



CITY COUNCIL STAFF REPORT

TO: Honorable Mayor and City Council **DATE:** November 14, 2022

FROM: Matthew Bronson, City Manager

PREPARED BY: Bruce Buckingham, Community Development Director
Janet Reese, Associate Planner

SUBJECT: Resolution Authorizing the Application for the Non-Entitlement Competitive Component of the Permanent Local Housing Allocation Program for Affordable Housing Project

RECOMMENDATION

Adopt the Resolution authorizing the application for the Non-Entitlement Competitive Component of the Permanent Local Housing Allocation Program for the affordable housing project located at 164 South 13th Street and 1206 West Grand Avenue.

BACKGROUND

On December 13, 2021, the Council approved a 53-unit affordable housing project proposed by People's Self-Help Housing (PSHH) and the Housing Authority of San Luis Obispo (HASLO) located at 164 South 13th Street and 1206 West Grand Avenue, commonly known as Cleaver & Clark Commons. The project represents a significant contribution towards the Major City Goal for FY 2021-23 for "Housing and Homelessness" as follows:

Housing and Homelessness. Update City codes and standards to encourage housing construction to meet diverse needs; collaborate with developers and non-profits in efforts to increase overall housing stock with a priority on affordable housing availability; and partner with regional agencies and organizations to address homelessness and related sheltering issues in the city and region.

Since the project was entitled, the applicants have been working on securing financing and preparing the construction drawings as discussed in Attachment 2. To date they have received a commitment of \$1,100,000 from the San Luis Obispo Housing Trust Fund and are awaiting the award results for the State Department of Housing and Community Development (HCD) HOME Investment Partnerships Program for approximately \$6,000,000 and HCD's Multifamily Finance Super NOFA for almost \$11,000,000.

An additional grant funding source recently made available is the Non-Entitlement Competitive Component of the Permanent Local Housing Allocation (CPLHA) Program Funds. Unlike the other grant applications referenced above, this grant requires the City apply for the funds with PSHH and HASLO being the sponsors/co-applicants. While PSHH will prepare most of the required documents for the application, the Council needs to authorize the submission of the application. If the City is awarded the grant, staff would return for Council approval of the agreement between the City and PSHH and HASLO. HCD released a Notice of Funding of Availability (NOFA) on October 14, 2022 for approximately \$24 million from the CPLHA Program Funds that were deposited in the Building Homes and Jobs Trust Fund in calendar year 2019. Funding for the

PLHA program was authorized by Senate Bill 2 of 2017 to provide local governments a permanent, on-going source of funding for housing-related projects and programs that assist the unmet housing needs of their local communities. The CPLHA Program prioritizes assistance to persons experiencing or at risk of homelessness and investments that increase the supply of housing to households with incomes of 60 percent or less of area median income.

Eligible applicants are non-entitlement local governments who do not receive funds directly from the U.S. Department of Housing and Urban Development (HUD), such as the City. The maximum application amount, including administrative costs, for the development of new multifamily rental housing for income-eligible households is \$5,000,000. Administrative costs to implement the proposed project may total up to 5 percent of the grant amount.

FISCAL IMPACT

There is no fiscal impact to the City's General Fund.

ALTERNATIVES

The Council has the following alternatives to consider:

1. Adopt the Resolution authorizing the application for the Non-Entitlement Competitive Component of the Permanent Local Housing Allocation Program for the affordable housing project located at 164 South 13th Street and 1206 West Grand Avenue; or
2. Do not adopt Resolution authorizing application; or
3. Provide alternative direction to staff.

PUBLIC NOTIFICATION

The agenda was posted in accordance with the Brown Act.

