



**CITY OF SALINAS
COUNCIL STAFF REPORT**

DATE: OCTOBER 18, 2022

DEPARTMENT: COMMUNITY DEVELOPMENT DEPARTMENT

FROM: MEGAN HUNTER, DIRECTOR

THROUGH: ROD POWELL, PLANNING MANAGER

BY: CRISTINA GONZALEZ, COMMUNITY DEVELOPMENT ANALYST

TITLE: 2021 APPLICATION TO CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT PERMANENT LOCAL HOUSING ALLOCATION PROGRAM AND 5-YEAR PLAN AMENDMENT.

RECOMMENDED MOTION:

A motion to approve a Resolution authorizing:

1. Submission of the City's annual application for 2021 Permanent Local Housing Allocation funds to the California Department of Housing and Community Development; and
2. Submission of an amended Permanent Local Housing Allocation 5-Year Plan; and
3. Appropriation of 2021 PLHA funds to General Ledger account fund SB2 (2951); and
4. The City Manager or designee to execute all applicable agreements.

EXECUTIVE SUMMARY:

In June 2020, the City Council adopted a resolution authorizing the submission of an initial application and required 5-Year Plan (Plan) for California Department of Housing and Community Development (HCD) Permanent Local Housing Allocation (PLHA) program funds. In May 2021, following submission and approval of the City's initial Plan, agreements to allow access to first-year 2019 funds in the amount of \$1,006,847 were executed. Shortly thereafter, the City submitted a streamlined HCD PLHA application for its 2020 allocation of \$1,564,592 on September 14, 2021. Standard Agreements related to this Year 2 funding have yet to be issued by HCD.

On August 17, 2022, HCD released a NOFA for 2021 PLHA funds advising of an intended City of Salinas allocation of \$1,722,182. In response staff have prepared the required application and an accompanying amended Plan to allow for utilization of the funds in alignment with the City Council's goals and previously approved commitments. The amended Plan will reallocate the percentages of funds among selected eligible actives for years two (2020) and three (2021). This necessary modification is in response to the executed MOUs between the City and Shangri-La Industries LLC

and Step Up on Second Street, Inc. for the development, property management and case management at the Sanborn Inn and Salinas Inn Homekey projects. Through these MOUs, the City intends to commit a total of \$1,014,000 of PLHA funds to the Sanborn Inn project and \$220,000 to the Salinas Inn project towards the provision of permanent supportive housing opportunities for unhoused City residents. The amended Plan also allows for each Homekey project to access three (3) years of necessary HCD Homekey match funds.

BACKGROUND:

In 2017, Governor Brown signed a 15-bill housing package aimed at addressing the state's housing shortage and high housing costs. Specifically, it included SB 2, referred to as the "Building Homes and Jobs Act." SB 2 establishes a permanent, on-going source of funding dedicated to promoting and facilitating affordable housing development. SB2 funding is secured through a fee that is imposed at the time of recording of every real estate instrument, paper or notice for each single real estate transaction on a parcel of property. Recording fees typically range from \$75 to \$225 dependent upon the nature and scope of each property transaction. Sales transactions for single-family homes are exempt from this fee.

Annual PLHA funding allocations will vary from year to year as revenue is dependent upon annual transactions associated with an ever-fluctuating real estate market. To date, approximately \$335 million in statewide PLHA-related revenue has been earmarked for local government affordable housing grants as a result of this fee. SB 2 prescribes that the identified real estate transaction revenue collected for the PLHA program be deposited into a State Building Homes and Jobs Trust Fund (Fund). Seventy percent (70%) of the Fund has been made available to HCD to assist local governments in eligible housing-related projects and programs.

DISCUSSION:

Prior HCD PLHA NOFAs have been issued February 26, 2020 and May 2, 2021. In response, the City, as an entitlement jurisdiction, submitted the required application and been awarded respective allocations of \$1,006,847 (2019) and \$1,564,592 (2020). For year three (2021), the City anticipates an allocation of \$1,722,182. HCD plans to provide five years (2019-2023) of PLHA funding to eligible, compliant jurisdictions. Only jurisdictions that have submitted a recent Housing Element Annual Progress Report and maintain an HCD-compliant Housing Element are eligible to receive PLHA funds.

PLHA program funds are intended to fund housing-related projects and programs that assist in addressing the unmet housing needs of local communities. Based upon engagement and analysis, the City's Plan includes varying annual percentage allocations of PLHA funds to four (4) eligible activities:

- Extremely low-, very low-, low-, or moderate-income affordable housing development
- Accessory Dwelling Unit (ADU) production
- Matching Local or Regional Housing Trust Funds
- Homeless Services Assistance

HCD grants cities with flexibility to craft and amend a Plan that allows jurisdictions to best meet and respond to the immediate and long-term housing needs within the community. With this in mind and in recognition of the fluid and ever-changing environment of homeless services funding, staff recommend the submission of an allowable Plan amendment reflective of the current, critical homeless needs within the community and to address the City Council’s prior commitment of PLHA funds to the Sanborn Inn and Salinas Inn Homekey projects. In essence, the Plan amendment continues to fund each of the original Plan’s eligible activities but provides for necessary adjustments of the categorical activity percentage used for each of the Plans annual allocations. More specifically, the Plan amendment seeks to adjust percentages in Plan years 2 and 3 to recognize and fulfill the City’s prior commitment to the Homekey projects and to continue the commitment of funding towards the development of low-income multifamily rental units. Plan years 1, 4 and 5 remained unchanged.

As required by HCD, the City initiated the required 10-day public notice on October 8, 2022, inviting public review and comment. Copies of applicable documents were made available online, in person at the City’s Permit Center, and through email request. The City’s Housing and Land Use Committee received an initial presentation and review of this item on October 11, 2022, in anticipation of the required Council public hearing scheduled for October 18, 2022.

CEQA CONSIDERATION:

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 and acceptance of the City’s 2021 PLHA allocation and amendment to the City’s 5-Year PLHA Plan supports City of Salinas 2022-2025 Strategic Plan Goals and Strategies of *Housing/Affordable Housing* and *Effective and Culturally Responsive Government*.

DEPARTMENTAL COORDINATION:

This agenda item is administered by the CDD’s Housing and Community Development Division in consultation with the City Attorney and in coordination with the Finance Department.

FISCAL AND SUSTAINABILITY IMPACT:

This item has no impact to the City’s General Fund. PLHA funds will be appropriated to existing General Ledger account fund SB2 (2951).

ATTACHMENTS:

- Resolution
- State HCD PLHA Resolution
- PLHA FY 2021 Application
- PLHA 5-Year Plan
- PLHA 5-Year Plan Amendment