pull from a future allocation when that activity may be funded. This became an issue during the first year when Interim, Inc. encountered unanticipated geotechnical

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issues at their Sun Rose Gardens Transitional and Permanent Supportive Housing project after construction started. Funding this cost overrun is eligible under activities 1 and 5, which were not funded the first year. The state did allow the County to draw down funds for the project against its activity 6 allocation, but that left the budget short to reimburse the Department of Social Services for the Salinas Share Center, which had been allocated the entire amount available for activity 6. The recommended change to increase the percentage of funding available for activity 6 will keep DSS funding whole in grant year 1 and fund Sun Rose Gardens. The change will also increase funding for navigation centers in grant years 3 through 5 should the Board direct staff to increase funding for the Share Center or fund a new navigation center in another part of the County.

With the Board of Supervisors authorization to create a local housing trust fund, staff recommends reallocating the funding for activity 1 to the local trust fund. The requirements and uses of funding for activities 1 and 3 are essentially the same. Consolidating the funding into the local housing trust fund will allow staff to use one set of criteria to identify, rate/rank, recommend projects for funding, and manage one program.

OTHER AGENCY INVOLVEMENT:

The Office of the County Counsel reviewed and approved the Resolution as to form and legality. The California Department of Housing and Community Development (HCD) administers the PLHA Grant Program.

FINANCING:

There is no impact on the General Fund. Amending the PLHA Agreement will not change the amount of funding available from HCD under the Agreement. Sufficient PLHA funds are included in Unit 013-3100-8546-HCD005 (Community Development) to fund the recommended grants to Interim, Inc. The County may use up to five percent of each year's grant allocation to manage the grant. In 2020, this amounted to \$32,419.

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.

Mark a check to the related Board of Supervisors Strategic Initiatives

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

Prepared by: Darby Marshall, Housing Program Manager (WOC), x5391

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 - Draft Board of Supervisors Resolution

Attachment 2 - PLHA Application & Amendment Funding Allocations

Attachment 3 - PLHA Agreement 20-PLHA-15630

Attachment 4 - PLHA 5-Year Plan Amendment No.1

Attachment 5 - PLHA Final Guidelines, October 2019

Attachment 6 - Sun Rose Gardens Grant Agreement - PLHA Capital Grant Agreement