



## Legislation Text

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**File #:** 23-1776, **Version:** 1

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Planning and Building Department, Planning Division, Long Range Planning Unit, Housing, Community and Economic Development Program, recommending the Board:

- 1) Adopt and Authorize the Chair to sign Resolution **155-2023** to authorize the submittal of an updated Grant Program application to the State of California Department of Community Development for funding under Senate Bill 2 Permanent Local Housing Allocation Non-Entitlement Local Government Competitive Component for \$3,150,000 for an eligible activity for Diamond Village Apartments;
- 2) Authorize the Director of the Planning and Building Department, contingent upon approval by County Counsel and Risk Management, to execute the grant agreement and subsequent amendments not affecting the award amount or the term and to sign other grant-related documents;
- 3) Direct staff to create a new Special Revenue Fund for depositing the \$150,000 for administrative costs related to monitoring grant compliance; and
- 4) Approve and authorize the Chair to sign a budget transfer amending the Fiscal Year 2023-24 Adopted Budget increasing revenue and appropriations by \$3,000,000 in the Housing, Community and Economic Development budget and establishing a budget with \$150,000 in revenue and appropriations in the new Special Revenue Fund. (4/5 vote required)

**FUNDING:** State Senate Bill 2 (Chapter 364, Statutes of 2017) Permanent Local Housing Allocation Program Competitive Component from the Building Homes and Jobs Trust Fund.

### **DISCUSSION / BACKGROUND**

The State of California Department of Housing and Community Development (HCD) issued a Notice of Funding Availability (NOFA) dated October 14, 2022, for the Non-Entitlement Local Government Competitive Component Grant for the Permanent Local Housing Allocation (PLHA) Program.

Funding for this NOFA is provided pursuant to Senate Bill (SB) 2 (Chapter 364, Statutes of 2017). SB 2 established the Fund and authorizes HCD to allocate seventy (70) percent of moneys collected and deposited in the Fund, beginning in calendar year 2019, to local governments for eligible affordable housing and homelessness activities. The intent of the bill is to provide a permanent, on-going source of funding to local governments for housing-related projects and programs that assist in addressing the unmet housing needs of their local communities. The non-entitlement competitive grant program component prioritizes assistance to persons experiencing or at risk of homelessness and investments that increase the supply of housing to households with incomes of 60 percent or less of area median income.

On December 14, 2021, the Board approved Resolutions 184-2021 and 185-2021 authorizing the submittal of a grant application for this program. At that time, the application and grant funding was intended for the El Dorado Senior Village Apartments in the community of El Dorado, Phase 1 (\$2,500,000) and Phase 2 (\$2,500,000), for a total of \$5,000,000. The developer for this project is SNO Foundation (Sergei Oleshko), the same developer for the Diamond Village Apartment project. Due to a significant increase in construction costs and interest rates, in March 2023 the developer consulted with HCD and asked to substitute the Diamond Village Apartment project in Diamond

Springs for the El Dorado Senior Village Apartment project and reduce the grant request from \$5,000,000 to \$3,150,000. The developer informed County staff of their intent and staff supported the request to HCD. On April 24, 2023, the County received an Award Announcement (Attachment C) from HCD that the County had been awarded \$3,150,000 in PLHA funds for the Diamond Village Apartments. This amount includes five percent (5%) administrative costs for the County.

The County will be required to enter into a Standard Agreement that will set forth conditions for funding and milestones that are required to be met subject to the terms outlines in Section 304(d) of the PLHA adopted program guidelines. Before HCD prepares the Standard Agreement, they have requested an updated Resolution that authorizes the revised project and dollar amount.

Although HCD has already approved the project and dollar amount changes and has already provided an award letter, the updated Resolution is necessary to complete HCD's grant requirements and proceed with next steps. The Resolution language is the standard language that was previously approved (Resolutions 184-2021 and 185-2021) but updates the project name. The wording in the Resolution includes "authorizing the application" for PLHA funding and notes a maximum possible award of \$5,000,000 as well as language such as "If Applicant is awarded a grant..." However, as noted above, a grant award has already been made for the Diamond Village Apartments for \$3,150,000. This new Resolution simply replaces the previously approved Resolutions 184-2021 and 185-2021 to satisfy HCD requirements.

After the Standard Agreement is executed, the County will receive the funds from HCD at which time the funds can be disbursed to the applicant.

The PLHA application supports the County's Housing Element Policy HO-1.18 which states that the County shall develop incentive programs and partnerships to encourage private development of affordable housing; and Measure HO-2013-21, which recommends the support of County application for funds from a variety of sources in support of public improvements and/or community development on behalf of development for, and services that assist, affordable housing.

The Diamond Village Apartment project has been approved by the Planning Division and has started construction. This project is obligated through previous County approvals as well as state and federal funding sources to provide a total of 81 units with 20 units for extremely low income earning less than thirty percent (30%) of Area Median Income, 40 units for very-low income earning less than fifty percent (50%) of Area Median Income, and 20 units for low-income earning less than 60% of the Area Median Income. One unit will be for the on-site property manager. The applicant is seeking additional PLHA grant funding due to the increased costs of the project. Since the start of putting together the financial package for this project in 2020, interest rates have increased significantly as well as construction costs, resulting in increased and unanticipated project costs overall.