Attachments

1. Resolution
2. Status Update and Projected Timeline from PSHH

[_____]
[_____]

AUTHORIZING RESOLUTION OF (_____)

AUTHORIZING THE APPLICATION FOR THE PERMANENT LOCAL HOUSING ALLOCATION PROGRAM NON-ENTITLEMENT LOCAL GOVERNMENT COMPETITIVE COMPONENT

[_____] of the
[_____] of
[_____]

("Applicant") hereby consents to, adopts and ratifies the following resolution:

- A. WHEREAS, the Department is authorized to provide up to \$24 million under the SB 2 Permanent Local Housing Allocation Program Competitive Component from the Building Homes and Jobs Trust Fund for assistance to Cities and Counties (as described in Health and Safety Code section 50470 et seq. (Chapter 364, Statutes of 2017 (SB 2)).
- B. WHEREAS the State of California (the "State"), Department of Housing and Community Development ("Department") issued a Notice of Funding Availability ("NOFA") dated 10/14/2022 under the Permanent Local Housing Allocation (PLHA) Program Competitive Component;
- C. WHEREAS [_____] is an eligible non-entitlement Local government who has applied for program funds to administer an eligible activity; for [_____] and the amount of CPLHA funds not to exceed [_____].
- D. WHEREAS the Department may award, subject to selection criteria set forth in PLHA guidelines section 403, funding allocations for applicants recommended for funding, subject to the terms and conditions of the Guidelines, NOFA, Program requirements, the Standard Agreement and other contracts between the Department and PLHA competitive grant recipients;

NOW THEREFORE BE IT RESOLVED THAT:

- 1. If Applicant is awarded a grant of PLHA funds from the Department pursuant to the above referenced PLHA Competitive Component NOFA, it represents and certifies that it will use all such funds in a manner consistent and in compliance with all applicable state and federal statutes, rules, regulations, and laws, including without limitation all rules and laws regarding the PLHA Program, as well as any and all contracts Applicant may have with the Department.
- 2. Applicant hereby agrees to use the PLHA funds for the eligible activity for which the Applicant has submitted an application, as set forth in Section 401 of the Guidelines, and as awarded and approved by the Department in accordance with all Program requirements, Guidelines, other rules and laws, as well as in a manner consistent and in compliance with the Standard Agreement and other contracts between the Applicant and the Department.

3. Pursuant to Applicant's certification in this resolution, the PLHA funds will be expended only for the eligible Activity for which the Applicant has submitted an application, and consistent with all program requirements.
4. Applicant certifies that, if funds are awarded for the development of new multifamily housing at or below 60 AMI or substantial rehabilitation of multifamily rental housing at or below 60 percent of AMI, Applicant shall comply with Uniform Multifamily Regulations Subchapter 19, Title 25, Division 1, Chapter 7, commencing with Section 8300 and the Multifamily Housing Program Guidelines commencing with Section 7300,;
5. Applicant certifies that, if funds are awarded for the development of an Affordable Rental Housing Development, the Local Government shall make PLHA assistance in the form of a low-interest, deferred loan to the Sponsor of the Project, and such loan shall be evidenced through a Promissory Note secured by a Deed of Trust and a Regulatory Agreement shall restrict occupancy and rents in accordance with the Department-approved underwriting of the Project for a term of at least 55 years.
6. Applicant shall be subject to the terms and conditions as specified in the Standard Agreement, the PLHA Program Guidelines and any other applicable SB 2 Guidelines published by the Department.
7. **If applicable**, Applicant proposes allocation of funds for the awarded activity to (_____). Applicant certifies that the selection process that resulted in the allocation to (_____) complied with all conflict of interest laws and prohibitions and was accessible to the public throughout the selection process and by request via the Public Records Act.
8. [_____] is/are authorized to execute the PLHA

Competitive Component Program Application, the PLHA Competitive Component Standard Agreement and any subsequent amendments or modifications thereto, as well as any other documents which are related to the Program or the PLHA Competitive Component grant awarded to Applicant, as the Department may deem appropriate.

