



**CITY OF SALINAS COUNCIL
STAFF REPORT**

DATE: SEPTEMBER 10, 2024

DEPARTMENT: COMMUNITY DEVELOPMENT DEPARTMENT

FROM: LISA BRINTON, DIRECTOR

THROUGH: FRANCISCO BRAMBILA, ACTING PLANNING MANAGER

BY: LUIS OCHOA, SR. COMMUNITY DEVELOPMENT ANALYST
MONICA FLORES-PONCE, COMMUNITY DEVELOPMENT ANALYST

TITLE: 2024 CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT LOCAL HOUSING TRUST FUND (LHTF) APPLICATION

RECOMMENDED MOTION:

A motion to approve a Resolution authorizing:

1. The submittal of a 2024 LHTF Application to the California Department of Housing and Community Development on or before September 17, 2024;
2. The commitment of \$1,500,000 from the General Fund as the City's Match Funds;
3. The use of Housing Successor Agency (HSA) program, Permanent Local Housing Allocation Program (PLHA) and Prohousing Incentive Program (PIP) funds as on-going revenues totaling at least an average of \$100,000 per year for three years after the date of the Program award;
4. The reallocation of \$1,000,000 of General Funds from Capital Improvement Project (CIP) 9001 – Permanent Homeless Shelter to the LHTF (Fund 2603) so that it can be used as Match Funds;
5. The reallocation of \$500,000 of General Funds from Capital Improvement Project (CIP) 9021- Housing Production to the LHTF (Fund 2603) so that it can be used as Match Funds;
6. The appropriation of a LHTF budget in the amount of \$1,500,000; and

7. The City Manager, or designee, to finalize and execute all applicable forms, agreements, grant-related documents, and subsequent amendments as may be needed to support the submittal of the 2024 Local Housing Trust Fund Application and to successfully operate the Salinas Local Housing Trust Fund program.

EXECUTIVE SUMMARY:

HCD released the 2024 LHTF Program Notice of Funding Availability (NOFA) on July 9, 2024. The City is proposing to submit an application on or before September 17, 2024. To meet the Match Fund requirement, the City intends to utilize \$1,500,000 from the General Fund as Match Funds for the required dollar-for-dollar match. Staff recommends the reallocation of General Funds previously appropriated to CIP 9001 in the amount of \$1,000,000 and to CIP 9021 in the amount of \$500,000.

DISCUSSION:

On May 2, 2023, the Salinas City Council authorized the establishment of a Salinas Local Housing Trust and authorized submittal of the 2023 LHTF Application to HCD. The City of Salinas applied for the 2023 LHTF with Match Funds on a dollar-for-dollar basis for the total amount of \$4,526,562. In January 2024, the City of Salinas was awarded a total of \$3,807,248 in LHTF program funds.

On July 9, 2024, HCD released a 2024 NOFA for approximately \$53 million in funds for the Local Housing Trust Fund Program. LHTF Program funds must be used to provide construction loans and/or permanent financing loans to pay for predevelopment costs, acquisition, construction, or rehabilitation of affordable rental housing projects, emergency shelters, transitional housing, and permanent supportive housing. Program funds may also be used to assist income-eligible first time-time homebuyers to purchase homes and to rehabilitate houses owned by income eligible occupants as well as to construct, convert, repair, and rehabilitate accessory dwelling units (ADUs) or junior accessory dwelling units (JADUs).

The City is an eligible applicant as it is an existing Local Housing Trust Fund program recipient and is in compliance with Guidelines Sections 102(a)(1), 102(a)(2), and 102(a)(3). As such, the City is required to have a minimum LHTF Program application request of at least \$1,000,000 with corresponding dollar-for-dollar Matching Funds. Additionally, previously awarded applicants must have committed at least 40% of the previous LHTF award(s) to be eligible to submit an application for the 2024 NOFA. The City is also required to demonstrate sufficient ongoing revenues from public or private sources, totaling at least an average of \$100,000 per year for three (3) years after the date of the Program award. Applicants are also allowed to use up to five percent (5%) of an LHTF Program award and Match Funds to supplement administration and operations of the program.

