



AGENCY: City Council  
MEETING DATE: May 13, 2024  
DEPARTMENT: Community Development  
PRESENTED BY: L. Peterson  
EMAIL ADDRESS: lpeterson@fortbragg.com

## AGENDA ITEM SUMMARY

### **TITLE:**

**RECEIVE REPORT AND PROVIDE DIRECTION REGARDING POTENTIAL APPLICATION FOR FUNDING FROM PERMANENT LOCAL HOUSING ALLOCATION (PLHA) PROGRAM 2023 NON-ENTITLEMENT LOCAL GOVERNMENT COMPETITIVE NOTICE OF FUNDING AVAILABILITY (NOFA)**

### **ISSUE:**

The Permanent Local Housing Allocation (PLHA) Program 2023 Non-Entitlement Local Government Competitive Notice of Funding Availability (NOFA) was released on March 6, 2024. Grant applications are due June 6, 2024. Eligible activities under the 2023 PLHA Competitive NOFA include development of Affordable multifamily rental housing and assistance to persons experiencing or at risk of homelessness. Staff has investigated feasibility of the various eligible activities and recommends submittal of an application seeking up to \$1,000,000 for either the Care Response Unit or a Rental Assistance Program. Prior to preparing an application, staff is seeking City Council's direction regarding whether a HOME application should be submitted, and if so, which activity should be included in an application.

### **ANALYSIS:**

The State PLHA program 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. In 2017, Governor Brown signed a 15-bill package aimed at addressing the state's housing shortage and high housing costs. Specifically, it included the Building Home and Jobs Act (SB 2, 2017), which established a \$75 recording fee on real estate documents to increase the supply of affordable homes in California. Because the number of real estate transactions recorded in each county will vary from year to year, the revenues collected will fluctuate. There are two types of assistance under PLHA:

1. Formula grants to entitlement and non-entitlement jurisdictions based on the formula prescribed under federal law for the Community Development Block Grant.
2. Competitive grants to non-entitlement jurisdictions. Funding amounts will vary based on annual revenues to the Building Homes and Jobs Trust Fund.

The City currently has an open award under Formula program, with funds dedicated to the City-incubated 501(c)(3) non-profit community land trust, Housing Mendocino Coast.

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The City received an award under the Competitive program in 2021 in partnership with Danco for development of the Plateau housing project.

The full 2023 Competitive NOFA is available at the HCD Website. In the 2023 NOFA, HCD provides that approximately \$12.5 million is available for awards. The maximum application amount, including administrative costs, for the development of new multifamily rental housing or substantial rehabilitation of a multifamily rental housing project, or development of a Navigation Center is \$5 million. The minimum application amount is \$500,000. The maximum application amount, including administrative costs, for assistance through program activities is \$1 million. The minimum application amount is \$500,000. Administrative expenses may be incurred to implement the project or program activity, up to a maximum of five percent of the grant amount. The total NOFA amount will be distributed equally to the two eligible activities, based on scores relative to all other applications. If there are insufficient eligible applications to utilize the allocation for one activity, unused funds will be used to fund any other eligible applications in the other activity.

### **Analysis of NOFA activities**

Applicants may only include one activity are limited to one application. Eligible activities for the 2023 PLHA Competitive NOFA are limited to the following and must take place within the City's jurisdiction:

1. Development of new multifamily rental housing that is Affordable to households at or below 60 percent of AMI or substantial rehabilitation of multifamily rental housing that will be Affordable to households at or below 60 percent of AMI, but which is not currently restricted as Affordable housing. In order to be eligible as "substantial rehabilitation", a project must complete a minimum of \$40,000 per unit in hard construction costs; or
2. Assistance to persons who are experiencing or At risk of homelessness, including, but not limited to, through rapid rehousing, rental assistance, supportive services, and case management services that allow people to obtain and retain housing, operating and capital costs for Navigation Centers, or new construction, rehabilitation, or preservation of permanent or transitional rental housing.

As provided in a Frequently Asked Questions document, supportive services must be necessary to assist program participants obtain and maintain housing, which can include street outreach, mental health services, emergency health services, employment assistance and job training, life skills training, substance abuse treatment services. Case management assesses, arranges, coordinates, and monitors the delivery of individualized services to meet the needs of the program participants.

