



## **CITY OF SALINAS COUNCIL STAFF REPORT**

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**DATE:** MAY 2, 2023

**DEPARTMENT:** COMMUNITY DEVELOPMENT DEPARTMENT

**FROM:** MEGAN HUNTER, DIRECTOR

**THROUGH:** ROD POWELL, PLANNING MANAGER

**BY:** LUIS OCHOA, SR. COMMUNITY DEVELOPMENT ANALYST  
DAVID VIGIL, HOUSING PRODUCTION VISTA

**TITLE:** 2023 CALIFORNIA DEPARTMENT OF HOUSING AND  
COMMUNITY DEVELOPMENT LOCAL HOUSING TRUST FUND  
APPLICATION

**RECOMMENDED MOTION:**

A motion to approve a Resolution authorizing:

1. establishment of a Salinas Local Housing Trust; and
2. establishment of a Salinas Local Housing Trust Fund with revenue and expenditure accounts to include pre-application appropriations totaling \$1,020,000, including \$20,000 from the SB2 PLHA Fund as required, incremental operating revenue, and planned appropriations of \$20,000 per year for the upcoming four fiscal years for the SB2 (PLHA) Fund; and
3. transfers from Housing Production Fund CIP #9021 (\$500,000), the General Fund (\$500,000), and SB2 PLHA Fund (\$20,000); and
4. commitment of nine (9) City-owned properties at 921 E. Market St., an easement and 115, 123, 137, 145, 151 Division St., and 37-39 and 34-38 Soledad St. as Salinas LHTF match assets; and
5. submittal of a Local Housing Trust Fund Program Application to the California Department of Housing and Community Development; and
6. the City Manager, or designee, to execute all applicable forms, grant-related documents, and subsequent amendments as needed.

**EXECUTIVE SUMMARY:**

The California Department of Housing and Community Development (HCD) Local Housing Trust Fund (LHTF) Program provides matching funds to local and regional housing trust funds dedicated to the creation, rehabilitation, or preservation of affordable housing, transitional housing, and emergency shelters. As part of the Program, applicant jurisdictions are required to provide a dollar-for-dollar match of funds and/or property assets to support equivalent funding requests up to five

million dollars (\$5,000,000). The City of Salinas (City) is considered to be a new applicant to the LHTF Program and, as such, is required to have a minimum LHTF Program application request of at least \$500,000 with corresponding match and operating revenues. It is proposed that the City satisfy these requirements with an appropriation of \$500,000 from the Housing Production Fund CIP # 9021; \$500,000 of General Funds; the appraised valuations of nine (9) owned, undeveloped City-owned properties; and an incremental amount not to exceed \$100,000 of SB2 PLHA funds as operating revenues. Each match property would become an affordable housing project beneficiary of awarded LHTF funds.

#### BACKGROUND:

On December 4, 2018, Council adopted the Salinas Plan (SP). One of the thirty-two (32) recommendations highlighted in the SP was to establish a housing trust fund with local and state resources to support the creation of 2,000 new units of affordable housing. As discussed in SP updates, the City ultimately participated in a regional trust fund through Monterey Bay Economic Partnership (MBEP). Unfortunately, no housing project within Salinas has ever tapped into the MBEP Trust Fund because of funding restrictions. As a result, the City established a Housing Capital Improvement Project (CIP) Fund to serve as a funding source for affordable housing projects. Until last fiscal year, City allocations to the CIP have been minimal.

On March 7, 2023, HCD released a Notice of Funding Availability (NOFA) announcing the availability of approximately fifty-three million (\$53,000,000) in LHTF Program funds to local, compliant jurisdictions. Source funding for HCD's LHTF Program was established by the Veterans and Affordable Housing Bond Act of 2018 (Proposition 1), adopted by California voters on November 6, 2018.

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).

All funds provided by the LHTF Program must be matched by the applicant on a dollar-for-dollar basis with funds from dedicated sources of funding such as taxes, fees, loan repayments, land donations, or public or private contributions. If land donations/valuations are used as matching funds, that land must be utilized as part of an affordable housing project. Prior to the disbursement of LHTF Program funds, jurisdictions must demonstrate proof of deposit of match funds in a designated LHTF account or provide proof of a legally binding commitment to do so. Funds restricted for housing use by state or federal law, such as funds from HOME, CDBG, HSA, or state housing programs administered by HCD, may not be used as LHTF match funds.

