

R-17

May 19, 2020

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt a Resolution authorizing the City Manager, or designee, to execute the Permanent Local Housing Allocation Program Application, Standard Agreement, and any documents and subsequent amendments or modifications thereto, with the California Department of Housing and Community Development, to accept and expend Permanent Local Housing Allocation Program grant funds in the amount of \$17,560,704, over a five-year period. (Citywide)

DISCUSSION

In September 2017, the California Legislature approved Senate Bill 2 (SB 2), known as the Building Homes and Jobs Act (Act), which established a \$75 recording fee on real estate documents to increase the supply of affordable housing. The Act establishes the Permanent Local Housing Allocation (PLHA) program, administered by the California Department of Housing and Community Development (HCD). The PLHA provides a permanent source of funding to cities and counties to help meet the unmet need for affordable housing and increase the supply of affordable housing units. HCD released its first Notice of Funding Availability for these funds on February 26, 2020.

Under the PLHA, funding is provided through formula grants to entitlement jurisdictions based on the formula prescribed under federal law for the Community Development Block Grant (CDBG) program over a five-year funding period, as well as through a competitive grant program to non-entitlement jurisdictions. The City of Long Beach (City) is an entitlement jurisdiction, and is eligible to receive an estimated \$17,560,704, or approximately \$3 million annually, over the five-year funding period. It is important to note that this is only an estimate, since annual PLHA amounts are subject to change. This is because funding for the PLHA is generated through a fee on real estate transactions, which may fluctuate from year to year. It is estimated that the City will receive first-year funds of approximately \$2,926,784 in October 2020 (FY 21).

The State requires entitlement jurisdictions to use PLHA funds to increase the supply of affordable housing. To receive PLHA funds, the City is required to submit a PLHA Plan (Plan) detailing the manner in which allocated funds will be used; a description of the way the local government will prioritize investments that increase the supply of housing for households at or below 60 percent of AMI; a description of how the Plan is consistent with the programs set forth in the City’s Housing Element; and, evidence that the Plan was authorized and adopted by Resolution by the City Council and that the public had an adequate opportunity to review and comment on its content.

The City’s Certified 2013-2021 Housing Element, Program 4.1, Affordable Housing Development Assistance, states that the Long Beach Community Investment Company (LBCIC) provides assistance to housing developers for the construction of affordable rental and for-sale ownership housing. One objective of this program is to annually monitor the availability of State and Federal funding such as the PLHA funds being offered by HCD. The LBCIC assistance is provided to developers in the form of low-interest loans combined with deed restrictions on affordable housing units. The LBCIC makes funding available through a competitive Notice of Funding Availability (NOFA) process. The proposed Plan will make PLHA funds available to developers using this existing LBCIC NOFA process.

The proposed Plan (Attachment A) directs 100 percent of the City’s PLHA funding to the development of new affordable rental housing projects serving households earning 60 percent of the Area Median Income and below. To develop this plan, staff considered existing housing resources and the overwhelming need to develop additional affordable housing units by assisting housing developers to address the remaining Regional Housing Needs Allocation (RHNA) identified in the City’s Certified 2013-2021 Housing Element (Table 1) and the projected RHNA allocation for the next Housing Element cycle, 2021-2029 (Table 2).

Table 1. Long Beach Regional Housing Needs Allocation 2013-2021					
	Very-Low Income	Low Income	Moderate Income	Above Moderate Income	Total
RHNA Allocation (Units)	1,773	1,066	1,170	3,039	7,048
Progress (Permitted Units)	436	191	28	2,600	3,255
Remaining Units	1,337	875	1,142	439	3,793

	Very-Low Income	Low Income	Moderate Income	Above Moderate Income	Total
RHNA Allocation (Units)	7,122	4,038	4,149	11,131	26,440

Use of PLHA funds for this unmet housing need is consistent with the City's Adopted 2013-2021 Certified Housing Element and is recommended by staff.

The PLHA guidelines require that the public be given at least ten days to review and comment on the proposed Plan. Staff posted the proposed Plan on the Development Services web page on April 27, 2020 and notified residents and stakeholders of its availability for review and comment between April 27, 2020 and May 11, 2020.

