



City of Rialto

Legislation Text

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For City Council Meeting [September 27, 2022]

TO: Honorable City Council

APPROVAL: Marcus Fuller, City Manager

FROM: Kathy Brann, Economic Development Manager
Lissette Montoya, Avant Garde, Inc.

Request City Council to: (1) Hold a Public Hearing to Consider the 5-Year Allocation Plan for Use of Permanent Local Housing Allocation (PLHA) Program Funds; (2) Adopt **Resolution No. 7982** Authorizing the Submission of an Application For, and Receipt Of, Permanent Local Housing Allocation (PLHA) Program Funds; and (3) Authorize the City Manager to Execute All Documents.

(ACTION)

BACKGROUND

The California Department of Housing and Community Development (HCD) announced the release of \$195 million in funding for the Permanent Local Housing Allocation (PLHA) program. PLHA 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. The PLHA program is intended to increase the supply of housing for households at or below 60 percent of the Area Median Income (AMI), increase assistance to affordable owner-occupied workforce housing, assist persons experiencing risk of homelessness, facilitate housing affordability, and promote projects and programs to meet regional housing need allocations.

The Notice of Funding Availability (NOFA) for the PLHA program was re-opened on October 23, 2020. The Department determined thresholds and requirements for Entitlement and Non-entitlement Local governments. Grant allocation amounts are based on the formula prescribed under federal law for the Community Development Block Grant. The City of Rialto (the "City") is eligible to apply for a total estimated five (5) year allocation amount of \$3,586,716.00.

Funds allocated to eligible applicants must be used to carry out one or more of the following eligible activities:

1. The predevelopment, development, acquisition, rehabilitation and preservation of multifamily, residential live-work, rental housing that is affordable to extremely low-, very low-, low-, or moderate-income households, including necessary operating subsidies.
2. The predevelopment, development, acquisition, rehabilitation and preservation of affordable rental and ownership housing, including ADUs, that meets the needs of a growing workforce earning up to 120 percent of AMI.
3. Matching portions of funds placed into a Local or Regional Housing Trust Fund.

4. Matching portions of funds available through the Low- and Moderate-Income Housing Asset Fund pursuant to subdivision (d) of HSC Section 34176.
5. Capitalized Reserves for Services connected to the preservation and creation of new permanent supportive housing.
6. Assisting persons who are experiencing or at risk of homelessness by providing rapid rehousing, rental assistance, supportive/case management services, operating and capital costs for navigation centers and emergency shelters, and the new construction, rehabilitation, and preservation of permanent and transitional housing.
7. Accessibility modifications in lower-income owner-occupied housing.
8. Efforts to acquire and rehab foreclosed or vacant homes and apartments.
9. Homeownership opportunities including down payment assistance.

The deadline to submit an application to HCD for use of the City's PLHA program funds is October 31, 2022. Failure to submit an application by this date will forfeit the City's Year 1 (2019) allocation in the amount of \$597,786. A condition of applying to HCD for use of PLHA program funds is certification by HCD of the City's Housing Element.

The City has been actively working on updating the City's Housing Element to address the Regional Housing Needs Assessment (RHNA) which identifies the additional housing units to be developed in Rialto. On March 8, 2022, the City Council adopted the 2021-2029 (6th Cycle) Housing Element Update that addressed the latest RHNA for the City of Rialto.

The City's Housing Element Update was submitted to HCD for its review and certification. Through this review process, HCD has required the City to make certain revisions necessary to comply with the State Housing Element Law.

Subsequently, the City prepared a third draft of the Housing Element Update and forwarded it to HCD for review on August 11, 2022.

During the City Council's closed session discussion of September 13, 2022, Staff presented an update to the Council regarding the disposition and sale of the properties owned by the City's Successor Agency located at 274 and 290 W. Jackson Street. At that time, Staff presented the proposal to utilize the City's PLHA program funds by designating a portion to be used for single family and mobile home rehabilitation projects, and to designate a portion to be directed to the development of a 10-unit affordable housing project on the Jackson Street parcels.

Staff published a notice of the proposed use of the PLHA program funds and set the public hearing for September 27, 2022, to allow for the Council's consideration of this item in time for formal submittal of the program to HCD by the October 31, 2022, deadline.

