



CITY OF POMONA COUNCIL REPORT

June 21, 2021

To: Honorable Mayor and Members of the City Council

From: James Makshanoff, City Manager

Submitted By: Benita DeFrank, Neighborhood Services Director

SUBJECT: AMENDING THE FY 2021-22 OPERATING BUDGET BY INCREASING REVENUE ESTIMATES AND APPROPRIATING PERMANENT LOCAL HOUSING ALLOCATION AND COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS

RECOMMENDATION:

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

RESOLUTION NO. 2021-64 - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF POMONA, CALIFORNIA, AMENDING THE FY 2021-2022 OPERATING BUDGET TO INCREASE REVENUE ESTIMATES AND APPROPRIATE PERMANENT LOCAL HOUSING ALLOCATION AND COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS

EXECUTIVE SUMMARY:

The Department of Housing and Community Development (HCD) notified the City of Pomona that we are a recipient of a Permanent Local Housing Allocation (PLHA) Program award in the amount of \$1,068,445 to fund and administer affordable housing construction and the Accessory Dwelling Unit/Junior Accessory Dwelling Unit (ADU/JADU) Loan Program. The ADU/JADU Loan Program will expand the supply of affordable rental housing through the creation or conversion of ADUs/JADUs. In addition, the PLHA Program will fund the Homebuyer Assistance Program, which will provide down payment assistance to first time homebuyers. Six homebuyers earning up to 120% of AMI will benefit through this funding. Finally, the City was notified that it had been awarded an additional \$30,311 in Community Development Block Grant funds.

FISCAL IMPACT: The adoption of Resolution 2021-64 (Attachment No. 1) will amend the Fiscal Year 2021-22 Operating Budget by \$1,098,556. Revenue will increase by \$1,098,556 and appropriations will increase by an equal amount.

PROGRAM	REVENUE ACCT #	APPROPRIATE (\$)	EXPENDITURE ACCT #	APPROPRIATE (\$)
Permanent Local Housing Allocation	143-1702- 40873-00000	\$53,422	Salaries & Benefits (143-1791-51012- 00000)	\$53,422
	143-1791- 40873-00000	\$1,015,023	Controllable Contract Services (143-1791-52285- 00000)	\$406,009
			First Time Homebuyer (143-1791-52980- 00000)	\$609,014
CDBG Housing Improvement Program	213-1791- 40850-65305	\$30,111	Housing Improvement Program (213-1791-52582- 65305)	\$30,111

PREVIOUS RELATED ACTION: On May 18, 2020, the City Council approved the submission to the State HCD of a funding request of \$6,410,670 for the PLHA Program for 5 years, and the adoption and implementation of the 5-Year PLHA Plan. The first year allocation for the PLHA Program is \$1,068,445. On July 20, 2020, the City Council approved an amendment to the 5-Year PLHA Plan providing an annual breakdown of requested funding by activity, and the number of beneficiaries served by income percentile. On May 17, 2021, the City Council adopted the FY 2021-22 Annual Action Plan, which approved the proposed fund distribution for the Community Development Block Grant Program. On June 7, 2021, the City Council adopted the FY 2021-22 City Operating Budget.

PUBLIC NOTICING REQUIREMENTS: No public notice is required as this action does not constitute an amendment to the Five Year PLHA Plan, nor does it constitute a substantial amendment to the Consolidated Plan or Annual Action Plan, per the State HCD and HUD approved guidelines.

DISCUSSION:

PLHA Program Appropriation

The PLHA Program was established by Senate Bill 2 (SB2), known as the Building Homes and Jobs Act, which established a \$75 recording fee on real estate transactions. Its goal is to provide 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. For Entitlement jurisdictions, such as the City of Pomona, the amount of PLHA funding is based on the formula allocation for the Community Development Block Grant (CDBG) over a 5-year period. In this regard, the City is eligible to receive \$6,410,670 over 5 years, or between \$1.0 million to \$1.2 million annually. It is important to note that the 5-year funding is an estimate since the funding source is from real estate transactions that may fluctuate from year to year. The City's PLHA Program first year or FY

2021-22 award is \$1,068,445.

To receive the funds, the City submitted a 5-Year Plan detailing the manner in which allocated funds will be used among the eligible activities annually, and how investments will be prioritized to increase supply of affordable housing for households at or below 60% of AMI. Activities approved for funding for FY 2021-22 are:

1. *Program Administration*

Up to 5% of the award or \$53,422 will be used for the administration of activities to include general program management, oversight, coordination and monitoring.

2. *ADU/JADU Loan Program/Affordable Housing Construction*

Some 40% of the balance or \$406,009 will provide financial assistance to low income homeowners earning no more than 80% of AMI, to create additional units within existing owner-occupied single family homes, or to convert existing structures that are accessory to owner occupied single family homes, into accessory dwelling units. The assistance will be in the form of a loan of up to \$100,000 with a 2% annual interest. The interest will be 20% forgiven each year the homeowner rents the ADU/JADU to a low-income tenant earning 80% of AMI at affordable rents. The owner must repay the principal upon sale, transfer title, refinance with cash out, or when there is default on the loan. The City may also extend a grant of up to \$20,000, as needed, to cover inspections, architecture, design and engineering, and project facilitation services. The ADU/JADU Loan Program will benefit four (4) homeowners.

The City may also use this portion of the funding for affordable housing construction.

3. *Homebuyer Assistance Program*

The remaining \$609,014 will provide down payment assistance of up to \$100,000 for first time homebuyers earning up to 120% of AMI. The loan and the City's share of equity realized will be due and payable when the property is sold, transferred, refinanced with cash out, a change in title occurs, there is default on the loan, or at the end of 20 years. At the end of 20 years, any equity realized is forgiven and only the principal is repayable to the City. This program will benefit six first time homebuyers.

The City may revise its annual plan or five-year plan, subject to written approval by the State HCD. The revision may require a substantial amendment when a change involves more than 10% of the annual award or allocation.

Any principal, interest or equity payment is considered program income, which the City can use for other PLHA eligible activities.

CDBG Program Appropriation for the Housing Improvement Program

On February 25, 2021, HUD released the formula allocation for the CDBG Program that amounts to \$2,043,385. Based on the FY 2021-22 Annual Plan and per Statutes, 20% of the CDBG funding will be used for program administration, 10% for public services, and 70% will be for non-public services.

The Housing Improvement Program, currently funded for \$75,000 under non-public services, assists low-income homeowners earning no more than 80% of AMI with a grant for emergency repairs, exterior improvements and roof repair/replacement. This is a one-time grant of up to \$5,000 for emergency and façade repairs/improvements such as electrical replacement, ADA improvement, door and window replacement, or up to \$15,000 per household for roof repair/replacement assistance. The current funding level will assist 5 households.

On May 18, 2021, HUD advised the City that the CDBG funding allocation for FY 2021-22 increased approximately by 1.5%, or from \$2,043,385 to \$2,073,496. Staff recommends that the increase in funding of \$30,111 be appropriated to the Housing Improvement Program due to the high demand by residents for emergency and roof repair assistance. This will assist an additional 2 to 3 households for FY 2021-22.

Prepared by:

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Housing Grants Supervisor

ATTACHMENT:

Attachment No. 1 – Resolution No. 2021-64