The City, through the LBCIC, also applied for up to \$5 million in CalHome funds through HCD in February 2020. If awarded, the funds can be used for second mortgage assistance loans and loans to develop accessory dwelling units. Funding announcements are expected in June 2020.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on April 15, 2020 and by Budget Management Officer Rhutu Amin Gharib on April 29, 2020.

TIMING CONSIDERATIONS

California Department of Housing and Community Development is accepting applications for the Permanent Local Housing Allocation Notice of Funding Availability from April 27, 2020 through July 27, 2020. Staff is requesting that the City Council adopt the resolution on May 19, 2020 in order to submit the application in advance of the July 27, 2020 deadline.

FISCAL IMPACT

The recommended action approves the application for grant funds for the Permanent Local Housing Allocation program which will help the City address the need for affordable housing. The Development Services Department will appropriate up to the estimated \$17,560,704, based on the final award, during the FY 21 budget development process. This recommendation has no staffing impact beyond the budgeted scope of duties and is consistent with existing City Council priorities. There is no fiscal or local job impact associated with this recommendation.

HONORABLE MAYOR AND CITY COUNCIL

May 19, 2020

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SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



LINDA F. TATUM, FAICP
DIRECTOR OF DEVELOPMENT SERVICES

ATTACHMENTS: RESOLUTION
 ATTACHMENT A - PLHA PLAN

APPROVED:



THOMAS B. MODICA
CITY MANAGER

OFFICE OF THE CITY ATTORNEY
CHARLES PARKIN, City Attorney
411 West Ocean Boulevard, 9th Floor
Lona Beach, CA 90802

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RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF LONG BEACH APPROVING THE APPLICATION
FOR GRANT FUNDS FOR PROJECTS UTILIZING
PERMANENT LOCAL HOUSING ALLOCATION FUNDS

WHEREAS, the State of California (the "State"), Department of Housing
and Community Development ("Department") is authorized to provide up to \$195 million
to Cities and Counties for assistance under the SB 2 Permanent Local Housing Allocation
Program Entitlement Jurisdiction Component from the Building Homes and Jobs Trust
Fund (as described in Health and Safety Code section 50470 et seq. (Chapter 364,
Statutes of 2017 (SB 2)); and

WHEREAS, the Department issued Permanent Local Housing Allocation
Final Guidelines ("PLHA Program Guidelines") in October 2019; and

WHEREAS, the Department issued a Notice of Funding Availability
("NOFA") dated February 26, 2020 under the Permanent Local Housing Allocation
("PLHA"); and

WHEREAS, the City of Long Beach ("Applicant") is a City eligible to submit
an application for and administer Permanent Local Housing Allocation Funds; and

WHEREAS, the Department may approve funding allocations for the PLHA
Program, subject to the terms and conditions of the PLHA Program Guidelines, NOFA,
Program requirements, the Standard Agreement, and other contracts between the
Department and PLHA grant recipients;

NOW, THEREFORE, the City Council of the City of Long Beach resolves as
follows:

Section 1. If Applicant receives a grant of PLHA funds from the
Department pursuant to the above referenced PLHA NOFA, it represents and certifies

1 that it will use all such funds in a manner consistent and in compliance with all applicable
2 state and federal statutes, rules, regulations, and laws, including without limitation all
3 rules and laws regarding the PLHA Program, as well as any and all contracts Applicant
4 may have with the Department.

5 Section 2. Applicant is hereby authorized and directed to receive a PLHA
6 grant, in an amount not to exceed the five-year estimate of the PLHA formula allocations,
7 as stated in Appendix C of the current NOFA \$17,560,704 in accordance with all
8 applicable rules and laws.

9 Section 3. Applicant hereby agrees to use the PLHA funds only for
10 Eligible Activities as approved by the Department and in accordance with all Program
11 requirements, PLHA Program Guidelines, other rules and laws, as well as in a manner
12 consistent and in compliance with the Standard Agreement, its Application, and other
13 contracts between the Applicant and the Department.

14 Section 4. Applicant shall be subject to the terms and conditions as
15 specified in the Standard Agreement, the PLHA Program Guidelines, and any other
16 applicable SB 2 guidelines published by the Department.

17 Section 5. The City Manager or designee, is hereby authorized to
18 execute the PLHA Program Application, the PLHA Standard Agreement and any
19 subsequent amendments or modifications thereto, as well as any other documents which
20 are related to the Program or the PLHA grant awarded to Applicant, as the Department
21 may deem appropriate.

