



CITY OF POMONA

COUNCIL REPORT

January 5, 2026

To: Honorable Mayor and Members of the City Council

From: Anita D. Scott, City Manager

Submitted By: Ata Khan, Deputy Director of Economic and Business Affairs

SUBJECT: ESTABLISHING THE POMONA DEVELOPMENT ACCELERATOR FUND (“PDAF”)

RECOMMENDATION:

It is recommended that the City Council adopt the following resolution:

RESOLUTION NO. 2026-05 – A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF POMONA, CALIFORNIA, ESTABLISHING THE POMONA DEVELOPMENT ACCELERATOR FUND (“PDAF”)

EXECUTIVE SUMMARY:

Staff is proposing the creation of the Pomona Development Accelerator Fund (“PDAF”), a multi-tool investment fund designed to catalyze development projects across the City. Despite strong market interest in Pomona, many high-potential residential, commercial, and mixed-use projects face financial feasibility gaps due to current interest rates and construction costs. The Fund can be deployed to catalyze various stages of the development cycle, including property acquisition and gap financing, and finance the startup of commercial tenants. The Fund includes strict guardrails to ensure that one or more public benefits are delivered through the City’s investment, such as increased affordable housing, local hire, prevailing wage, and local business focus. The fund also prohibits investments in projects that result in the permanent displacement of existing residential and commercial tenants. The initial investment in the fund will be \$5M from Successor Agency Bond dollars, and the potential for an additional \$5M from a City grant application to the Southern California Association of Governments (SCAG).

SB1439/GOVERNMENT CODE §84308 APPLICABILITY:

☐ When this box is checked, it indicates the agenda item is subject to the Levine Act SB1439 requirements. Councilmembers are reminded to check their campaign contributions and determine whether they have received a campaign contribution of \$500 or more that would require disclosure and/or recusal from discussing or acting on this agenda item. Campaign contributions of \$500 or more made 1) by any person or entity who is identified in the agenda report as the applicant or

proposer or 2) on behalf of the applicant or participant, including a parent, subsidiary or otherwise related business entity, or 3) by any person who has a financial interest in the agenda item requires a councilmember to comply with SB1439.

FISCAL IMPACT:

This action would not appropriate funds at this time, but commit to a match of up to \$5M from the former Redevelopment Agency's Series BI bond proceeds as part of an application to the Southern California Association of Governments (SCAG) for a grant. If the grant is awarded, Staff will return for Council Action to appropriate the Series BI bond proceeds.

DISCUSSION:

Market Conditions Limit Growth Despite City Streamlining

Pomona has seen limited new investment in housing, commercial, mixed-use and adaptive reuse in areas like Downtown over the last decade. This is in spite of the City taking aggressive measures to streamline housing production citywide, including generous housing densities set by the General Plan, streamlined environmental review that significantly reduces CEQA review times, eliminating parking minimum requirements in line with State law, and implementing predictable, objective design standards for plan review.

The primary barrier to investment remains a disconnect between high construction costs and low local rental revenues. To understand this barrier in detail, the Council must first understand some of the mechanics of commercial and residential real estate investment.

- **The Capital Stack and Housing / Mixed-Use Development**

The "capital stack" is a term used in the investment world for how a new development project will be financed. A developer typically pays for a project using three buckets of money that collectively form the stack:

1. **Senior Debt**, such as a construction loan from a bank, which typically covers 50 to 65 percent of the total cost of development, depending on the property.
2. **Developer Equity**, such as cash from investors or developer/tenant savings, which typically covers 15 to 30 percent of the total cost of development.
3. **City Participation / Deferred Fees**, such as impact fees amortized over time, acting as a loan that reduces upfront equity a developer needs to raise.

- **The Capital Stack and Commercial Tenancy**

1. **Loan**, such as a loan from a bank, typically require 20 to 30 percent down payment, and do not cover soft costs.
2. **Landlord Tenant Improvement Allowance**, such as when a landlord elects to give back 10 to 15 percent of the total lease value for a tenant improvement to close a deal.

3. **Tenant Cash**, can be tenant savings or equity, which for local, new businesses or small local businesses, can be limited.

- **Pomona's Development Market Reveals Gaps in Pro Formas**

Developers and business owners rely on a *pro forma* as a financial model to determine if a project is viable. This model weighs upfront costs (*uses*) against available funding (*sources*) and projects whether the long-term revenue will be sufficient to pay bills and repay loans. When analyzed against Pomona's current market conditions, these models often reveal financing gaps for two reasons:

1. *High Costs*. Construction and labor costs remain persistently high across the region, keeping upfront costs to build or renovate extremely high.
2. *Rents*. Pomona does not command a high per-square-foot rent.

Since rents are lower, banks view these projects as higher risk and lower the amount they are willing to lend (*loan to value*), which leaves a shortage of cash to complete a project improvement or construction. In other words, the project's *net operating income (NOI)* is too low to support the size of the loan required to build or improve.

For commercial tenancy, landlords pay for tenant improvements to attract high-quality tenants. In Pomona, rental rates are not high enough to generate the cash flow landlords need to recoup that upfront investment. This forces small business owners to pay for their own build-outs, creating a gap that stops many new businesses from starting at a brick and mortar establishment.

How an Accelerator Fund Can Address Unfavorable Development Economics

An accelerator fund would bring in the City to address financial gaps for residential, mixed-use, and commercial tenancy projects. To establish best practices and consistency with State housing lending practices, Staff evaluated lending standards from the California Department of Housing and Community Development (HCD) Uniform Multi-Family Regulations, the San Gabriel Valley Housing Trust Fund, the City of Murietta Catalyst Fund, the City of Long Beach Grow Long Beach Fund, and the City of Pomona's own Multi-Unit Rehabilitation Fund and other City-issued lending products issued over the years by the Neighborhood Services Department.

