



Folsom City Council Staff Report

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| MEETING DATE: | 9/12/2023 |
| AGENDA SECTION: | Consent Calendar |
| SUBJECT: | Resolution No. 11099 – A Resolution Authorizing the Acceptance and Appropriation of the City of Folsom’s Share of Sacramento County Permanent Local Housing Allocation (PLHA) Grant Funds in the Amount of \$439,703 |
| FROM: | Community Development Department |

RECOMMENDATION / CITY COUNCIL ACTION

Move to approve Resolution No 11099 - A Resolution Authorizing the Acceptance and Appropriation of the City of Folsom’s Share of Sacramento County Permanent Local Housing Allocation (PLHA) Grant Funds in the Amount of \$439,703.

BACKGROUND / ISSUE

The Permanent Local Housing Allocation (PLHA) program through the CA Department of Housing and Community Development (HCD) provides funding to local governments in California for housing-related projects and programs that assist in addressing the unmet housing needs of their local communities. Funding comes from Senate Bill 2 (SB2), which was part of a 15-bill housing package adopted in 2017 aimed at addressing the state’s housing shortage and high housing costs.

Sacramento County (County) is eligible for non-competitive PLHA funds as an Entitlement Community designated by the U.S. Department of Housing and Urban Development (HUD) for the Community Development Block Grant (CDBG) program and is obligated to provide a proportional share of the PLHA funds to local governments that are (CDBG) agreement cities, which includes Folsom, Isleton, and Galt. As such, Folsom will receive 4.95 percent, Isleton 0.85 percent, and Galt 3.52 percent of the County’s allocation. While the percentages are fixed, the amount will vary depending on the amount of money the funding source receives.

On June 27, 2020, Sacramento County submitted the PLHA Grant application to HCD.

In order to be eligible to receive funding, the County approved a Five-Year Plan specifying how the grant funds would be spent. As part of that Plan, initial estimates of Folsom’s distribution based on the County’s estimated award of \$16,324,956 was approximately \$807,692 over the five-year period.

On March 23, 2021, the City Council approved Resolution No. 10602 authorizing the City Manager to execute an agreement with the County of Sacramento to participate in the PLHA Funding Program and to designate Sacramento County as the fund administrator.

Sacramento County is currently working with HCD for the 2020 and 2021 PLHA grant activity amounts. Previously, the County’s Plan simply identified that the Cities of Folsom, Isleton, and Galt would receive a sub-allocated proportional share of the County PLHA funds however, HCD is requiring that the County update the application to include specific activities the Cities will use the funds on. As such, the County reached out to city staff and requested that we indicate which eligible PLHA activities the City intends to use the funding for so that they can amend their agreement as required by HCD. In addition, the County provided the 2020 and 2021 funding amounts calculated for each of the cities as shown in the Table below.

| Jurisdiction/Task | Percent | Year and Amount | |
|-------------------|---------|-----------------|--------------|
| | | 2020 | 2021 |
| Folsom | 4.95 | \$209,335.80 | \$230,367.56 |
| Isleton | 0.85 | \$35,946.55 | \$39,558.07 |
| Galt | 3.52 | \$148,861.01 | \$163,816.93 |

PLHA funds can be used for a broad variety of affordable housing activities which are listed in the analysis section of this staff report. Staff is recommending that the 2020 and 2021 PLHA allocation in the amount of \$439,703 be used towards future affordable housing activities. As such, consistent with eligible activity #3, staff recommends that the City Council allocate the current PLHA funds to match portions of funds in the City’s Housing Fund (Fund 238).

POLICY / RULE

The Permanent Local Housing Allocation (PLHA) Funds Program requires cities receiving fund allocation through County agencies to use the funds exclusively for PLHA eligible activities. Allocation of PLHA funds requires City Council authorization.

ANALYSIS

The purpose of PLHA funding is to provide additional resources for housing related projects and programs that assist in addressing unmet housing needs. Specifically, eligible activities for PLHA funds include:

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, including, but not limited to, providing rapid rehousing, rental assistance, supportive/case management services that allow people to obtain and retain housing, operating and capital costs for navigation centers and emergency shelters, and the new construction, rehabilitation, and preservation of permanent and transitional housing.
 - a. This activity may include sub-awards to administrative entities as defined in HSC Section 50490(a)(1-3) that were awarded CESH program or HEAP funds for rental assistance to continue assistance to these households.
 - b. Applicants must provide rapid rehousing, rental assistance, navigation centers, emergency shelter, and transitional housing activities in a manner consistent with the Housing First practices described in 25 CCR, Section 8409, subdivision (b)(1)-(6) and in compliance with WIC Section 8225(b)(8). An applicant allocated funds for the new construction, rehabilitation, and preservation of permanent supportive housing shall incorporate the core components of Housing First, as provided in WIC Section 8255, subdivision (b).
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 within the county 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, provided that

the city has made an equal or greater investment in the project. The county fiscal incentives shall be in the form of a grant or low-interest loan to an affordable housing project. Matching funds investments by both the county and the city also shall be a grant or low interest deferred loan to the affordable housing project.

As previously indicated in the background section of this report, staff recommends that the City's allocation be used to support future affordable housing projects. Based on staff's review of the list of eligible activities (and their associated requirements) and the fact that we do not have a currently identified eligible project, staff believes that activity #3 (Matching portions of funds placed into Local or Regional Housing Trust Funds) provides the City with the greatest degree of funding flexibility for future affordable housing projects. In addition, the City's Housing Fund (Fund 238) has a dedicated source of funding through inclusionary housing fees paid by market rate for-sale development to support the required matching funds. Thus, this activity is recommended by staff to ensure effective and efficient deployment of PLHA funds.