PASSED AND ADOPTED at a regular meeting of the [_____]
 this

_____ day of _____, _____ by the following vote:

AYES: _____ ABSTENTIONS: _____ NOES: _____ ABSENT: _____

APPROVE: _____

Signature of Approving Officer

[_____]

INSTRUCTION: The attesting officer cannot be the person identified in the resolution as the authorized signor

CERTIFICATE AND SIGNATURE OF THE ATTESTING OFFICER

The undersigned, Officer of [] does hereby attest and certify that the [] Resolution is a true, full and correct copy of a resolution duly adopted at a meeting of the [] which was duly convened and held on the date stated thereon, and that said document has not been amended, modified, repealed or rescinded since its date of adoption and is in full force and effect as of the date hereof.

ATTEST: _____
Signature of Attesting Officer
[]

Cleaver & Clark Commons

Funding

Our team is working diligently to submit project plans for first plan check before end of the year (2022). This design progress keeps on our projected track toward being able to begin construction in December of 2023. A major component of being able to begin construction at this estimated date is whether the project secures enough funding, including tax credits through the California Tax Credit Allocation Committee (CTCAC). CTCAC administers the tax credit program through a competitive biannual application process. Tax credits are awarded on a highly competitive basis based on several factors including commitment of public funding.

This Spring and Summer we have concentrated on applying for funding for the project. This Spring we received a very generous financing commitment from the San Luis Obispo Housing Trust Fund in the amount of \$1.1 million. In March 2022, we applied for the Department of Housing and Community Development's (HCD) HOME Investment Partnerships Program (HOME) funds in the amount of \$6,158,882. Awards for this funding source are expected in winter 2022. In July 2022, we also applied for HCD's Multifamily Finance Super Notice of Funding Availability (Super NOFA) for \$10,851,831.00 in funding. Super NOFA awards are expected to be announced in the Winter 2022/2023. Currently, we are working on another application for HCD funding. This source of funding is through the Permanent Local Housing Allocation (PLHA) Program 2022 Non-entitlement Local Government Competitive Notice of Funding Availability dated October 14, 2022. Per this NOFA, this source of funding provides grants to non-entitlement local governments in California, such as the City of Grover Beach, for use in projects such as Cleaver & Clark Commons. Through this application we will be eligible to apply for up to \$5 million in funding. While all these applications are competitive, our intent is to apply for the sources of funds that we are eligible for and that we would be likely to be awarded however, we would not expect to accept all of these awards. Once HCD issues scoring letters and awards later this year, we will have a better idea of the financing projected to be used for this project. At this time, we can provide another update and more context on the financing for the project.

With these applications in mind, we are working towards submitting a tax credit application for first round of credits in March 2023. The next step would be to receive an award letter from the Tax Credit Allocation Committee in June of 2023. Once we receive this award, we would have 180-194 days to close on our financing and begin construction.

Timeline

Following is a projected timeline assuming the project receives sufficient public funding by March 2022 and a TCAC award in June 2023. The proposed dates below all meet the Schedule of Performance Milestones per the DDA including closing construction financing by December 31, 2024. The schedule referenced in the DDA is also included below.

- Submit CPLHA Application – December 5, 2022
- First plan check submittal – December 22, 2022
- HCD Awards (HOME, Super NOFA, and/or PLHA) – December 2022 / January 2023
- Submit 9% TCAC Application – March 2023
- TCAC Award/Commitment – June 15, 2023

- Loan Closing/Notice to Proceed/Building Permit(s) – December 1, 2023
- Begin Construction – December 15, 2023
- Construction Completion (20 mo. est.) – August 2025

Schedule of Performance (per the DDA) with updated Status

	MILESTONES	OUTSIDE DEADLINE	STATUS
1.	Open Escrow (Escrow Period)	14 Days after Effective Date	Completed
2.	Close of Escrow	30 Days after Satisfaction of Contingencies	Completed
3.	Obtain Building Permits	December 31, 2024	Projected for December 1, 2023
4.	Close Construction Financing	December 31, 2024	Projected for December 1, 2023
5.	Construction Commencement	December 31, 2024	Projected for December 15, 2023
6.	Completion of Project and Issuance of Certificate of Occupancy	December 31, 2026	Projected for August 2025