



# City of San Leandro

Meeting Date: July 20, 2020

## Staff Report

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**File Number:** 20-326

**Agenda Section:** PUBLIC HEARINGS

**Agenda Number:** 5.A.

**TO:** City Council

**FROM:** Jeff Kay  
City Manager

**BY:** Tom Liao  
Community Development Director

**FINANCE REVIEW:** Not Applicable

**TITLE:** Staff Report for Two City of San Leandro City Council Resolutions Approving the Submittal of a Response to the State of California Housing and Community Development Department Permanent Local Housing Allocation Program Notice of Funding Availability (NOFA) including the City of San Leandro Five Year "302(c)(4)" Plan and; an Update of the City's Share of 2016 Alameda County A-1 Housing Bond Funds

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### SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council adopt two resolutions related to an ongoing funding program from the California Department of Housing and Community Development Department (CA HCD): 1) to receive, authorize and adopt the Five Year 302(c)(4) Plan (Five-Year Plan) required of the Permanent Local Housing Allocation (PLHA) Program Guidelines and 2) to authorize the submission of an application for the Permanent Local Housing Allocation Program Funding and delegating authority to the City Manager to execute all related documents and submit them to CA HCD. The due date for the City's response to the NOFA with a program application is July 27, 2020.

The PLHA Program Five-Year Plan has been available for public comment since July 3, 2020 when a Public Notice was posted in the [East Bay Daily Review](#) and was posted on the City's Housing Division website in addition to the new public notices portal of the City's Library website. To date no comments have been received. Upon adoption by the City Council, the 302(c)(4) plan will be submitted along with the PLHA Program funding application to CA HCD.

In conjunction with these actions, staff will also provide an update on the City's share of the 2016 Alameda County A-1 Housing Bond.

### BACKGROUND

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 affordable housing needs by increasing the supply of affordable housing units.

Under the PLHA program, funding is provided through formula grants to entitlement jurisdictions such as San Leandro based on the formula prescribed under federal law for the Community Development Block Grant (CDBG) program over a five-year funding period. The City of San Leandro is an entitlement jurisdiction and is eligible to receive an estimated \$2.1 million, or approximately \$350,000 annually, over the five-year funding period. It is important to note that this is only an estimate -- annual PLHA amounts are subject to change.

### **Analysis**

The State requires entitlement jurisdictions to use PLHA program funds to increase the supply of affordable housing. In order to receive PLHA program funds, the City is required to submit a PLHA Five-Year Plan ("Five-Year Plan") that has been reviewed and adopted by a resolution of the City Council. Additionally, the City Council must adopt a resolution authorizing the application to the CA HCD PLHA program.

The Five-Year Plan is based on Section 302(c)(4) of the CA HCD Guidelines issued for the program in October 2019 and that are posted on the HCD website (<https://www.hcd.ca.gov/grants-funding/active-funding/docs/PLHA-Final-Guidelines-11-19.pdf>). The Five-Year Plan requires that the City provide in detail the manner in which allocated funds will be used. The Five-Year Plan is Attachment A to this Staff Report.

### **Summary of the Five-Year Plan (including an Update on City's Share of Alameda County A-1 Bond Funding)**

Staff recommends the City establish a five year program to use PLHA funds for the predevelopment, development, acquisition, rehabilitation, and/or preservation of multi-family, residential live-work, and rental housing that is affordable to Extremely low-, Very low-, Low-, or Moderate-income households, including the necessary operating subsidies. The City will allocate PLHA funds to multi-family rental housing either for new developments or preservation of existing ones. For preservation projects, the City will prioritize existing, unregulated affordable housing or regulated affordable housing developments with expiring regulatory agreements (i.e. properties that are at-risk of being lost from the affordable housing supply). These eligible activities advance the City's General Plan Housing Element's goals and objectives and the 2020-2024 Five Year Consolidated HUD Plan to increase the supply of affordable rental housing options including senior housing and supportive housing.

In Fall/Winter 2020, the Housing Division plans to solicit a Request for Qualifications (RFQ) for qualified non-profit affordable housing developers to use PLHA and other available City affordable housing funds such as the City Housing Trust Fund, federal HOME funds, and 2016 Alameda County General Obligation Bond Measure A-1 Housing

bond funds allocated to the City. Selected nonprofit developer(s) will be asked to leverage PHLA and City affordable housing funds to obtain financing from other regional, State, federal and private sources. The City will reserve the right to use the 5% of its total PLHA allocation for eligible administrative costs.

### Alameda County A-1 Bond Funding

In November 2016, Alameda County residents passed the \$580 million County A-1 Bond Measure to increase affordable housing county-wide. The County allocated pro-rated portions or “Base City Allocations” of the bond to local jurisdictions. Eligible affordable rental housing activities include new construction, acquisition, and acquisition/rehabilitation for a wide range of target populations including seniors, homeless person, persons with disabilities and families. Emergency and transitional housing is also an eligible activity, but County A-1 may not be used to fund related supportive services. The City was allocated \$11.9 million in County A-1 Housing Bond proceeds. In March 2017, the City awarded \$1.7 million to BRIDGE Housing Corporation for the 85-unit La Vereda senior affordable rental housing adjacent to the 115-unit Marea Alta to fill an emergency funding gap. In 2018, the City awarded to Eden Housing, Inc., \$4 million of its County A-1 bond proceeds for the Parrott Street Apartments, which will primarily serve lower income veterans and persons with disabilities. The County also received approximately \$1.2 million from the City’s share for pro rata County bond issuance fees. The City’s remaining County A-1 allocation balance is approximately \$5 million. Alameda County cities such as San Leandro need to commit their shares of A-1 funds by December 31, 2021.

