STAFF REPORT
City Council Business Item

DATE: October 17, 2022

TO: Honorable Mayor and Council Members

FROM: Merritt Perry, City Manager

SUBJECT: **Consideration of the Subgrant of the City of Fortuna's 2019 Allocation of the Permanent Local Housing Allocation (PLHA) Funds to the City of Arcata and Approval of the PLHA Subgrant Contract Agreement, *Resolution 2022-31***

STAFF RECOMMENDATION:

Staff recommends the City Council hold a public hearing to discuss and approve *Resolution 2022-31* certifying the Contract Agreement to subgrant the City of Fortuna's 2019 allocation of the Permanent Local Housing Allocation funds to the City of Arcata.

INTRODUCTION:

In 2017, Governor Brown signed the Legislative Housing Package to address the state's housing shortage and high housing costs. California Legislature Senate Bill 2 (SB 2), known as the Building Homes and Jobs Act, established a $75.00 recording fee on real estate documents to increase the supply of affordable housing. The Act established the Permanent Local Housing Allocation 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 increase the supply of affordable housing units. These funds would be allocated as formula and competitive grants to entitlement and non-entitlement jurisdictions based on the formula prescribed under federal law for the Community Development Block Grant (CDBG) to be locally administered.

EXECUTIVE SUMMARY:

On August 17, 2022, the California Department of Housing and Community Development announced the Permanent Local Housing Allocation program 2022 Entitlement and Non-Entitlement Local government Formula Component Notice of Funding Availability (NOFA). The NOFA announced approximately $331 million in calendar year 2021 funds plus an additional $131 million in remaining calendar year 2019 and 2020 funds for the Permanent Local Housing Allocation program for housing-related projects and programs that assist in addressing unmet housing needs. The deadline to apply for the 2019 allocation is November 30, 2022. A copy of the notice of funding availability can be found at the following website: https://www.hcd.ca.gov/sites/default/files/2022-08/2022-PLHA-Formula-Component-NOFA.pdf

The PLHA program runs on a five-year cycle and will be continuing into the future, however the allocations must be applied for annually and expended on Eligible Activities which address housing needs. Program Guidelines state that an applicant is only eligible to apply for their current and past two allocations at one time, meaning that the current application period (for 2019, 2020, and 2021 allocations) will be the last opportunity for jurisdictions to apply for and receive their 2019 allocation. Any 2019 allocations that go unclaimed after the application period will be

reverted to the Housing Rehabilitation Loan Fund for the Multifamily Housing Program. Because Fortuna does not have the employee capacity to manage a PLHA award, the City is in danger of losing our allocation from 2019 in the amount of $108,619.

Section 300(c) of the PLHA Program Guidelines allows a local government to subgrant another local government to submit an application and administer on its behalf its formula allocation of PHLA program funds, provided that the local government enter into a legally binding agreement and the funds are expended for eligible activities consistent with program requirements. A copy of the PLHA Final Guidelines can be found at the following website: https://www.hcd.ca.gov/grants-funding/active-funding/docs/plha-final-guidelines-11-19.pdf

The City of Arcata is eligible to participate in the PLHA program and has been allocated an estimated $176,062 for the 2019 allocation. Arcata anticipates submitting an application before the November 30, 2022 deadline for eligible housing-related projects.

The City of Fortuna has successfully delegated funding to the the City of Arcata in the past. On April 19, 2021 the Fortuna City Council approved a Memorandum of Understanding with the City of Arcata and delegation of CDBG Coronavirus Aid, Relief, Economic Security (CARES) Act funds to assist in expanding Arcata House Partnership services. This included enhanced food pantry services and additional support staff onsite at the Arcata Annex to assist with intake as well as outreach in the community, including Fortuna, with the goal of finding COVID safe temporary housing in the near term and ultimately permanent housing solutions.

Subgranting of Fortuna's PLHA funding to a local government would contribute to the overall improvement of affordable housing in Humboldt County. It seems appropriate to subgrant Arcata for the PLHA funds considering the past delegation of CDBG CV2/CV3 funding and observing the skillset of its staff in CDBG management. If the subgrant of funds is approved Arcata will receive the Fortuna's full 2019 allocation in the amount of $108,619, as set forth in PLHA Guidelines Section 300(c).

The City of Fortuna is unprepared to proceed with the development of a program for PLHA funds at this time. City of Arcata staff have committed to working with the City of Fortuna staff to develop the capability to implement programs using PLHA funds in the future.

FINANCIAL IMPACT:

There is no direct fiscal impact with this action. Housing funds designated for Fortuna will be allocated to Arcata and remain in Humboldt County rather than reverting back to the statewide pool.

RECOMMENDED COUNCIL ACTION:

1. Receive staff presentation and review Council questions with staff
2. Open Public Comment
3. Close Public Comment
4. Approve the Contract Agreement by adopting *Resolution 2022-31,* read by title only and consent to the subgrant of the City of Fortuna's 2019 PLHA allocation of $108,619 to Arcata to administer on behalf of Fortuna for housing-related projects. Roll Call vote.

ATTACHMENTS:

- Exhibit A - PLHA Subgrant Contract Agreement
- Exhibit B – *Resolution 2022-31, A Resolution of the City of Council of the City of Fortuna Approving the Contract Agreement Subgrant of the City of Fortuna's 2019 Allocation of the Permanent Local Housing Allocation Funds to the City of Arcata*