To meet LHTF Application criteria of commitment of Match Funds and demonstrate an ongoing revenue source, it is recommended that the City commit an approximate amount of \$1,500,000 from the General Fund as Match Funds. Proposed funding sources for the City's Match Funds is detailed in the Fiscal and Sustainability Impacts section below.

Permanent Local Housing Appropriation (PLHA), Housing Successor Agency (HSA), and

ProHousing Implementation Program (PIP) would be funding sources used to commit an average of \$100,000 per year, for three (3) years after the date of the Program award as ongoing revenues for use in operations and administration of the housing trust.

Additionally, the City has identified the Housing Authority of the County of Monterey (HACM) as the developer for 921 E. Market St. and 115, 123, 137, 145, and 151 Division St. properties. Contingent upon City Council approval, the City will provide HACM a conditional commitment letter in the amount of \$3,080,000, (\$1,700,000 from the LHTF and \$1,380,000 in land value), which satisfies the requirement of 40% of 2023 LHTF funds being committed prior to September 17, 2024.

LHTFs are of significant value to local jurisdictions seeking to attract new developers or support existing planned projects by enhancing and expanding available local resources and offering supportive funding for emerging affordable housing developments. The City is currently engaged in discussions and/or partnering on various proposed housing projects that could readily benefit from the LHTF.

If awarded, the City’s LHTF Program would utilize funds for the new construction of multifamily and rental housing that is affordable to extremely low-, very low-, and low-income households including necessary operating subsidies. While the LHTF Program allows for broader use (i.e., rehabilitation of housing, ownership housing, and moderate-income housing), the additional restrictions, including an affordability restriction to up to sixty percent (60%) of Area Median Income on units produce through the 2024 LHTF, enable the City to score more highly in this competitive grant program. Allocation of awarded LHTF funds to the City, would be overseen by the City Council acting as a Salinas LHTF Board of Directors.

Below is a timeline of anticipated milestones and actions related to the City’s LHTF Program application. To ensure completion of a competitive application inclusive of required operational guidelines and policies within the extremely short submission period, the City has also enlisted support from an experienced LHTF consultant, Harris and Associates.

Proposed LHTF Program Timeline	
HCD 2024 LHTF Program NOFA Release	July 9, 2024
HCD LHTF Application Portal open for submissions	August 20, 2024
City Council consideration of City of Salinas LHTF Program	September 10, 2024
LHTF Application Deadline	September 17, 2024
HCD LHTF Award Announcements (expected)	December 2024

CEQA CONSIDERATION:

Not a Project. The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378). Future housing development would be subject to CEQA compliance.

STRATEGIC PLAN INITIATIVE:

Application to the HCD LHTF Program supports the City of Salinas Strategic Plan 2022-2025

Goals and Strategies of *Housing/Affordable Housing and Effective and Culturally Responsive Government* by facilitating the development of affordable housing projects. To reach City goals for affordable housing, more funding, especially for gap financing is needed. The LHTF presents a unique opportunity to double City resources dedicated to housing production.

DEPARTMENTAL COORDINATION:

The City's Community Development Department Housing and Community Development Division has assumed a primary role in the completion and submission of the 2024 LHTF application in coordination with the Finance Department.

FISCAL AND SUSTAINABILITY IMPACT:

HCD's 2024 LHTF application requires an initial dollar-for-dollar Match Funds and/or property as well as an identified source of ongoing revenue totaling at least an average of \$100,000 per year for three (3) years after the date of the Program award. The ongoing revenue requirement will be met through the commitment of PLHA, HSA, and PIP funds, with no impact to the General Fund.

The City's Match Funds of \$1,500,000 will be comprised of General Fund monies currently allocated in CIP 9001 – Permanent Homeless Shelter and CIP 9021 – Housing Production. Funding for the City match will require this Council's approval to reallocate \$1,000,000 from CIP 9001 – Permanent Homeless Shelter (5800.30.9001) and \$500,000 from CIP 9021 – Housing Production (5800.30.9021).

ATTACHMENTS:

State HCD Resolution for Local Housing Trust Fund Application
City Resolution for LHTF Local Housing Trust Fund Application
Draft 2024 LHTF Application