22 Section 6. This resolution shall take effect immediately upon its adoption
23 by the City Council, and the City Clerk shall certify the vote adopting this resolution.

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I hereby certify that the foregoing resolution was adopted by the City Council of the City of Long Beach at its meeting of _____, 2020 by the following vote:

Ayes: Councilmembers: _____

Noes: Councilmembers: _____

Absent: Councilmembers: _____

Recusal(s): Councilmembers: _____

City Clerk

OFFICE OF THE CITY ATTORNEY
CHARLES PARKIN, City Attorney
411 West Ocean Boulevard, 9th Floor
Long Beach, CA 90802

**Permanent Local Housing Allocation (PLHA)
302(c)(4) Plan**

Eligible Applicant Type:	Entitlement
Local Government Recipient of PLHA Formula Allocation:	Long Beach
Approximate PLHA Formula Allocation Amount:	\$17,560,704
Allowable Local Admin (5%):	\$878,035

302(c)(4)(A) Describe the manner in which allocated funds will be used for eligible activities.

The City of Long Beach will use PLHA funds to provide gap financing for the development of new affordable multifamily residential rental housing projects serving households earning 60% AMI and below. Separate from the PLHA program, the City plans to increase production of moderate- and lower-income units through a new Inclusionary Housing policy, which is in process.

302(c)(4)(B) Provide a description of the way the Local government will prioritize investments that increase the supply of housing for households with incomes at or below 60 percent of Area Median Income (AMI).

PLHA funds will be made available to affordable housing developers through a competitive Notice of Funding Availability (NOFA) process. Each NOFA will seek development proposals that include new affordable housing units for households with incomes at or below 60% of AMI. The City has extensive experience with this model. There are four projects currently under construction as a result of the city's NOFA process, all serving households earning 30% to 60% AMI. These include the Spark at Midtown, 94 affordable units serving 30-60% AMI; Las Ventanas Apartments, 101 affordable units serving 30-60% AMI; Vistas del Puerto, 47 affordable units serving 30-60% AMI; and Bloom Apartments, 39 affordable units serving 30% AMI. The City has leveraged HOME funds and Housing Successor funds to support these projects that have been funded with tax credits and other state and county funds. This existing plan will be utilized for administering PLHA funds as well. The City is currently aware of multiple potential projects that can be assisted with PLHA funds. The City may also combine remaining Housing Successor funds with PLHA funds to maximize the number of units that can be produced.

302(c)(4)(C) Provide a description of how the Plan is consistent with the programs set forth in the Local Government's Housing Element.

Providing funding for affordable housing and assisting in new construction of affordable housing is one of the key policies in the City's Certified Housing Element. In particular, Program 4.1, Affordable Housing Development Assistance requires the City to provide loans to developers (gap financing) to encourage the development of affordable housing units to facilitate the housing production and affordability goals set forth in the 2014-2021 RHNA.

Regional Housing Needs Allocation (RHNA)- Background and Local Requirements

Table 1 illustrates the current RHNA requirements and accomplishments for the City of Long Beach for Very-low, Low-, Moderate, and Above-Moderate income levels. Table 2 illustrates the RHNA requirements that will be imposed on the City of Long Beach during the next Housing Element Cycle from 2021-2029. The City will offer PLHA funds to assist developers in building units that will meet the local RHNA goals.

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Table 2. Long Beach Regional Housing Needs Allocation 2021-2029					
	Very-Low Income	Low Income	Moderate Income	Above Moderate Income	Total
RHNA Allocation (Units)	7,122	4,038	4,149	11,131	26,440

Activities Detail
301(a)(1) Activity: The preservation, predevelopment, and development, of multifamily, residential, rental housing that is Affordable to Extremely low-, Very low-, and Low-income households.
302(c)(4)(E)(i) Provide a description of how allocated funds will be used for each proposed Affordable Rental Housing Activity.

The proposed Plan directs 100% of the City's PLHA funding to the development of new affordable rental housing projects serving households earning up to 60 percent of the Area Median Income. Use of PLHA funds for this unmet housing need is consistent with the City's Adopted 2013-2021 Certified Housing Element, Program 4.1, Affordable housing Development Assistance. The City currently has a pipeline of proposed projects needing financial gap assistance. These projects serve a variety of household types and income levels from 30% to 60% AMI. One or more of the projects can utilize PLHA funds. Table 3 provides a breakdown of the City's pipeline projects.

