



Date: December 10, 2024

Honorable Mayor and Council Members:

Author and title: Lynn Baumgartner, Housing Program Analyst
Hilary Hobbs, Assistant to the Town Manager

Title: **Approval of Permanent Local Housing Allocation Plan and 5-year plan amendment for PLHA Formula Component grant funds**

Jen Callaway, Town Manager

Recommended Action:

- (1) Adopt Resolution 2024-74 approving the updated Permanent Local Housing Allocation (PLHA) Plan
- (2) Authorize the Town Manager to submit an application for PLHA 5-year plan amendment to the California Department of Housing and Community Development

Discussion:

Background: The PLHA program is funded under SB 2 Building Homes and Jobs Trust Fund for assistance to cities and counties (as described in Health and Safety Code Section 50470 et seq. Chapter 364, Statutes of 2017 (SB 2)). SB 2 established the fund and authorizes the Department of Housing and Community Development (HCD) to allocate monies collected 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 assist in addressing the unmet housing needs of their local communities.

On February 26, 2020, HCD issued a Notice of Funding Availability under the Permanent Local Housing Allocation Formula. Truckee's portion of this allocation funding is 627,912 over a five-year period. On June 23, 2020, Town Council adopted resolution 2020-47 to adopt a PLHA Plan for these funds and adopted resolution 2020-48 authorizing the Town Manager to execute and submit an application for grant funds and further authorizing the Town Manager to submit any revisions or amendments to the application as necessary (see Attachment 1).

The adopted PLHA Plan provided that all funds would be used to implement low interest loans for the construction of accessory dwelling units (ADUs). The Town launched this program in 2020, providing two loan options:

- \$50,000 10-year 2% interest loan, requiring 10-year deed restriction requiring that the ADU be rented to a household at or below 60% of AMI
- \$50,000 15-year 3% interest loan requiring 15-year deed restriction requiring that the ADU be rented to a household at or below 120% of AMI

The PLHA-funded ADU loan program is separate from the Town's Forgivable Loan for New ADU Creation program, which is funded by Measure K. A PLHA ADU loan and a Forgivable Loan for New ADU Creation programs can be layered.

Since the launch of the PLHA ADU loan program the Town has received five applications for the program, although four of these applicants have withdrawn and has one applicant in the pipeline, who may be interested in either the 60% or 120% option. The Town has received interest in the 120% AMI option from a few additional property owners and have not received any additional interest from property owners interested in the 60% AMI option. The feedback that the Town has received from property owners is that a \$50,000 loan—which covers approximately 10% of the cost of a new ADU—is not enough for a property owner to commit to a 10 or 15-year deed restriction.

Because PLHA funds have not been expended under the current program, staff recommend revising the PLHA Plan to both revise the ADU loan program and to fund new programs that address housing needs and are likely to expend funds in a short timeframe. Pursuant to the PLHA program requirements, the Town must hold a public hearing regarding proposed amendments to the PLHA Plan. Once the PLHA Plan is approved by Town Council, the Town must then submit an application for PLHA 5-year plan amendment to the California Department of Housing and Community Development.

Reallocation requirements:

In considering the Town's options for PLHA Plan amendments, the Town identified the following programmatic requirements that limit our range of options for program amendments:

- \$286,375 of the Town's allocation has already been received by the Town. The Town cannot reallocate these funds to a new project, therefore these funds are only available for ADU low interest loans. However, the specific parameters of the ADU loan program guidelines could be revised;
- \$138,480 (40% of remaining funds) must be used for a project that funds affordable owner-occupied workforce housing for households under 120% AMI; and
- \$207,722 (60% of remaining funds) could be used for a project that provides rental or ownership units for households under 120% AMI
- A portion of funds must be used to support housing for household earning no more than 60% AMI

Recommended changes to the PLHA Plan

Based on the above-referenced reallocation requirements, staff recommend revising the PLHA Plan to fund three programs:

I. ADU low-interest loan program: \$286,375

As addressed above, the Town does not have the flexibility to re-allocate the \$286,375 of funding that we have already received. Therefore, staff recommend continuing to allocate these funds for low-interest ADUs within the PLHA Plan. To address community feedback that a \$50,000 loan is not sufficient for a property owner to commit to a 10- or 15-year deed restriction, staff recommend that Council direct staff to make the following changes to make the ADU loan program more attractive by substantially increasing loan amounts, lowering interest rates, and decreasing the length of deed restrictions:

- \$200,000 20-year 1% interest loan requiring 7-year deed restriction requiring that the ADU be rented to a household at or below 60% of AMI
- \$70,000 10-year 2% loan requiring 10-year deed restriction requiring that the ADU be rented to a household at or below 120% of AMI

Following Council direction on ADU loan program changes, staff will bring back revised program guidelines for Council approval in early 2025.