In addition to other funding sources not subject to County approval, the Board has approved the following funding for the Diamond Village Apartments:

- \$1,498,000 - HCD/CDBG Affordable Housing Loan Program - 55 year, 3% interest, deferred loan (May 2022), (\$1.4M land acquisition, \$98K administration)
- \$1,065,747 -Traffic Fee Offset in the amount of up to \$1,065,747 to the Diamond Village Apartments contingent upon executing a Traffic Impact Fee Offset Agreement that includes a

Recapture Agreement, Rent Limitation Agreement, and a Residential Anti-Displacement Agreement, to restrict 80 rental units for fifty-five (55) years for very-low and low-income tenants.

Affordable housing projects, particularly 100% affordable projects, typically seek funding from a variety of local, state, and federal loan and grant programs to help offset costs of traditional funding sources. These funds are necessary due to the decreased rate of return from the rental income that will be received over the life of the project.

### **ALTERNATIVES**

The Board may deny the request to submit an application for PLHA competitive grant funding. This could result in difficulty by the developer to complete the project due to increased construction and interest rate costs to the project developer.

### **PRIOR BOARD ACTION**

December 14, 2021 (File No. 20-1762, Item No. 33), the Board authorized the Chair to sign Resolutions 184-2021 and 185-2021 to authorize the submittal of a 2021 Grant Program application to the state of California Department of Community Development for funding under the Senate Bill 2 PLHA Competitive Component for program funds for the El Dorado Senior Village Apartments Phase 1, not to exceed \$2,500,000 and Phase 2, not to exceed \$2,500,000; and if awarded, authorize the Planning and Building Department Director, or designee, contingent upon approval by County Counsel and Risk Management, to execute the grant agreements and subsequent amendments not affecting the dollar amount of the term and to sign other grant-related documents.

November 17, 2020 (File No. 20-1316, Item No. 12), the Board approved a Traffic Impact Fee Offset in the amount of up to \$1,065,474 to the Diamond Village Apartments contingent upon executing a Traffic Impact Fee Offset Agreement that includes a Recapture Agreement, Rent Limitation Agreement, and a Residential Anti-Displacement Agreement, to restrict 80 rental units for fifty-five (55) years for very low and low-income tenants.

May 24, 2022 (File No. 22-0609, Item No. 31), the Board accepted the grant award for CDBG Grant funding in the amount of \$1,498,000 for property acquisition costs in support of the Diamond Village 81-unit affordable housing project located in Diamond Springs; authorized the Planning and Building Department Director, or designee, contingent upon approval by County Counsel and Risk Management, to execute the Standard Agreement and subsequent amendments not affecting the dollar amount or the term and to sign other grant-related documents; authorized the Planning and Building Department Director, or designee, contingent upon approval by County Counsel and Risk Management, to execute the Loan Agreements, Development Agreements, Promissory Notes, Regulatory Agreements, Deeds of Trust With Assignment of Rents, and all other documents necessary to issue the grant funds in the form of a loan, to service the loan to, and collect loan repayments; authorized the Auditor-Controller's Office to process check requests to disburse funds which will be reimbursed by corresponding amounts from the CDBG grant; and authorized a temporary, interest-free loan from the General Fund to the CDBG HCED fund, to be repaid upon HCED's receipt of the grant funding. This grant funding has been processed and the County has received full reimbursement from HCED.

### **OTHER DEPARTMENT / AGENCY INVOLVEMENT**

County Counsel and Risk Management.

## **CAO RECOMMENDATION**

Approve as recommended.

## **FINANCIAL IMPACT**

The grant amount of \$3,000,000 will be a pass-through amount to the project developer. There is no County General Fund match required for the PLHA competitive grant. Up to five percent (\$150,000) of the grant amount may be used for administrative expenses incurred to implement the project or program activity, which would offset the costs associated with staff time. This amount is to cover County monitoring costs for the life of the affordability obligation for the project, a total of 55 years. Staff costs are estimated at up to \$15,000 the first year and less than \$2,000 for monitoring and reporting tasks each year thereafter. A budget transfer amending the Fiscal Year 2023-24 Adopted Budget increasing revenue and appropriations by \$3,000,000 in the Housing, Community and Economic Development budget and establishing a budget with \$150,000 in revenue and appropriations in a new interest-bearing Special Revenue Fund will reserve this funding to cover future administrative costs.

## **CLERK OF THE BOARD FOLLOW UP ACTIONS**

- 1) The Clerk of the Board will secure the Chair's signature on the original copy of the Resolution;
- 2) The Clerk of the Board will provide two (2) certified Resolution copies to Planning and Building Department, attention of Chris Smith;
- 3) The Clerk of the Board will secure the Chair's signature on the original copy of the Budget Transfer; and
- 4) The Clerk of the Board will forward the signed Budget Transfer form to the Chief Administrative Office for processing.

## **STRATEGIC PLAN COMPONENT**

Economic Development & Healthy Communities - The grant application for the PLHA State funding program supports the County's Strategic Plan goal of Economic Development by seeking funds to develop workforce housing. Providing workforce housing supports the Healthy Communities goal by offering low-income residents with affordable housing.

## **CONTACT**

Karen L. Garner, Director  
Planning and Building Department