

Capitola City Council

Agenda Report



Meeting: February 22, 2024

From: Community Development Department

Subject: State Grant Administration Agreement Amendment

Recommended Action: Approve an amendment to the Professional Services Agreement with Adams Ashby Group for grant administration services, including Permanent Local Housing Allocation Program Administration (\$31,527), 2023 Community Development Block Grant Application (\$7,500), and 2023 HOME Investment Partnership Program application (\$10,000).

Background: Paul Ashby, of Adams Ashby Group, has provided grant administration services to the City since 2011 for required HOME Investment Partnership Program reporting related to the Bay Avenue Senior Housing project and Community Development Block Grant (CDBG) project administration for a variety of qualifying programs. Adams Ashby Group currently has a contract with the City for annual HOME reporting (\$3,700/year) and administration of the 2021 CDBG Grant (\$35,000).

In 2017, Governor Brown signed a 15-bill housing package aimed at addressing California's housing shortage and high housing costs. Specifically, it included the Building Homes and Jobs Act, known as Senate Bill 2 (SB 2) to increase the supply of affordable homes in California. The Bill established a \$75 recording fee on real estate documents and created the Permanent Local Housing Allocation Fund (PLHA). Beginning in 2019, the Bill authorized the California Department of Housing and Community Development (HCD) to allocate 70 percent of PLHA fund moneys to local governments for eligible housing and homelessness activities. The intent of the bill is to provide a permanent, ongoing source of funding to local governments for housing-related projects and programs that address the unmet housing needs of their local communities.

The California Department of Housing and Community Development (HCD) issued the first Notice of Funding Availability ("NOFA") under the PLHA program making affordable housing funding available statewide. HCD calculates and publishes the PLHA allocation annually. The following table includes Capitola's funding for 2019 – 2021 and estimated funding for 2022 and 2023. Five percent of PLHA funding may be utilized for grant administration.

Year	PLHA NOFA Allocation
2019	\$105,092
2020	\$180,868
2021	\$195,772
2022 (estimate)	\$74,713
2023 (estimate)	\$74,712
Total	\$630,557

On November 10, 2022, the City Council adopted resolution 4294 authorizing staff to submit an application for the PLHA grant and adopted the PLHA five-year plan.

Discussion: On June 23, 2024, the City of Capitola was awarded a PLHA grant. The PLHA application, authorized by the City Council, identified grant funding to be allocated for predevelopment cost of

affordable housing rental projects, very low-income homeless assistance Housing for Health Partnership year-round emergency shelter operations in Santa Cruz County, and project administration. The predevelopment costs of affordable housing rental projects will be utilized to assist the 52-unit affordable housing rental development at 1098 38th Avenue. The very low-income homeless assistance will provide funding for the Housing for Health Partnership year-round emergency shelter operations in Santa Cruz County. Also, five percent of the grant funding is allocated for project administration by Adams Ashby Group (\$31,527).

On January 19, 2024, the California Department of Housing and Community Development released the 2022-2023 HOME Investment Partnership Program (HOME) NOFA. The HOME grant may be utilized for housing rehabilitation for multifamily projects that benefit low-income renters. The Dakota Apartments, located at 3245 Clares Street, include 24 affordable and accessible rental apartments. They were built in 1998 and are identified in the updated Housing Element as an existing affordable housing development in need of rehabilitation. HOME grant applications are due April 9, 2024. Adams Ashby Group can complete the grant application and administer the future grant. The cost to complete the grant application is \$10,000 due to the complexity of the application. The City has HOME administration funds available to cover the cost of the application. In March, staff will return to the City Council with an overview of the HOME grant application, the future rehabilitation improvement for the Dakota Apartments, and a resolution authorizing the application to HCD. The property owner, ASI, is currently completing a needs assessment for the property. The total grant funding request is unknown at this time, so the cost of administering the future grant is also unknown.

On January 31, 2024, the California Department of Housing and Community Development released the 2023 CDBG NOFA. At the direction of the City Council, staff will apply for the maximum amount of CDBG funding (\$3.3 million) for the Jade Street Community Center renovations. Adams-Ashby Group will complete the 2023 CDBG grant application and, if awarded, administer the grant. The cost for administering the \$3.3 million grant is \$100,000.

Adams Ashby Group will continue to provide annual reporting for the HOME Investment Partnership Program and grant administration services for the active 2021 CDBG Grant. Paul Ashby has provided annual reporting services for the HOME Investment Partnership Program required for the Bay Avenue Senior Housing project since 2011. The \$30M rehabilitation project was funded by many sources, including a Capitola Redevelopment Agency loan and a major State HOME loan, which requires annual reporting. Since 2011, HOME annual reporting services have been \$3,700 annually. The cost of annual reporting will increase to \$4,100 due to inflation. Paul Ashby has also provided grant administration services for the 2021 CDBG grant, which provides public assistance to Grey Bears, Second Harvest, and Community Bridges. Program administration of the \$500,000 grant is \$35,000.

In summary, staff is seeking to amend the Adams Ashby Group contract to include PLHA grant administration (\$31,527), 2023 CDBG grant application (\$7,500), and 2023 HOME Investment Partnership Program application (\$10,000). The amended contract will also include current services for HOME reporting (\$4,100) and the administration of the 2021 CDBG Grant (\$35,000). If the 2023 CDBG Grant and/or the 2023 Home Investment Partnership Program are awarded, staff will return to the City Council for additional modifications to administer the grants.

Fiscal Impact: Funding for the PLHA grant administration (\$31,527) would come from the existing PLHA fund balance. Funding to prepare and submit the 2023 CDBG applications (\$7,500) would come from existing CDBG fund balance and, contingent upon award, the CDBG program administration will be funded through the 2023 CDBG grant. Funding to prepare and submit the 2022-2023 HOME application (\$10,000) would come from the existing HOME fund balance, and, contingent upon the award, the HOME program administration will be funded through the 2022-2023 HOME grant. The annual reporting for the Bay Avenue HOME loan (\$4,100) would continue to be funded through available HOME reuse funds. The existing 2021 CDBG grant administration will continue to be funded the relevant 2021 CDBG grant.

Attachments:

1. Attachment 1: Contract Amendment

Report Prepared By: Katie Herlihy, Community Development Director

Reviewed By: Julia Gautho, City Clerk; Samantha Zutler, City Attorney

Approved By: Jamie Goldstein, City Manager