#### DISCUSSION:

To reach City goals for affordable housing, more funding, especially for gap financing is needed. The LHTF presents a unique opportunity to essentially double City resources dedicated to housing production. The City would apply as a new LHTF applicant and as such is required to demonstrate sufficient sources of ongoing revenues from public or private sources that will cover operating costs for a minimum of five (5) years from the date of an LHTF Program award. Applicants are also allowed to use up to five percent (5%) of an LHTF Program award to supplement administration and operations of the program. HCD SB2 PLHA funds may be used as a source of ongoing operating revenue to support a new LHTF.

New LHTF Program applicants may request five hundred thousand (\$500,000) to five million dollars (\$5,000,000) in funding contingent upon the provision of a dollar-for-dollar match of funds and/or property assets. In support of its LHTF application, the City proposes to use a portion of its Housing Production Fund CIP #9021 (\$500,000) and new allocation of General Funds (\$500,000) towards its match as well as the valuations of seven (7) of its owned parcels on Division and Market Streets and two (2) of its owned parcels on Soledad Street with an approximate value of one million dollars (\$1,000,000). In summary, and contingent upon in-progress appraisals of city owned property, the City is seeking to identify and commit a total of two million dollars (\$2,000,000) in allowable assets (funds and property) that would effectively result in a total of four million dollars (\$4,000,000) towards viable, future affordable housing projects. The City would also commit up to one hundred thousand dollars (\$100,000) of its SB2 (PLHA) funds as a required ongoing source of revenues to incrementally support LHTF operations for five (5) years.

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 these matching funds.

If awarded, the City's new 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 listed here 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.

<b>Proposed Local Housing Trust Fund Match and Administration Assets</b>		
<b>Funds:</b>		<b>Allocation Amount</b>
	Existing Housing Production Fund (CIP 9021)	\$ 500,000
	General Funds	\$ 500,000
<b>Owned Property Valuations:</b>		
	921 E. Market Street	TBD appraisals in-progress, estimated to be +/- \$575,000
	115 Division Street	
	123 Division Street	
	137 Division Street	

145 Division Street	
Easement on Division Street	
151 Division Street	
37-39 Soledad Street	\$140,000
34-38 Soledad Street	\$300,000
<b>Ongoing Revenues</b> (To support 5 years of Housing Trust operating costs)	
SB2 Permanent Local Housing Allocation (PLHA)	\$100,000
<b>Total Local Funds and Assets Committed</b>	TBD +/- \$2,100,000

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 30-day submission period, the City has also enlisted support from an experienced LHTF consultant, Harris and Associates.

<b>Proposed LHTF Program Timeline</b>	
HCD 2023 LHTF Program NOFA Release	March 7, 2023
LHTF Application Release	April 6, 2023
HCD LHTF Application Portal open for submissions	April 19, 2023
City Council consideration of City of Salinas LHTF Program	May 2, 2023
Internal transfer of local match funds to new LHTF account	May 2-5, 2023
LHTF Application Deadline	May 17, 2023
HCD LHTF Award Announcements	August 2023

2023 LHTF Program applications are due to HCD by no later than May 17, 2023.

#### 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).

#### 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*.

#### DEPARTMENTAL COORDINATION:

The City's Community Development Department Housing and Community Development Division has assumed a primary role in the completion and submission of an HCD LHTF application in consultation with the City Manager, City Attorney and Finance Department. If awarded, the City's new LHTF will become part of the portfolio of available affordable housing development tools and resources administered by CDD Housing staff.

#### FISCAL AND SUSTAINABILITY IMPACT:

HCD's 2023 LHTF application requires an initial dollar-for-dollar match of allowable funds and/or property as well as an identified source of fund to support operating costs and administration for a minimum of five (5) years. The City's application will include \$500,000 of General Funds, \$500,000 of Housing Production Fund CIP #9021, and nine (9) allowable properties currently under appraisal and estimated to be valued at approximately \$1,000,000. Originally, staff had requested \$500,000 from Measure E for the Housing Production CIP in the FY 23/24 budget. However, HCD's LHTF application requires matching funds to be appropriated at time of application. Therefore, it is recommended that City Council approve the \$500,000 General Funds appropriation as part of action taken on May 2<sup>nd</sup>. The \$500,000 of Housing Production CIP #9021 funds have been previously appropriated and should be transferred into the Salinas LHTF account.

Per LHTF Guidelines, an additional \$100,000 of SB2 (PLHA) funds will also be committed incrementally over a five (5) year period to support the ongoing operations LHTF. Identified match funds and the first increment of LHTF operating revenues (\$20,000) must also be transferred to the newly created Salinas LHTF prior to submission of the application.

ATTACHMENTS:

Resolution HCD Local Housing Trust Fund Application

State HCD Resolution Local Housing Trust Fund Application

Salinas LHTF Program Guidelines and Standards