II. Deferred low-interest loan for affordable housing development: \$207,722

Concurrent with staff's consideration of a PLHA Plan amendments, the Town received a request for additional match funding from the developer of the Pacific Crest Commons project.

Background: The planned Pacific Crest Commons housing development is located on a 1.7-acre property commonly referred to as the “Old CHP” site, situated on the corner of State Highway 89 and Donner Pass Road, adjacent to the Bank of America. The housing development will be comprised of two, three-story buildings providing 55 units of multi-family housing, including a mix of studio, one-, two- and three-bedroom apartments. On January 11, 2022, the Town Council approved a \$1,000,000 low interest loan to help satisfy the local match funding requirement for the project’s application for the Local Government Matching Grants (LGMG) program. The Martis Fund also committed to \$1,000,000 in local funding at that time.

In August 2024, the Pacific Crest Commons project applied for 4% federal tax credit funding and a final decision regarding this award is anticipated in mid-December. If these funds are received, the project budget will still have a funding gap of approximately \$2.2 million. In order to fill this gap, the project has submitted a request to HCD for an additional \$1,200,000 allocation of Local Government Matching Grant (LGMG) funding. These funds would only be available with additional local match funding.

PLHA Funding Recommendation: To help meet Pacific Crest Common’s match funding requirement, staff recommend that the Town re-allocate \$207,722 of PLHA funding as a deferred, low-interest loan for Pacific Crest Commons. This is the maximum amount of the Town’s PLHA allocation that would be eligible for this use and would be in addition to the Town’s prior \$1,000,000 commitment. In addition to the Town’s funding request, the project has received a match funding commitment of \$300,000 from The Regional Housing Authority of Sutter, Yuba, Nevada and Colusa Counties and a funding request is pending with the Martis Fund. This funding request is time sensitive because if the project receives tax credit funding, it will have 180 days to begin construction.

III. Down payment assistance low interest loan program: \$138,480

To satisfy the requirement that a portion of PLHA funds be used for affordable owner-occupied workforce housing, staff recommend allocating the remaining \$138,480 to be used as down payment assistance for households under 120% AMI, which could be layered with the THAP program. Pursuant to PLHA program requirements, down payment assistance would be structured as a deferred low interest loan (i.e. repayment could be deferred until resale). If this use of funds is approved in the revised PLHA Plan, staff would develop specific program guidelines. As a point of reference, eight of the twenty three homes participating in THAP have been purchased by households at or below 120% AMI, with a minimum of 106% AMI.

As an alternative, Town Council could provide direction not to include down payment assistance within the PLHA Plan and to utilize the additional \$138,480 toward the ADU low interest loan program, bringing the total available for ADU low interest loans to \$424,855.

Summary:

Staff recommend that Town Council approve amendments to the PLHA Plan to fund the following programs:

- ADU low interest loan program, with program revisions: \$286,375
- Deferred low interest loan for affordable housing: \$207,722
- Down payment assistance low interest loan program: \$138,480

Next Steps:

Once Town Council approves PLHA Plan amendments, staff anticipate the following next steps:

- Submit application for PLHA 5-year plan amendment to the California Department of Housing and Community Development
- Revise program guidelines for ADU low-interest loan program for Council approval (anticipated early 2025, following HCD approval of plan amendments)
- Develop program guidelines for down payment assistance low interest loan program for Council approval (anticipated early 2025, following HCD approval of plan amendments)

Priority:

<input type="checkbox"/>	Enhanced Communication	<input type="checkbox"/>	Climate and Greenhouse Gas Reduction	<input checked="" type="checkbox"/>	Housing
<input type="checkbox"/>	Infrastructure Investment	<input type="checkbox"/>	Emergency and Wildfire Preparedness	<input type="checkbox"/>	Core Service

Fiscal Impact: None

Public Communication: As required by PLHA program guidelines, a public hearing notice was published in the Sierra Sun on November 29, 2024 and December 6, 2024 and the draft PLHA Plan was published on the Town website for a minimum of ten (10) days prior to the public hearing.

Attachments:

- (1) June 23, 2020 Staff Report and Resolutions 2020-47 and 2020-48 available at:
<https://portal.laserfiche.com/Portal/DocView.aspx?id=59442805&repo=r-6a91ddbc>
- (2) Resolution 2024-74