



**Contra
Costa
County**

To: Board of Supervisors
From: John Kopchik, Director, Conservation & Development Department
Date: August 10, 2021

Subject: Authorization for the Department of Conservation and Development to Include Local and State Housing Funds in Annual Notice of Funds Available

RECOMMENDATION(S):

AUTHORIZE the Department of Conservation and Development to include local in-lieu inclusionary housing fees and State of California Permanent Local Housing Allocation program funds as available affordable housing funds when issuing the annual Notice of Funds Available for housing and community improvement projects.

FISCAL IMPACT:

None at this time. Funding awards will return to the Board of Supervisors in Spring 2022 for approval.

BACKGROUND:

Annually in the fall, the Housing and Community Improvement Division (HCI) of the Department of Conservation and Development (DCD) prepares a Notice of Funds Available (NOFA) to receive proposals for housing and community improvement projects seeking an award of federal Community Development Block Grant Program and HOME Program funds administered by DCD. The amount of federal funds available for housing through the annual NOFA is usually in the \$3-5 million range, and typically the amount requested exceeds the amount available. DCD requests Board authorization to include a local housing

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY

☐ RECOMMENDATION OF BOARD

ADMINISTRATOR

COMMITTEE

Action of Board On: **08/10/2021** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

VOTE OF SUPERVISORS

AYE: John Gioia, District I Supervisor
Candace Andersen, District II Supervisor
Diane Burgis, District III Supervisor
Karen Mitchoff, District IV Supervisor
Federal D. Glover, District V Supervisor

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: August 10, 2021

Monica Nino, County Administrator and Clerk of the Board of Supervisors

Contact: Amalia Cunningham,
925-655-2881

By: Stacey M. Boyd, Deputy

cc:

funding stream, In-Lieu Fees, and a new State housing funding stream, Permanent Local Housing Allocation (PLHA), in the NOFA. This would increase the amount available to support housing development in Contra Costa County, and be an efficient and transparent method of allocating resources.

BACKGROUND: (CONT'D)

The augmented NOFA annual cycle would include all the same checks and balances that have been established by federal law and County guidelines over the years, and a schedule that is familiar to the local non-profit housing community:

- October: Public NOFA issued, with a 6-8 week response timeframe
- December-March: Staff review of applications received; interviews with proposers
- April: Public meeting of Affordable Housing Finance Committee to review housing proposals and make recommendations to the Board of Supervisors
- May: Public meeting of Board of Supervisors to approve awards effective July 1

The two new funding streams vary in some respects from the Federal funds' parameters, and some lead time is necessary to develop the program details and incorporate them into the annual cycle application and review structure, if that is the Board's direction. It may be possible for a project to be eligible for and receive funding from multiple sources covered in the NOFA, though the differing eligibility requirements will not make that possible in many cases.

Permanent Local Housing Allocation

The Permanent Local Housing Allocation (PLHA) program is a new State program with entitlement and competitive components. The State designated Contra Costa County as the administrator of the entitlement grant award for the Contra Costa “Urban County,” which includes the unincorporated communities and all the cities except for Antioch, Pittsburg, Walnut Creek, and Concord, which have their own entitlements.

The next administrative step is to prepare the application, which must include an expenditure plan called a “Five Year Plan” (Plan) for the Board’s approval as part of the complete application package. The Plan will identify the broad categories of planned uses of the PLHA award and comply with the program parameters. The anticipated categories of uses are new housing construction anywhere in the eligible area and matching awards to eligible cities that are funding projects within their jurisdictions.

While it is a cumbersome application process, PLHA is an entitlement grant so the County will receive it once a complete application is accepted. It is expected to be permanent, but programmed on a five year basis, with annual funding amounts for the following year announced each spring. The City of Richmond is exploring the feasibility of requesting and administering a suballocation, which will be confirmed by the time the Five-Year Plan and the complete application return to the Board for approval and authorization to submit to the State.

Including the amount that may be a Richmond suballocation, the Urban County will receive an estimated \$5.2 million for the combined first two years of the five-year program time

frame, leading to an annual estimate of \$3 million into the future. Projects anywhere in the County would be eligible, except in Antioch, Concord, Richmond, Pittsburg, or Walnut Creek. The program's highest priority is new housing construction for low-income households, and that would be the highest priority in the County's Five-Year Plan as well, with some flexibility built in, in the event that the funds are undersubscribed in that category.

PLHA funding for new construction will be low-interest deferred loans to eligible projects, restricted to the target household income limit for 55 years, in accordance with the State guidelines.. HCI staff has already received multiple inquiries about PLHA funds, and expects them to be highly sought after. Adding this funding stream to HCI's annual cycle will facilitate a fair evaluation process in line with the County's high standards for affordable housing project review and approval.

In-Lieu Housing Fee Fund

Every residential project in unincorporated Contra Costa County consisting of five units or more is subject to the County's inclusionary housing ordinance (originally approved on October 24, 2006), which promotes affordable housing by requiring such projects to build affordable units on-site, pay a fee in-lieu of building affordable on-site, or provide some combination. The fees are approved and imposed as part of the project's entitlements, paid at the time of building permit issuance, and deposited in a fund with DCD. Due to the nature of their origin, these funds may only be spent on new affordable housing construction in unincorporated Contra Costa County. To establish a process for fairly allocating this funding to new projects, staff recommends adding the current balance of \$669,000 to the annual cycle with the federal funds and PLHA. The funding award would be:

- Provided as a forgivable low-interest loan, secured against the affordable housing property, to be reconveyed after the property is in service as affordable housing for five years;
- Affordable to households earning up to 80% average median income;
- Preference for projects with larger units (two or more bedrooms);
- May not be used to support affordable housing required to be built as part of a project using density bonus or to meet inclusionary housing requirements. This targets the funding to affordable units that might not be built but for the assistance.

In future years, the in-lieu funding opportunity included in the NOFA would be the unallocated amount as of July 1 annually, when it has grown to at least \$500,000. The amount collected varies annually depending on which projects are approved and proceed to permits.

CONSEQUENCE OF NEGATIVE ACTION:

Without Board direction to include local in-lieu fees and State PLHA Funding in DCD's annual awards cycle, there would be no process to award these funds and there is a risk that eligible affordable housing would not receive them.