

# City of Sacramento

## Legislation Text

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**File #:** 2019-00233, **Version:** 1

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**Title:**

**Authorization to Administer Permanent Local Housing Allocation and Overview of Affordable Housing Finance Resources [Continued from 04/23/2019]**

File ID: 2019-00233

**Location:** Citywide

**Recommendation:**

Adopt a City Council Resolution authorizing the Sacramento Housing and Redevelopment Agency (SHRA) to apply to the State of California on behalf of the City to receive and administer the City's entitlement of Permanent Local Housing Allocation (PLHA) funds, and to enter into all required agreements **to receive PLHA funds**, and amend SHRA's budget accordingly.

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**Attachments:**

- 1-Description/Analysis
- 2-Resolution
- 3-SHRA-Administered Affordable Housing Resources
- 4-State Affordable Housing Resources

## Description/Analysis

**Issue Detail:** The Sacramento Housing and Redevelopment Agency (SHRA) serves as the local housing finance agency for the City and County of Sacramento. As such, SHRA provides assistance to developers for the construction and preservation of affordable housing offering gap financing and

the issuance of tax-exempt bonds for the development or acquisition/rehabilitation of multifamily rental housing in the City of Sacramento and unincorporated areas of the County of Sacramento. All housing financed by SHRA carries affordability restrictions on some or all of the units.

The joint-powers model that combines the functions of the City and County Housing Authorities and the local housing finance agency allows for significant economies of scale that increases local capacity for complex underwriting, long-term servicing and monitoring of the affordable housing inventory - both for multifamily and homeownership programs.

SHRA manages the federal HOME Investment Partnerships (HOME) Program, the City's Housing Trust Fund, and housing-related assets from the former Redevelopment Agency. SHRA also receives and administers repayments from existing loans expanding the resources available for affordable housing in Sacramento. In addition, SHRA works collaboratively with the County to administer and apply for No Place Like Home funding from the State that supports the development and operations of permanent supportive housing. Recent revenue generated by the State's cap and trade program, and legislation approved by voters in 2018 have increased the amount of potential resources available to the City of Sacramento for the purpose of affordable housing development. Attachments 3 and 4 include an overview of available affordable housing funding sources as requested by Council earlier this year.

#### Authorization to Administer Permanent Local Housing Allocation Funds

In 2017, Senate Bill 2 created the first permanent source of funding for affordable housing in the State of California. Revenue is generated through recording fees on real estate transactions and will, therefore, vary from year to year depending upon activity. Year 2 (2019) of the program and onward, the majority of funding will flow to local jurisdictions through the Permanent Local Housing Allocation or PLHA. PLHA funds flow to local governments using the same formula as the federal Community Block Grant Program. The State Department of Housing and Community Development (HCD) has estimated that the City's annual allocation will be approximately \$2 million.

HCD expects to issue a Notice of Funding Availability (NOFA) for the PLHA in September of 2019 with applications accepted on an over-the-counter basis beginning in November. Staff is recommending that the City authorize SHRA to administer all aspects of the PLHA on behalf of the City given SHRA's history of and capacity for operating single-family homeownership and multifamily rental financing programs.

All funding for individual multifamily projects and homeownership programs are approved by the City Council. Authority to administer the PLHA does not alter the City's authority over decision-making on individual projects and programs. All multifamily housing funding follows the adopted Multifamily Lending and Mortgage Revenue Bond Policies. PLHA funds can be used for a broad variety of affordable housing activities including, but not limited to, new construction or rehabilitation of

multifamily or single-family homeownership housing.

HCD will allow localities to use their PLHA entitlement to match their existing local housing trust funds. For localities that use this approach, HCD will permit applications for HCD's Local Housing Match Grant (Grant) Program. SHRA administers the City's Housing Trust Funds. It is, therefore, highly advantageous for the City to allow SHRA to administer the PLHA and match the local housing trust fund resources. The goal is to maximize the amount of funds coming into the City to finance the creation and preservation of affordable housing. For example, if the City has \$2 million in local housing trust fund dollars and then receives another \$2 million from PLHA and matches those funds, the City is eligible to apply for \$4 million in Grant resources. Without the PLHA funds, SHRA would apply for only \$2 million in Grant funds leaving the possibility that the City would forgo \$2 million in potential additional resources.

**Policy Considerations:** The recommended actions are consistent with SHRA's mission to provide affordable housing opportunities throughout the City of Sacramento and with the City's 2013-2021 Housing Element goals of preserving and producing affordable housing units. All rental housing funded with PLHA funds will follow the Multifamily Lending and Mortgage Revenue Bond Policies and all housing will be monitored for compliance for the required regulatory periods.

**Economic Impacts:** Not applicable.

**Environmental Considerations:**

**California Environmental Quality Act (CEQA):** The proposed actions are not a project is exempt from environmental review under CEQA pursuant to CEQA Guidelines Section 15378 (b)(4), government funding mechanisms.

**National Environmental Policy Act (NEPA):** The proposed actions are exempt under NEPA pursuant to 24 Code of Federal Regulations (CFR) 58.34(a)(2) and (3).

**Sustainability Considerations:** Not applicable.

**Commission/Committee Action:**

At its meeting of September 4, 2019 the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

AYES: Alcalay, Boyd, Griffin, Morgan, Staajabu, Starks

NOES: None

ABSENT: Macedo, Nunley, Wedding

**Rationale for Recommendation:** The actions recommended in this report enables SHRA to continue to fulfill its mission of providing a range of affordable housing opportunities in the City and are consistent with the previously approved Multifamily Lending and Mortgage Revenue Bond Policies, the City of Sacramento's 2013-2021 Housing Element as part of Sacramento's 2035 General Plan, Promise Zone Plans and Goals, and the Opportunity Zone Program.

**Financial Considerations:** HCD estimates the City will receive approximately \$2 million in PLHA entitlement, annually. The actual amount of funding will vary each year based on real estate financing activity in the State that impacts the amount of revenue generated for the program. SHRA proposes to use five percent of the PLHA funds to support program administration.

**LBE - M/WBE and Section 3 requirements:** Minority and Women's Business Enterprise requirements and Section 3 will be applied to all activities to the greatest extent possible and as required by federal funding and in accordance with the Agency's Section 3 Economic Opportunity Plan. Not applicable.