ANALYSIS/DISCUSSION

Staff has recommended the following program for use of the City's PLHA program funds for the 2019 - 2023 5-Year cycle:

Year 1 (2019 Funds)

Type of Activity: Rehabilitation
Income Level Served: Up to 80% AMI
Amount of Funds Allocated: \$597,786
Estimated # of Households Served: 12

Year 2 (2020 Funds)

Type of Activity: Rehabilitation
Income Level Served: Up to 80% AMI
Amount of Funds Allocated: \$400,000
Estimated # of Households Served: 8

Type of Activity: Development
Income Level Served: Up to 80% AMI
Amount of Funds Allocated: \$529,145
Estimated # of Households Served: 5

Year 3 (2021 Funds)

Type of Activity: Rehabilitation
Income Level Served: Up to 80% AMI
Amount of Funds Allocated: \$400,000
Estimated # of Households Served: 8

Type of Activity: Development
Income Level Served: Up to 80% AMI
Amount of Funds Allocated: \$622,495
Estimated # of Households Served: 5

Year 4 (2022 Funds)

Type of Activity: Rehabilitation
Income Level Served: Up to 80% AMI
Amount of Funds Allocated: \$518,645 (estimated)
Estimated # of Households Served: 10

Year 5 (2023 Funds)

Type of Activity: Rehabilitation
Income Level Served: Up to 80% AMI
Amount of Funds Allocated: \$518,645 (estimated)
Estimated # of Households Served: 10

The PLHA program funds are recommended for the low-income home rehabilitation projects that previously were funded by the City with Cal Home funds provided through HCD. In this case, it is recommended that the portion of PLHA program funds allocated to rehabilitation be provided by the City as grants of up to \$50,000 for the rehabilitation of affordable owner-occupied housing for households earning up to 80% AMI.

The portion of PLHA program funds allocated to development may be directed to the construction of

new affordable housing units, and specifically to the potential project located at 274 and 290 W. Jackson Street.

As part of the HCD application process, the City provided the public an adequate opportunity to review and comment on the 5-year allocation activity plan to be submitted with the application. This plan details the way allocated funds will be used on eligible activities as identified in this staff report.

To meet this requirement, a public notice was published in the Daily Journal on September 16, 2022, allowing for a 10-day public review and comment period of the 5-year allocation activity plan. As of the date this report was written, any comments that were received have been addressed by staff. Any comments received after the publication of this report will be delivered to the City Council and made available to the City Council and the public at the Public Hearing on September 27, 2022.

The City's consultant, Avant-Garde, in coordination with Staff is currently assisting with the PLHA application and 5-year allocation plan, and will prepare and submit all required documents to HCD on behalf of the City. As part of the application, a Resolution must be adopted by the City Council authorizing submission of the application and acceptance of PLHA program funds.

It is our understanding that HCD's certification of the City's Housing Element Update is a requirement for applying to use the PLHA program funds. On September 19, 2022, HCD responded to the City's latest revised Housing Element Update with comments, and has not certified it. While Staff will continue to coordinate with HCD on the latest comments, it is not likely that the City will have a certified Housing Element by October 31, 2022, and will be prevented from applying for its PLHA program funds. This will result in lapsing of the Year 1 (2019) PLHA program funds of \$597,786.

However, it is important to note that the Southern California Association of Governments (SCAG) region encompasses six counties (Imperial, Los Angeles, Orange, Riverside, San Bernardino and Ventura) and 191 cities in an area covering more than 38,000 square miles. Of all the cities in the SCAG region, it is Staff's understanding that only 20 have a certified Housing Element.

Out of an abundance of caution, Staff is recommending the City Council to adopt the 5-Year Plan for use of PLHA program funds such that the City can apply. Given the number of cities that will be prevented from applying to use their PLHA program funds, it is possible that state action may be taken to allow those cities that are actively participating in their Housing Element Update process and coordinating with HCD to apply for and receive the PLHA program funds prior to HCD's final certification of their Housing Element. Alternatively, HCD may extend the deadline to allow for the certification process to continue.

ENVIRONMENTAL IMPACT

The proposed request is not a "Project" as defined by the California Environmental Quality Act (CEQA). Pursuant to Section 15378(a), a "Project" means the whole of an action, which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. According to section 15378(b), a project does not include: (5) Organization or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

GENERAL PLAN CONSISTENCY

Approval of this action complies with the following City of Rialto General Plan Goals and Policies:

Our city government will lead by example, and will operate in an open, transparent, and responsive manner that meets the needs of the citizens and is a good place to do business.

LEGAL REVIEW:

The City Attorney has reviewed and recommends approval of the staff report and resolution.

FINANCIAL IMPACT:

Operating Budget Impact

The 5-Year PLHA Program recommended by staff will allocate funds for rehabilitation and development projects. If the City's allocation request is approved by HCD, Staff will return with acceptance of the funds and an amendment to the City's budget to appropriate the receipt and use of these funds.

Capital Improvement Budget Impact

The 5-Year PLHA Program recommended by staff will allocate funds for rehabilitation and development projects. If the City's allocation request is approved by HCD, Staff will return with acceptance of the funds and an amendment to the City's budget to appropriate the receipt and use of these funds.

RECOMMENDATION:

Request City Council to:

- (1) Hold a Public Hearing to Consider the 5-Year Allocation Plan for Use of Permanent Local Housing Allocation (PLHA) Program Funds;
- (2) Adopt a Resolution authorizing the Submission of an Application For, and Receipt Of, Permanent Local Housing Allocation (PLHA) Program Funds; and
- (3) Authorize the City Manager to Execute All Documents