Table 3. Proposed Projects Needing Funding								
PIPELINE AFFORDABLE HOUSING PROJECTS				AFFORDABLE RENTAL UNITS				
PROPOSED PROJECT	COUNCIL DISTRICT	POPULATION	CITY FUNDING NEEDED	30% AMI	40-50% AMI	60% AMI	MGR.	TOTAL
Anaheim/Walnut	6	Family / Supportive Housing (67/20)	4,000,000	9	53	25	1	88
PCH/MLK	6	Senior / Senior Homeless / Senior Veteran (34/16/17)	3,000,000	33	24	10	1	68
3580 PCH/Loma	4	Homeless Supportive Housing (75)	4,000,000	25	50		1	76
1401 Long Beach Blvd.	1	Family/Student & General/Homeless (47/80/14)	4,000,000	36	39	66	1	142
3590 Elm Ave.	7	Family	3,000,000	7	44	8	1	60
Villages at Cabrillo Phase 6	7		4,000,000	45	44		1	90
TOTAL	N/A	N/A	22,000,000	155	254	109	6	524

In addition, the City and The Long Beach Community Investment Company (LBCIC) own four sites that will be developed with affordable housing. The sites, shown in Table 4 will be made available for development over the next two years and will require financial gap assistance. PLHA funds combined with City's existing HOME and Housing Successor funds will allow the City to continue to assist developers bring hundreds of new affordable units to the City, thereby bringing the City closer to meeting its RHNA goals.

CITY / LBCIC-OWNED DEVELOPMENT SITES				AFFORDABLE UNITS				
PROPOSED PROJECT	COUNCIL DISTRICT	POPULATION	CITY FUNDING NEEDED (Estimate)	30% AMI	40-50% AMI	60% AMI	MGR.	TOTAL
Atlantic Bridge Housing	9	Supportive Housing	9,000,000	TBD	TBD	TBD	TBD	TBD
4151 E. Fountain St.	4	Senior/ Supportive Housing	3,000,000	TBD	TBD	TBD	TBD	TBD
5571 Orange Ave.	8	Family	1,700,000	TBD	TBD	6	TBD	TBD
227 E. 15th St.	1	Family	800,000	TBD	TBD	4	TBD	TBD
TOTAL	N/A	N/A	14,500,000	TBD	TBD	TBD	TBD	TBD

302(c)(4)(E)(i) Percentage of Funds Allocated for the Proposed Affordable Rental Housing Activity	100% (annually)
302(c)(4)(E)(ii) Area Median Income Level Served	30% to 60% AMI
302(c)(4)(E)(ii) Unmet share of the RHNA at the AMI Level	2,212
302(c)(4)(E)(ii) Projected Number of Households Served	50 (annually)
302(c)(4)(E)(ii) Period of Affordability for the Proposed Affordable Rental Housing Activity (55 years required for rental housing projects)	55 years

302(c)(4)(E)(iii) A description of major steps/actions and a proposed schedule for the implementation and completion of the Activity.

A competitive NOFA for the development of affordable multifamily residential rental housing projects for 60% AMI or below will be issued for six weeks. A two-week review period will immediately follow, where highly qualified City staff will review all proposals, and the most successful project will be identified. Selected projects must demonstrate that they have the capacity to secure other funding sources (i.e. tax credits, county funds, state funds, etc.). The City's Housing Commission (LBCIC) will approve a loan to the selected developer who will then receive a commitment of PLHA funds for the purposes of gap funding. When the developer has secured all necessary financing for a project, the City will enter into a Affordable Housing Loan Agreement (residual receipts) secured by a Deed of Trust and accompanied by a detailed Regulatory Agreement. City staff will monitor construction and coordinate the conversion to permanent financing following the completion of construction. The City has a well trained and experienced monitoring staff that will conduct the annual covenant monitoring process after a project is placed in service. Developers that demonstrate shovel-readiness will be funded first. It typically takes 3-4 years to complete a project from NOFA release to occupancy. The City will likely issue two NOFAs in 2020 and one each year thereafter in order to maintain an ongoing pipeline of projects in development.