

# Capitola City Council

## Agenda Report



**Meeting:** November 10, 2022

**From:** Community Development Department

**Subject:** Consider a Permanent Local Housing Allocation Resolution

**Recommended Action:** Adopt proposed resolution authorizing the City Manager to execute the Permanent Local Housing Allocation (PLHA) Program Application with 5-year plan, the PLHA Standard Agreement, and any subsequent amendments or modifications thereto, as well as any other documents which are related to the Program or the PLHA grant award.

**Background:** 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, on-going 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 2020 – 2022 and estimated funding for 2023 and 2024.

Year	PLHA NOFA Allocation
2020	\$105,092
2021	\$180,868
2022	\$195,772
2023	\$74,713
2024	\$74,712
<b>Total</b>	<b>\$630,557</b>

The state estimates a total of \$630,557 in funding for Capitola over the five-year funding cycle. To apply for the funding, the City must submit a signed resolution with a 5-year plan explaining which eligible activities the funding will be applied toward.

On October 27, 2022, the City Council received a presentation on the PLHA program and provided direction on the 5-year plan, as further summarized in the analysis section of this report.

**Analysis:** The PLHA funding must be used for the following eligible activities:

1. 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, including necessary operating subsidies

2. 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 AMI, or 150-percent of AMI in high-cost areas. ADUs shall be available for occupancy for a term of no less than 30 days
3. Matching portions of funds placed into Local or Regional Housing Trust Funds
4. Matching portions of funds available through the Low- and Moderate-Income Housing Asset Fund pursuant to subdivision (d) of HSC Section 34176
5. Capitalized Reserves for Services connected to the preservation and creation of new permanent supportive housing
6. Assisting persons who are experiencing or at risk of homelessness
7. Accessibility modifications in lower-income owner-occupied housing
8. Efforts to acquire and rehabilitate foreclosed or vacant homes and apartments
9. Homeownership opportunities, including, but not limited to, down payment assistance
10. Fiscal incentives made by a county to a city to incentivize approval of one or more affordable housing projects, or matching funds invested by a county in an affordable housing development project in a city within the county

Of the ten eligible activities listed above, the City Council directed staff to allocate funding to the following two items:

*Activity 1: 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, including necessary operating subsidies.*

The City is in the initial phase of updating its housing element to accommodate the 1,363 new units allocated to the City through the Regional Housing Needs Assessment (RHNA). Thus, the City could utilize funding to partner with local non-profits and developers to assist with future affordable housing projects. Designating PLHA funds for predevelopment, development, acquisition, rehabilitation, and preservation of affordable housing rental units would provide an opportunity for future collaboration on an affordable housing project. Staff recommends most of the funds be dedicated toward this first Item to ensure the City can contribute to affordable housing production.

*Activity 6. Assisting persons who are experiencing homelessness*

Annually, the City of Capitola contributes approximately \$31,000 toward the Housing for Health Partnership (H4HP) program administered by the County of Santa Cruz. The H4HP utilizes jurisdictional contributions to support year-round emergency shelter operations, including the Salvation Army in Watsonville and Housing Matters in the City of Santa Cruz. Staff proposes funding the H4HP in 2023 and 2024 up to \$35,000 per year with PLHA funds.

In summary, the City Council recommended the PLHA 5-Year Plan for allocation be as follows:

Year	PLHA NOFA Allocation	Allocation
2020	\$105,092	Activity 1: Affordable Rental Project
2021	\$180,868	
2022	\$195,772	
2023	\$74,713	Activity 1: Affordable Rental Project \$39,713 Activity 6: Homeless Shelter \$35,000
2024	\$74,712	Activity 1: Affordable Rental Project \$39,712 Activity 6: Homeless Shelter \$35,000

**Fiscal Impact:** Submitting a resolution for PLHA funding will provide \$630,557 of additional affordable housing funds for the City of Capitola in the next 5-years.

Attachments:

1. Proposed resolution

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Reviewed By: Chloé Woodmansee, Assistant to the City Manager, Samantha Zutler, City Attorney

Approved By: Jamie Goldstein, City Manager