



## CITY OF CRESCENT CITY Permanent Local Housing Allocation Program Plan for 2020-2023

In September 2017, the California Legislature approved Senate Bill 2 (SB 2), known as the Building Homes and Jobs Act (Act), which established a \$75 recording fee on real estate documents to increase the supply of affordable housing. The Act establishes the Permanent Local Housing Allocation (PLHA) 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 help meet the unmet need for affordable housing and increase the supply of affordable housing units. HCD released its Notice of Funding Availability for these funds on December 29, 2023. Jurisdictions receiving PLHA grant funds are required to have a four-year plan in place to determine how the grant funds will be spent.

HCD estimates the City of Crescent City may receive \$404,244 over a four-year period. The chart below shows the first three years of funding allocation and an estimate for year four. Please note that the amount for year four is based on an equal division of HCD's estimates for future funds. The actual annual funding allocation will later be determined by HCD. The chart also shows a 5% allocation for City administration costs that is allowed by PLHA grant requirements.

City of Crescent City PLHA Funding	Total 4-yr. Allocation	Amount Allocated/Estimated by Funding Year			
		2020	2021	2022	2023
<b>Allocation</b>	404,244.00	125,660.00	142,274.00	76,264.00	60,046.00
<b>5% Admin</b>	20,212.20	6,283.00	7,113.70	3,813.20	3,002.30
<b>95% Project Funding</b>	384,031.80	119,377.00	135,160.30	72,450.80	57,043.70
					<i>*estimate only</i>

### Allocation of Funds

The City of Crescent City will utilize Permanent Local Housing Allocation program funds for the creation of affordable housing in the City of Crescent City to assist with addressing the community's housing needs. Allocated funds will be provided to eligible affordable housing developers in the form of a ten-year deferred loan at 0% interest. Loans will be evidenced through a Promissory Note secured by a Deed of Trust, and a Regulatory Agreement restricting occupancy and rents for a term of 55 years. At the request of the applicant, the loans may be made forgivable after the 10 years if affordable housing

requirements are met. Affordable housing developers will be selected through a competitive process initiated by a Notice of Funding Availability, with applications vetted by staff and selected for award by the Housing Authority of the City of Crescent City in conjunction with the City's other affordable housing resources. Applicants may apply for program funding for predevelopment, development, acquisition, rehabilitation, and preservation of multi-family rental housing that is affordable to Very Low, Low, and Moderate-Income households. PLHA funding may be used to assist in completing the following activities.

- Predevelopment and other soft costs, including but not limited to:
  - Land Costs (including legal fees)
  - Demolition and Site Improvements
  - Off Site Improvements
  - Architectural Fees
  - Engineering Fees
  - Permits and Fees
  - Accounting Fees
  - Title/Recording
  - Taxes/Assessment
  - Insurance
  - Environmental Review including required studies.
- Financing costs including but not limited to
  - Appraisal/Market Study
  - Performance Bond Costs
  - Construction Loan Interest
  - Lender Inspections
  - Lender Legal Costs
  - Borrower Legal Costs
  - Soft Debt – Total Construction Period Interest
  - Bond Issuance Costs
  - Construction-Permanent Loan Costs
  - Construction Loan Interest
  - Capitalized Operation/Transition Reserve
- Site and Building Construction Costs
- Lease-Up Costs
- Contingencies and Developer Fee

### **Investment Priorities**

The City of Crescent City will prioritize investments that increase the supply of housing for households with incomes at or below 60 percent of Area Median Income, by soliciting developer proposals for predevelopment, development, acquisition, rehabilitation, and preservation of multifamily rental housing that is affordable to Very Low, Low, and Moderate-Income households through a Notice of Funding Availability (NOFA). The NOFA will identify the funds that are available and will outline the eligible uses of the funds, selection criteria, terms and conditions for the funds, application requirements, and due date for applications. Selection criteria will include a preference for applications which

include the highest number of affordable units at or below 60 percent of the Area Median Income.

### **Consistency with the Programs Set Forth in the City's Housing Element**

Providing funding for affordable housing and assisting potential applicants in new construction of affordable housing is found in more than 10 of the 21 key programs in the City's 6<sup>th</sup> Cycle Certified Housing Element. In particular, Implementation Program P-4 requires the City to promote the rehabilitation of existing housing stock, and Implementation Programs P-1, P-3, P-7, P-10 and P-17 list steps the City will be taking to encourage the use of private-initiated and/or publicly-funded programs to provide housing for low- and moderate-income families, and to facilitate the housing production and affordability goals set forth in the RHNA requirements of the 6<sup>th</sup> Cycle Housing Element Cycle (2022-2030). The City will offer PLHA funds to assist developers in building units that will meet the local RHNA goals. The City of Crescent City operates numerous programs aimed at maintaining and expanding affordable housing opportunities in the community. The City's Housing Authority was established in 1965 with a goal to provide decent, safe, and sanitary housing in Crescent City and surrounding areas of the County.

### **Proposed Housing Activity**

The proposed plan directs 100% of the City's PLHA funding to the development of new affordable rental housing projects serving households earning up to 120% of the Area Median Income. Use of PLHA funds for this unmet housing need is consistent with the City's 6<sup>th</sup> Cycle Certified Housing Element. The City currently has a pipeline of proposed projects needing financial gap assistance. These projects serve a variety of household types and income levels. One or more of the projects can utilize PLHA funds for the predevelopment, development, acquisition, rehabilitation, and preservation of multifamily, residential live-work, rental housing that is affordable to Very Low, Low, or Moderate-Income households, including necessary operating subsidies, as described in section § 301(a)(1) of the PLHA guidelines.

### **Upcoming Steps and Preliminary Schedule**

Once grant funds are awarded and a Standard Agreement is executed, the PLHA funds will be made available to developers through the publication of a competitive Notice of Funding Availability (NOFA). Developer applications will then be analyzed by staff for completeness and alignment with the NOFA preferences, program funding requirements, and lending guidelines. Applications will be reviewed by City staff who will make an award recommendation to the City Council for final approval. Once a project is awarded, loan documents (loan agreement, regulatory agreement, promissory note, deed of trust, etc.) will be executed and recorded against the property as applicable. The developer will then begin the awarded activity and submit invoices for cost reimbursement.

### **Program Income Reuse Plan**

The City will reuse any program income generated from the PLHA program, and any interest earned on these funds, to continue to fund its affordable housing projects based on the PLHA approved plan adopted by the City Council. More specifically, program income will be used for acquisition and/or rehabilitation of multi-family rental properties and converting these to deed restricted affordable units. This is an eligible activity under Section § 301(a)(1) of the PLHA guidelines.

This Program Income Reuse Plan may be amended from time to time should the program no longer exist and/or should the affordable housing goals and PLHA priorities change. However, all program income will be reused and spent on PLHA eligible activities as outlined in Section § 301 of the PLHA guidelines.