



AGENCY:	City Council
MEETING DATE:	July 8, 2024
DEPARTMENT:	Community Development
PRESENTED BY:	L. Peterson
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AGENDA ITEM SUMMARY

TITLE:

RECEIVE REPORT AND PROVIDE DIRECTION REGARDING A POTENTIAL 2023-2024 HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) GRANT APPLICATION

ISSUE:

An affordable housing developer from Los Angeles has entered into escrow on the 3-acre parcel at 860 Hazelwood Street. The developer intends to build affordable senior housing (similar to the Danco project on Cypress Street). The developer would like to prepare a HOME application to fund the required off-site and on-site improvements for the project. He anticipates preparing a \$5 to \$8 million dollar HOME application on behalf of the project that the City would submit to the California Department of Housing and Community Development (HCD). He would develop the application and the City would only have to submit it. The HOME application would be a low interest multi-year loan that would be paid back by the applicant to the City. The City would retain the repaid funds in the City's Housing Trust Fund which can then be used for other housing projects. Staff is seeking Council direction regarding interest in such a HOME application. If directed by Council, staff will work with the developer as needed regarding preparation and submittal of the HOME application. The developer will be applying for tax credit financing in addition to HOME funding. At this early stage in project development, the developer is seeking commitment from the City regarding partnership on a future grant application.

ANALYSIS:

The State HOME program provides grants and loans to assist cities, counties and nonprofit community housing development organizations to create and retain affordable housing. HOME activities typically include housing rehabilitation, new construction, and rehabilitation for both single-family and multi-family projects. All activities must benefit low-income renters, homebuyers, or homeowners. HOME funds that are awarded to jurisdictions are generally paid out on a reimbursement basis, after eligible use and documentation of expenditures is approved by HCD. HOME income limits for project and program beneficiaries (that is, residential renters and homeowners) are the same as Community Development Block Grant (CDBG) income limits. Cities such as Fort Bragg that do not receive HOME funds directly from the Federal Department of Housing and Urban Development (HUD) are eligible to apply for competitive HOME funding from the State Department of Housing and Community Development.

The next HOME NOFA is anticipated to be released in January of 2025, with applications due in April of 2025. Under the last HOME NOFA, Rental New Construction Project Activities, such as the one described above, were subject to funding limits of up to \$12,000,000 for a multifamily rental Project, \$75,000 for administrative costs, and \$75,000

for Project-related soft costs, for a maximum total request of \$12,150,000. Application limits are expected to be similar in the next NOFA.

The City has applied for Tenant-Based Rental Assistance (TBRA) Program under the 2022-2023 NOFA (deadline was April 9, 2024) and is awaiting notification of application status. Award of these funds will not affect the City's eligibility to apply for a development project such as the one described above. The HOME program has a minimum expenditure requirement (50% rule) for Program Activities, which disallows entities with open Program Activity contracts that are under 50% expended from applying for new Program Activities. The potential housing development project at Hazelwood is categorized as a Project Activity, and is therefore not subject to the 50% rule.

Eligible activities for the 2022-2023 HOME NOFA included both Project activities and Program activities. State Recipients (excluding Developers and CHDOs), such as units of local government like the City, were eligible to apply for multiple eligible activities as follows:

1. One rental Project and one FTHB Project; or
2. One rental Project, and any combination of eligible Program Activities; or
3. One FTHB Project and any combination of eligible Program Activities, except for a FTHB program.

In the case of an unsuccessful 2022-2023 application for TBRA, and assuming there are no major changes in the next NOFA, the City would likely be able to apply for the project at Hazelwood and reapply for a TBRA Program in the next funding year.

RECOMMENDED ACTION:

Provide direction regarding the preparation of a potential future HOME grant application in partnership with the developer.

ALTERNATIVE ACTION(S):

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

FISCAL IMPACT:

During Application Development:

Planning staff and consultants would spend time working with the developer regarding permitting. A Developer Deposit Account would be created to track employee time spent on the project and collect fees from the developer to account for that staff time, mitigating the impact on the General Fund.

Grants staff would spend time coordinating with the developer regarding grant application requirements, collecting and preparing City-specific application documents, and communicating with Council as needed. This time will be significantly less than for a typical HOME application, as the developer will be preparing the majority of application documents, limiting the impact on the General Fund.

Post-Award, If Awarded:

If an application is filed, grant funds are received on a reimbursement basis for Activities (home grants/loans or rental assistance grants), for Project-related soft costs (direct costs of implementing activities, previously referred to as Activity Delivery costs), and for General

Administration (up to \$75,000 in this case). HOME reimbursements for direct costs and administration are generally adequate to cover project implementation. The HOME program provides funding to support housing needs of low-income Fort Bragg residents. Without HOME funding, the City would otherwise be unable to assist these residents.

CONSISTENCY:

The State HOME mission is to assist cities, counties, developers, including Native American Entities, and nonprofit community housing development organizations (CHDOs) to create and retain affordable housing. This mission is consistent with the four broad primary goals of the City's 2019 Housing Element:

The primary goals of the 2019 Fort Bragg Housing Element are to encourage, facilitate, support and help fund:

- 1. New market rate and affordable housing that serves our residents and businesses in Fort Bragg;**
- 2. New affordable housing that serves our community's special needs populations;**
- 3. Preservation of our existing housing stock; and**
- 4. New housing that meets our Regional Housing Needs Allocation.**

IMPLEMENTATION/TIMEFRAMES:

If City Council directs staff to work with the developer to prepare a HOME application, staff will begin project and application coordination in anticipation of submitting an application for funding from the next funding cycle of the HOME IPP program. Based on the timeline for the 2022-2023 HOME NOFA, the next NOFA is expected to be released in January 2025, with a due date in April 2025. An Authorizing Resolution must be adopted by City Council prior to application submittal, which would be scheduled accordingly at a regular City Council meeting following the NOFA release.

ATTACHMENTS:

1. HOME Investment Partnerships Program (HOME) 2022-2023 Notice of Funding Availability (most recent NOFA; attached for reference)

NOTIFICATION:

1. Affordable Housing "Notify Me" Subscribers