### **Rental Housing Development Activities**

All assisted rental units must be restricted for a minimum of 55 years and all development projects must provide the following at application to demonstrate fiscal integrity:

1. The Sponsor's organizational documents;

2. A market study prepared in accordance with California Tax Credit Allocation Committee requirements, and prepared or updated within 12 months prior to the application due date, which demonstrates a market for the non-Assisted Units and documents the anticipated need for the Assisted Units;
3. An appraisal prepared or updated at the Sponsor's expense within 24 months prior to the application due date;
4. A preliminary title report;
5. For new construction projects, a Phase I Environmental Site Assessment prepared or updated within 12 months prior to the application due date, and a Phase II environmental report if recommended by the Phase I;
6. For rehabilitation projects, lead-based paint, mold, and asbestos reports.

#### Assistance to Persons Experiencing or At Risk of Homelessness

Applicants must demonstrate readiness by submitting documentation of the following with the application:

For Program Activities:

1. Timeline for the implementation of the activity
2. Written plan describing how funds will be used
3. Guidelines for determining amount of funds to be provided

For Navigation Centers or Permanent or Transitional Housing:

1. Site Control
2. Land use Entitlements
3. Environmental Review
4. Commitment of other funding and other resources required

#### Analysis of Potential Applications

At the present time, the city does not have an eligible housing development prepared for application, therefore the only feasible application under this NOFA is for a program activity providing assistance to persons experiencing or at risk of homelessness. Two potential program activities have been identified:

1. Supportive and Case Management Services: Funding for the Police Department's Care Response Unit to provide supportive services through street outreach and case management, in order to assist persons experiencing or at risk of homelessness obtain and maintain housing, by connecting them with housing resources, mental health services, and substance abuse services.
2. Rental Assistance: Funding for a Rental Assistance Program to provide rent subsidies for persons experiencing or at risk of homelessness.

Applications are evaluated for Rating and Ranking points of up to 100 points per program. Typically, applications are highly competitive. The rating selection criteria includes two sections: Priority Points (25 points) and Evaluation Criteria (75 points). Rating factors as provided in the NOFA and Fort Bragg's likely ratings for each type of activity are provided in the table below.

<b>Priority Points Rating Factors</b>	<b>Maximum Points</b>	<b>CRU</b>	<b>Rental Assist</b>
Population	5	0	0
Prior Award	5	5	5
Activity	15	15	15
<b>Priority Points Total</b>	<b>25</b>	<b>20</b>	<b>20</b>
<b>Evaluation Criteria Rating Factors</b>	<b>Maximum Points</b>	<b>CRU</b>	<b>Rental Assist</b>
Community Need	30	20	20
Applicant Administrative Experience	15	5	5
Demonstrated Capacity	30	10	10
<b>Evaluation Criteria Total</b>	<b>75</b>	<b>35</b>	<b>35</b>
<b>Estimated Total</b>	<b>100</b>	<b>55</b>	<b>55</b>

The City is expected to score the same for either program. To provide context regarding other potential funding sources, the City has filed an application for funding for a Tenant-Based Rental Assistance program under HCD's HOME Investment Partnerships Program and is awaiting notification of application funding status.

**RECOMMENDED ACTION:**

Provide direction regarding a potential grant application for the 2023 PLHA Competitive NOFA.

**ALTERNATIVE ACTION(S):**

No action will be taken other than to provide direction to staff, so no alternative actions are needed.

**FISCAL IMPACT:**

If an application is filed and awarded, grant funds are received on a reimbursement basis for project or program activities and administration costs of up to five percent.

**CONSISTENCY:**

The State PLHA mission is to provide funding to local governments in California for housing-related projects and programs that assist in addressing the unmet housing needs of their local communities. This mission is consistent with the following policy in the City's 2019 Housing Element:

**Policy H-2.8 Emergency and Transitional Housing: Continue to support emergency shelters, transitional housing and supportive housing within the City.**

**IMPLEMENTATION/TIMEFRAMES:**

If City Council provides direction to prepare a PLHA application, an Authorizing Resolution must be adopted by City Council prior to application submittal, which would be scheduled for the May 28, 2024 City Council meeting. Applications are due June 6, 2024. It is unclear when PLHA intends to make funding announcements or when Standard Agreements for awardees will be executed.

**ATTACHMENTS:**

1. Permanent Local Housing Allocation Program 2023 Non-Entitlement Local Government Competitive Notice of Funding Availability

**NOTIFICATION:**

1. Affordable Housing "Notify Me" Subscribers
2. Homeless "Notify Me" Subscribers