



## **Permanent Local Housing Allocation 5-Year Plan and Application for Funding**

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## **INTRODUCTION**

### §302(c)(4) Plan

In 2017, Governor Brown signed the Legislative Housing Package to address the State's housing shortage and high housing costs. Seventy percent of the revenues generated from the California State Property Transfer Fees (SB2, 2017) are earmarked for Permanent Local Housing Allocation (PLHA). The revenue from SB2 will vary from year to year, as revenue is dependent on real estate transactions with fluctuating activity.

The PLHA provides an annual source of funding to all governments in California to help cities and counties implement plans to increase affordable housing stock. These funds will be allocated as formula 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.

The California Department of Housing and Community Development (HCD) announced the availability of approximately \$195 million in funding for the PLHA program in their Notice of Funding Availability (NOFA). This NOFA is funded from revenues deposited in the Building Homes and Jobs Trust Fund in calendar year 2019.

## **PURPOSE**

As an entitlement local government for PLHA funds for the Urban County, Contra Costa County will receive an estimated 5-year allocation of \$13,021,068. This document will provide a summary of Contra Costa County's Five-Year Plan and application to California HCD.

Eligible activities for the PLHA are limited to the following:

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. Extremely Low Income is household income at or below 30% of Area Median Income (AMI); Very Low Income is at or below 50% AMI; Low Income is at or below 80% AMI and Moderate Income is at or below 120% AMI. Income limits are adjusted for household size.
2. The predevelopment, development, acquisition, rehabilitation, and preservation of affordable rental and ownership housing, including Accessory Dwelling Units (ADUs), that meets the needs of a growing workforce earning up to 120% of AMI. ADUs shall be available for occupancy for a term of no less than thirty days.
3. Matching portions of funds placed into Local or Regional Housing Trust Funds.
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.

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6. Assisting persons who are experiencing or at-risk of homelessness, including, but not limited to, providing rapid re-housing, rental assistance, supportive/case management services that allow people to obtain and retain housing, 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 rehabilitate foreclosed or vacant homes and apartments.
9. Homeownership opportunities, including, but not limited to, down payment assistance.
10. Fiscal incentives made by a county to a city within the county to incentivize approval of one or more affordable housing projects, or matching funds invested by a county in an affordable housing development project in a city within the county, provided that the city has made an equal or greater investment in the project. The county fiscal incentives shall be in the form of a grant or low-interest loan to an affordable housing project. Matching funds investments by both the county and the city also shall be a grant or low interest deferred loan to the affordable housing project.

Eligible activities must also be consistent and compliant with the County's Adopted Housing Element, and at least 20% of the allocation statewide must be used for Affordable Owner-Occupied Workforce Housing (AOWH) defined as housing that is affordable to persons and families of low- or moderate-income. Funds available for administrative expenses are limited to 5% of the allocation.

### **REQUIREMENTS**

To participate in the formula allocation, Contra Costa County is required to develop a five-year plan detailing the way allocated funds will be used for eligible activities.

### **PERMANENT LOCAL HOUSING ALLOCATION FORMULA ALLOCATION PLAN APPLICATION**

#### **§302(c)(4)(A) The manner in which allocated funds will be used for eligible activities**

Contra Costa County plans to use the funds for the predevelopment, development, acquisition, rehabilitation, and preservation of housing that is affordable to Extremely Low-Income, Very Low-Income, and Low-Income households (Activity 1).

PLHA assistance will be offered in the form of low-interest, deferred loans. The loans will be evidenced through a Promissory Note secured by a Deed of Trust, and a Regulatory Agreement will restrict occupancy and rents for a term of at least 55 years.

#### **§302(c)(4)(B) Description of the way the County will prioritize investments that increase the supply of housing for households with incomes at or below 60% Area Median Income (AMI)**

PLHA funds will be made available to affordable housing developers through a competitive Notice of Funding Availability (NOFA) process, which the County has extensive experience in from many years of successfully administering Federal Community Development Block Grant (CDBG) and Home

Investment Partnership (HOME) funds for affordable housing. The PLHA funds will be added to the annual NOFA cycle for the Federal housing funds. The NOFA will seek development proposals that include new affordable housing units for households with incomes at or below 80% AMI, with priority consideration given to projects with units serving 60% AMI and below. A mixed-income project with some units at higher levels may be eligible, but awards will be based on number of units at 80% AMI or lower.

The County has successfully leveraged HOME and CDBG funds to support affordable housing projects that have been funded by tax credits and other state funds. This existing plan will be utilized for administering PLHA funds as well. County housing staff is currently aware of potential projects in the pipeline that may be eligible for PLHA funds and will be reviewing applications annually as part of the NOFA process.

**§302(c)(4)(C) Description of how the Plan is consistent with programs set forth in the County's Housing Element**

Providing funds for affordable housing and assisting in new construction of affordable housing is one of the key policies in the County's Certified Housing Element.