In addition, eligible activities must be consistent with and compliant with the City's adopted Housing Element. The use of PLHA for affordable housing projects through matched housing funds is consistent with several Housing Element goals, policies, and programs, including but not limited to the following:

Goal H-3 –Facilitate Affordable Housing - facilitate affordable housing opportunities to serve the needs of people at all income levels who live and work in the community.

Policy H-3.1 Funding for Affordable Housing - The City shall continue to use Federal and State subsidies, as well as inclusionary housing in-lieu fees, affordable housing impact fees on non-residential development, and other fees collected into the City's Housing Fund in a cost-efficient manner to meet the needs of lower-income households, including extremely low-income households

Program H-11 -Local Funding for Affordable Housing Development - As available, the City shall allocate funds from the City's Housing Fund toward the development of affordable housing units for low-, very low-, and extremely low-income households. The City shall explore the possibility of establishing priorities for the distribution of funds, which may include criteria such as income targeting, housing for special needs including seniors and persons with disabilities, number of bedrooms, amenities, support services, and target geographies that serve to affirmatively further fair housing. The City shall provide funding to support approximately 580 affordable units by 2029.

Program H-22 Additional State, Federal and Regional Funding - The City shall work to secure additional funding from State, Federal, and regional sources that can be used to help increase the supply of affordable housing in Folsom. The City shall pursue funding from various grant programs with a goal of obtaining \$5 million dollars for affordable housing through 2029.

Together the matched funds will be able to support a number of affordable housing activities including, but not limited to, the predevelopment, development, acquisition, and preservation of affordable housing projects as stipulated in the PLHA Final Guidelines. At this time, staff is requesting City Council approval to accept PLHA funds in the amount of \$439,703 to be used as matching funds placed in the City's Housing Fund (Fund 238) and appropriation of funds.

Similar to other City housing fund approvals, future allocations and requests to utilize PLHA funds for eligible activities will be presented to the City Council for consideration and decision.

FINANCIAL IMPACT

For the 2020 and 2021 funding round, the City will receive and allocate \$439,703 in grant funding from the PLHA funds and will be required provide a funding match of \$439,703 from Fund 238 for a future affordable housing project. Funds are available in the Housing Fund to cover the \$439,703 and will be appropriated to a future affordable housing project. There is no General Fund fiscal impact associated with the PLHA fund allocation.

ENVIRONMENTAL REVIEW

The receipt of grant funding does not constitute a "project" under Section 15378 of the California Environmental Quality Act (CEQA) Guidelines and is otherwise exempt pursuant to Section 15061(b)(3).

ATTACHMENT

Resolution No. 11099 – A Resolution Authorizing the Acceptance and Appropriation of the City of Folsom's share of Sacramento County Permanent Local Housing Allocation (PLHA) Grant Funds in the amount of \$439,703

Submitted,



Pam Johns, Community Development Director

RESOLUTION NO. 11099

A RESOLUTION AUTHORIZING THE ACCEPTANCE AND APPROPRIATION OF THE CITY OF FOLSOM'S SHARE OF SACRAMENTO COUNTY PERMANENT LOCAL HOUSING ALLOCATION (PLHA) GRANT FUNDS IN THE AMOUNT OF \$439,703

WHEREAS, the Permanent Local Housing Allocation (PLHA) program through the CA Department of Housing and Community Development (HCD) provides funding to local governments in California for housing-related projects and programs that assist in addressing the unmet housing needs of their local communities; and

WHEREAS, Sacramento County is eligible for non-competitive PLHA funds as an Entitlement Community and is obligated to provide a proportional share of the PLHA funds to the City of Folsom.

WHEREAS, On March 23, 2021, the City Council approved Resolution No. 10602 authorizing the City Manager to execute an agreement with the County of Sacramento to participate in the SB 2 Permanent Local Housing Allocation Funding Program and to designate Sacramento County as the Fund Administrator on behalf of the City of Folsom; and

WHEREAS, HCD is requiring the County of Sacramento to amend the PLHA application to identify the City of Folsom PLHA activities the city will use the funding for; and

WHEREAS, PLHA funds can be used for a broad variety of affordable housing activities which are listed in the analysis section of this staff report.

WHEREAS, staff is recommending that the City's 2020 and 2021 PLHA allocation in the combined amount of \$439,703 be used towards matching funds of the City's Housing Fund (Fund 238) for future affordable housing activities.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Folsom that the City Manager is authorized to accept the PLHA grant funding of \$439,703 be used towards matching funds of the City's Housing Fund (Fund 238) for future affordable housing activities.

BE IT FURTHER RESOLVED that the Finance Director is authorized to appropriate \$439,703 for PLHA matching funding and appropriate \$439,703 in PLHA revenue. The appropriations will be in the City's Housing Fund (Fund 238).

PASSED AND ADOPTED this 12th day of September 2023, by the following roll-call vote:

AYES: Councilmember(s):
NOES: Councilmember(s):
ABSENT: Councilmember(s):
ABSTAIN: Councilmember(s):

Rosario Rodriguez, MAYOR

ATTEST:

Christa Freemantle, CITY CLERK