Establishing Program Requirements

Before establishing lending standards, Staff developed the following minimum program requirements as guardrails for the use of PDAF. This will ensure that investments from the PDAF are carried out intentionally, equitably, and consistent with the Pomona General Plan.

1. Public Benefits

The PDAF is intended to invest in projects to fill financial gaps but that also provide tangible public benefits. The fund will not be deployed on a site without the provision of a public benefit. Examples of public benefits include, but are not limited to: affordable housing percentages beyond the City's inclusionary housing program requirements; or local hire at prevailing wage; or set-

aside of ground floor spaces for public and community use; or assurance of Pomona-based commercial tenants. Individual Notices of Funding Availability (NOFA) will define these public benefits.

2. Displacement Avoidance

The PDAF is intended to catalyze empty land, abandoned buildings, and empty storefronts. The fund will not be deployed on a site if it would lead to the permanent displacement or eviction of an existing residential or commercial tenant. Displacement avoidance remains a pillar of the City's ACTS Program through the Transformative Climate Communities grant.

3. Local Business Focus

The PDAF is intended to catalyze Pomona-based businesses to establish themselves in a brick and mortar location by filling cost gaps. The fund will not be deployed on a site to support chain establishments, which are typically defined as having more than eight to ten locations. Public benefits (above) should be defined in relation to local business retention when relevant to a proposed site.

4. In-Fill Development

The PDAF is intended to catalyze development that is consistent with the Pomona General Plan and Housing Element (*Pro Housing Pomona*). This includes encouraging in-fill development, affirmatively furthering fair housing, and reducing vehicle miles traveled. The fund will not be deployed on a site that cannot demonstrably achieve these goals.

5. Inclusive NOFA Process

Each deployment from the PDAF would require a Notice of Funding Availability (NOFA). In establishing individual NOFAs, the City must equitably engage the community and provide a meaningful opportunity for a wide range of applications. Engagement should include disadvantaged and historically underserved neighborhoods or underrepresented stakeholders.

Lending Products

The following is a summary of loan products that can be issued by the PDAF. The type of product(s) available will be defined in individual Notices of Funding Availability (NOFA). The types of lending products is intentionally broad to enable the most flexibility by the City when issuing NOFAs depending on site conditions, market conditions, and and public engagement.

- **Property Acquisition.** Lasting affordability through property purchase to secure site; land banking for future ground lease.
- **Community Land Trust.** Lasting affordability through rapid acquisition of residential properties by Community Land Trusts or Non-Profits to prevent displacement
- **Bridge/Gap.** Construction completion, lease-up stabilization
- **Tenant Improvement.** Major infrastructure upgrades for historic buildings

- **Fixtures, Furniture, and Equipment (FF&E).** Commercial kitchen equipment, furniture, fixtures
- **Residual Receipts.** Gap financing for housing development projects
- **Forgivable.** Gap closure, rent subsidy, equipment

Interest Rates

The interest rate may be determined at either:

1. Rate established by Federal Home Loan Mortgage Corporation for average conventional commitment of a fixed-rate, 30-year mortgage, compounded annually, or
2. 3% simple interest when necessary to secure investor equity or other funding sources, or
3. Zero interest when a forgivable loan product is deployed.
4. As otherwise determined by the Loan Committee to ensure the feasibility of a project or to reflect the level of risk involved in the project.

Loan Committee and Approval Thresholds

A Loan Committee for the PDAF will consist of the City Manager, Director of Finance, Director Development Services, Deputy Director of Office and Economic and Business Affairs. The Loan Committee reserves the right to add an additional committee member representing the financial and lending sector, if necessary. The following thresholds will allow for streamlined review of loan applications depending on the size and complexity of the loan and project.

- **Tier 1 (Minor Loan up to \$250k):** Loan Committee Review and Approval required.
- **Tier 2 (Major Loans >\$250k):** City Council Review and Approval required.

PDAF as a Revolving Fund

Critically, several of the lending products operate under a repayment timeline of less than three years, which would enable repayment that replenishes the PDAF. This would enable the PDAF to be deployed again for additional development projects, thereby providing a long-term economic tool for development.

Funding Sources

Staff has identified potential sources of funding for the PDAF.

Funding Source	Restrictions	Amount
Successor agency bond proceeds	Bond language restrictions, geographically focused on former Redevelopment Project Areas	\$5M
SCAG REAP 2.0 PATH Grant Program	Geographically focused on transit oriented development areas, in-fill development, VMT reduction	Up to \$5M, dependent upon successful grant application approval

Pursuing SCAG Grant Opportunity

As part of the Resolution adopting the PDAF, Council will authorize Staff to pursue the SCAG REAP 2.0 grant application for a \$5 million request, to be used by the PDAF for catalyzing residential or mixed-use affordable housing products in transit-oriented development areas of the City, such as Downtown or the Pomona North Station (Metro A Line). The application is due on January 20, 2026 and requires an applicant to have an established loan fund prior to submittal. The application will include a self-certification letter for compliance with SCAG requirements, maps to determine eligibility for in-fill, and other supplemental documents. This includes committing up to \$5M as a match from the Successor Agency Bond proceeds as an identified match in the application.

Next Steps

Upon creation of the fund, any future investments from the fund will be carried out through individual Notices of Funding Availability (NOFA). The Resolution adopting the PDAF authorizes City staff to establish the procedure for the NOFA.

Prepared by:



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ATTACHMENT(S):

- Attachment No. 1 – Resolution No. 2026-05 (Establishing Pomona Development Accelerator Fund)
- Attachment No. 2–Appendices A: PDAF Program Guidelines