The following sections of the County's Certified Fifth Cycle Housing Element demonstrate that this 302(c)(4) Plan is consistent with the overall goals to increase the number and quality of affordable housing in the area:

Housing Element Goal 1: Maintain and improve the quality of the existing housing stock and residential neighborhoods in Contra Costa County.

Housing Element Goal 3: Increase the supply of housing with a priority on the development of affordable housing, including housing affordable to extremely low-income households.

Housing Element Goal 4: Increase the supply of appropriate and supportive housing for special needs populations.

**ACTIVITIES DETAIL**

**§302(c)(4)(E)(i) Detailed and complete description of how allocated funds will be used for each proposed Affordable Rental Housing Activity**

The PLHA funds will be used for the predevelopment, development, acquisition, rehabilitation, and/or preservation of multifamily rental housing that is affordable to low-income persons earning 80% or less of the area median income (AMI). Funds will be structured as low-interest, deferred loans to the sponsor of the project. The loans will be evidenced through a Promissory Note and secured by a Deed of Trust and a Regulatory Agreement shall restrict occupancy and rents in accordance with the PLHA-required term of 55 years.

**§302(c)(4)(E)(iii) Description of major steps/actions and a proposed schedule for the implementation and completion of the Activity**

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The funds will be included in the County's annual Notice of Funding Availability (NOFA). The County has completed this process annually for many years, successfully awarding millions of dollars of Federal HOME, CDBG, and Housing Opportunities for Persons with AIDS (HOPWA) funding. The 2022-2023 NOFA will be released the week of October 7, 2021, and will be the first to include PLHA funds (contingent upon a successful application). Year 1 and Year 2 funds will be included in the funds awarded to applicants who meet the guidelines of the PLHA program.

Awards will be made in Spring 2022 for funds available July 1, 2022, subject to the State's schedule. Once the County is in contract with the State for the PLHA entitlement award, the funding awards may be under contract within a year of award, and disbursement complete one year thereafter.

### **PROGRAM INCOME REUSE**

Program income is defined as gross income received by the recipient or a subrecipient directly generated from the use of PLHA funds, 4.3.2. Any program income received from activities in this plan will first be utilized to deliver additional activities of the same type as defined by Section 2.5. If future amended plans no longer support the allocation of funds to that activity, the project income will be programmed according to the activity allocation in effect at that time. The County is committed to following the Reuse Plan adopted by this policy and defined further in Attachment A.

### **ASSURANCES**

The County will provide PLHA assistance in the form of deferred, low-interest loans to project sponsors for use in the development of affordable rental housing. Regulatory Agreements and Promissory Notes secured by Deeds of Trust against the property housing the development will assure long-term affordability

### **REPORTING**

Pursuant to HSC Section 504740(b)(2)(B)(ii)(III), the County will provide an Annual Report documenting the uses and expenditures of any awarded allocated every July 31 to the Department of Housing and Community Development grant management division according to its specifications.

## **Attachment A**

### **CONTRA COSTA COUNTY RE-USE PLAN**

Contra Costa County commits to maintaining policies and procedures that separate out Permanent Local Housing Allocation (PLHA) program income for future reuse in accordance with the following policies:

1. All repayments of PLHA loan principal and interest shall be received by the County Department of Conservation and Development and deposited into a separate reuse account maintained by the Department's Finance staff. The County's PLHA loan documentation will track information such as borrower name and address, loan/reference number, grant year, and principal and interest.
2. The reuse account shall be an interest-bearing account into which all earned interest shall be deposited. Interest earned shall be considered reuse funds and will be used in the same manner and with the same restrictions as principal and interest payments.
3. All funds deposited into the reuse account shall be the property of the County.
4. All PLHA reuse funds shall be expended in accordance with PLHA regulations. This includes, but is not limited to, income levels, homebuyer education requirements, and coordinated entry requirements.
5. Reuse funds may be used for PLHA eligible activities in the following categories, but must be in alignment with the State approved PLHA Plan.
  - a. 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.
  - b. The predevelopment, development, acquisition, rehabilitation, and preservation of Affordable rental and ownership housing, including Accessory Dwelling Units (ADUs), that meets the needs of a growing workforce earning up to 120-percent of AMI, or 150-percent of AMI in high-cost areas. ADUs shall be available for occupancy for a term of no less than 30-days.
  - c. Assisting persons who are experiencing or at risk of homelessness, including, but not limited to, providing rapid rehousing, rental assistance, supportive/case management services that allow people to obtain and retain housing, operating and capital costs for navigation centers and emergency shelters, and the new construction, rehabilitation, and preservation of permanent and transitional housing.
  - d. Accessibility modifications in lower-income owner-occupied housing.
  - e. Efforts to acquire and rehabilitate foreclosed or vacant homes and apartments.

f. Homeownership opportunities, including, but not limited to, down payment assistance.

g. Up to five percent (5%) for administration.

6. Reuse funds may be used within the boundaries of the Urban County of Contra Costa County.

7. The County shall allow HCD full access to the reuse account records for the purpose of determining compliance with PLHA regulations