



## Board Report

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**File #:** RES 23-073, **Version:** 1

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Adopt Resolution to:

- a. Authorize the Director of Housing and Community Development or their designee to apply for and accept grant funds from the State of California's Local Housing Trust Fund Program (LHTF) Program.
- b. Establish the County's required local match for the LHTF application; and
- c. Authorize the Director of Housing and Community Development or their designee to enter, execute, and deliver a State of California Agreement (Standard Agreement) as required by LHTF, subject to review and approval of the Office of the County Counsel.

**RECOMMENDATION:**

It is recommended that the Board of Supervisors:

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- a. Authorize the Director of Housing and Community Development or their designee to apply for and accept grant funds from the State of California's Local Housing Trust Fund Program (LHTF) Program.
- b. Establish the County's required local match for the LHTF application; and
- c. Authorize the Director of Housing and Community Development or their designee to enter, execute, and deliver a State of California Agreement (Standard Agreement) as required by LHTF, subject to review and approval of the Office of the County Counsel.

**SUMMARY:**

On May 17, 2022, the Board of Supervisors established the Monterey County Housing Trust Fund (MCHTF) and authorized an application to the California Local Housing Trust Fund (LHTF) matching grant program to support construction of affordable housing. In December 2022, the County was notified that its application to the LHTF program was unsuccessful. The recommended actions will authorize the County to apply for a LHTF grant through the 2023 funding round.

**DISCUSSION:**

Since the dissolution of redevelopment tax increment financing there has been a missing piece of the affordable housing finance puzzle. Redevelopment tax increment provided local government with a stable source of funding to invest in affordable housing projects. This investment accomplished two things: first, it helped get projects financed by leveraging other state, federal, and local dollars; second, it allowed the local government to show its support for projects through the investment of tax increment funds. The Monterey County Housing Trust Fund (MCHTF) was established to fill this gap.

The State of California established the (LHTF) program to provide matching funds to jurisdictions and regions that have established local housing trust funds. The LHTF provides a dollar-for-dollar match for local funds up to \$5,000,000. To encourage the formation of local trust funds, the state allows jurisdictions to use state grant funds awarded through the Permanent Local Housing Allocation (PLHA) as part of the local source to match the state LHTF applications.

Since the County established the MCHTF in May 2022, it has allocated \$10,033,984 in local cash and land assets and state Permanent Local Housing Allocation (PLHA) grants to capitalize it. Of this amount, approximately \$3,544,645 is eligible to be matched by a 2023 LHTF grant. This includes approximately

\$420,000 in PLHA funding that the County will receive on behalf of the cities of Carmel-by-the-Sea, Greenfield, and Soledad. PLHA funding from these jurisdictions will also provide approximately \$289,000 in each of the next two years to recapitalize the MCHTF. These jurisdictions agreed to capitalize the MCHLTF when they authorized the County to apply for PLHA grants on their behalf. The current PLHA cycle extends from 2019 through 2024 and funding is only guaranteed through 2025. It is anticipated that a second PLHA round will be announced in 2024 and that the County will apply with substantially the same funding priorities as found in the current PLHA Plan: capitalizing the MCLHTF, funding homeless navigation centers, and homeless case management services.

The available land asset represents the estimated \$2,613,600 value of property at 855 E. Laurel that is proposed for development by Eden Housing. As part of a future Board action to approve Development and Lease Agreement with Eden Housing, the Board of Supervisors will be first asked to assign the property to the MCHTF and then authorize the MCHTF to enter the land lease. The delay is necessary to ensure Eden Housing performs on the Exclusive Negotiating Agreement approved by the Board of Supervisors on February 7, 2023 before granting Eden Housing control of the site.

The remaining capital pledged to the MCHTF is a mix of program income from repaid down payment assistance and housing rehabilitation loans and PLHA funding for Affordable Workforce Owner Housing (AOWH). These loans were originally funded with state grants from the BEGIN, CalHOME, and HOME programs and are restricted to being used for the same purposes as the original grant. The LHTF does not allow funds already restricted for affordable housing as match for LHTF funding. The PLHA AOWH funding was not included in the LHTF match because it is targeted for households earning between 80% and 120% of Area Median Income. While including these PLHA funds would qualify for an additional \$630,000 match, the income requirements would significantly reduce the County's LHTF application score.

The County's LHTF application is for matching funds to an established Regional Housing Trust Fund. Applications on behalf of Regional Housing Trust Funds receive 5 additional points on the application score. The MCHTF includes the County and Cities of Carmel-by-the-Sea, Greenfield, and Soledad because they authorized the County to apply for PLHA funds on their behalf and to use those funds consistent with the County's PLHA Plan. The County will work with the remaining cities in the County over the next year to try and increase participation in the MCHTF.

The MCHTF proposed to use the state's Uniform Multifamily Regulations (UMRs) for loan guidelines, underwriting standards, and procedures. Adopting the UMRs will ensure that the MCHTF is using the same standards and procedures that developers are using for their other state funding applications. This should speed the approval process for all funding providers.

The MCHTF has already supported development of affordable housing in Monterey County. In March 2023, the Board of Supervisors approved loans to EAH Housing for Greenfield Commons Phase I and Lightfighter Village in Marina. These loans, totaling \$2,429,161, were funded using a combination of capital provided by the Board of Supervisors with General Fund allocations and PLHA funds. The Board of Supervisors has approved an ENA with Eden Housing to construct at 855 E. Laurel, Salinas. This property is valued at approximately \$2,613,600 and is included as part of the match for the LHTF application to leverage additional LHTF funding. Table 1 in the Monterey County Housing Trust Fund Overview provides more detailed information on the sources and uses of available funding, as well as restrictions on how the various funding sources may be used.

OTHER AGENCY INVOLVEMENT:

County Counsel will review the Standard Agreement as to form before the County executes the document.

FINANCING:

The recommended action will not have any impact on the General Fund. MCHTF capital is budgeted in Funds 009 (Inclusionary Housing), Fund 013 (Community Development), and Fund 175 (Castroville/Pajaro Housing). Ongoing capitalization of the MCHTF will come from a Board of Supervisors commitment to allocate future repayment of down payment assistance, housing development, and housing rehabilitation to the MCHTF. The MCHTF will also receive continued funding from the PLHA for at least the next two years when a new Notice of Funding Availability (NOFA) and 5-year funding cycle will begin.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The MCHTF supports the Board's Economic Development, Health & Human Services, Infrastructure, and Public Safety initiatives by providing a local source of financing for affordable housing projects that reduce overcrowding, leading to improved public health and safety outcomes and supporting local employer efforts to retain qualified workers by supporting construction of affordable housing.

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

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Approved by: Craig Spencer, Acting Director of Housing and Community Development

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

- Attachment 1 - Monterey County Housing Trust Fund (MCHTF) Overview
- Attachment 2 - 2023 Local Housing Trust Fund (LHTF) Application
- Attachment 3 - LHTF Application Attachments
- Attachment 4 - Draft Resolution
- Attachment 5 - Draft Resolution Match Fund