The draft Five-Year Plan has been available for public comment since July 3, 2020 when the City published a Public Notice in the East Bay Daily Review seeking public comment on the draft document. Staff notified the Housing Division’s interested parties email list. Additionally, the draft Five-Year Plan has been available for public review on the City’s website and a new portal on the City’s library website for public review documents. As of the publishing of this staff report, there have been no public comments received on either of these documents.

Staff recommends that the City Council adopt a resolution acknowledging the review and approving the contents of the Five-Year Plan because it is a required element of the application for the allocation the CA HCD funds.

### **Current Agency Policies**

Current City Council Policy is defined by the FY 2020-2024 Consolidated Plan, adopted by Resolution No. 2020-056 at the June 15, 2020 City Council meeting. Specifically, identifying Affordable Housing as a Priority Need in the City of San Leandro.

### **Applicable General Plan Policies**

The Five-Year Plan addresses the following sections of the City of San Leandro's General Plan Housing Element and is consistent with the overall goals to increase the number and quality of affordable housing in San Leandro: Action 53.03 - City will actively pursue and leverage public funds to facilitate the development of housing affordable to lower and moderate income

households in Sal Leandro; Action 53.03-A - Applications for Grant Funding--City will pursue funding sources for affordable housing construction; Action 53.03-B - Support for Non-Profit and For-Profit Affordable Housing Developers--City will provide support and information to non-profit and for-profit developers seeking to create affordable housing in San Leandro.

### **Environmental Review**

As applicable, National Environmental Protection Act (NEPA) and California Environmental Quality Act (CEQA) reviews will be conducted for any affordable housing development approved by the City Council. The Five-Year Plan and the application to CA HCD in response to the NOFA for the PLHA program are exempt from CEQA because neither of these documents cause an environmental impact under CEQA guidelines, 14 CCR Section 15061(b)(3): The activity is covered by the common sense exemption that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.

### **Summary of Public Outreach Efforts**

A Public Hearing Notice and the Public Comment Period were published in the *East Bay Daily Review* on July 3, 2020. Due to COVID-19, the Alameda County Shelter-In-Place order and Community Development Staff quarantine, notice of this Public Hearing was sent only by email to a list of those who have expressed interest in the City's Housing Division programs and funded activities. Due to the Alameda County Shelter In Place Order, the draft Five-Year Plan was available for review on the City's website (<http://www.sanleandro.org/depts/cd/housing/plans.asp>) and the Library website (<https://www.sanleandro.org/depts/library/default.asp>).

### **Fiscal Impacts**

The City of San Leandro is a PLHA entitlement jurisdiction and is eligible to receive an estimated \$2.1 million total over a five-year period, or approximately \$350,000 annually. It is important to note that this is only an estimate -- annual PLHA amounts are subject to change. CA HCD will likely enter into a Standard Agreement or similar with the City for the PLHA grant funding.

### **Budget Authority**

The PLHA grant funding program was established under Chapter 364, Statutes of 2017 (SB 2, Atkins) that was part of a 15-bill housing package aimed at addressing the state's housing shortage and high housing costs. Specifically, it establishes a permanent source of funding intended to increase the affordable housing stock in California. The revenue from SB 2 will vary from year to year, as revenue is dependent on real estate transactions with fluctuating activity.

## **ATTACHMENTS**

### **Attachment to Staff Report**

None

**Attachment to Related Legislative Files**

Permanent Local Housing Allocation Five-Year Plan for the City of San Leandro

**PREPARED BY:** Maryann Sargent, Senior Housing Specialist, Community Development Department



# City of San Leandro

Meeting Date: July 20, 2020

## Resolution - Council

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**File Number:** 20-327

**Agenda Section:** PUBLIC HEARINGS

**Agenda Number:**

**TO:** City Council

**FROM:** Jeff Kay  
City Manager

**BY:** Tom Liao  
Community Development Director

**FINANCE REVIEW:** Not Applicable

**TITLE:** City of San Leandro City Council RESOLUTION Authorizing the City Manager to Apply for, Receive, if Awarded a PLHA grant, and Execute a Standard Agreement with the State of California, Department of Housing and Community Development for funding from the Permanent Local Housing Allocation Program.

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A Majority of the City Council Members of the City of San Leandro, a municipal corporation organized as a Charter City under the laws of the State of California ("Applicant") hereby consents to, adopts and ratifies the following:

WHEREAS, the Department is authorized to provide up to \$195 million under the SB 2 Permanent Local Housing Allocation Program Formula Component from the Building Homes and Jobs Trust Fund for assistance to Cities and Counties (as described in Health and Safety Code section 50470 et seq. (Chapter 364, Statutes of 2017 (SB 2))); and

WHEREAS the State of California (the "State"), Department of Housing and Community Development ("Department") issued a Notice of Funding Availability ("NOFA") dated February 26, 2020 under the Permanent Local Housing Allocation (PLHA) Program; and

WHEREAS Applicant is an eligible Local government applying for the program to administer one or more eligible activities; and

WHEREAS the Department may approve funding allocations for the PLHA Program, subject to the terms and conditions of the Guidelines, NOFA, Program requirements, the Standard Agreement, and other contracts between the Department and PLHA grant recipients; and

WHEREAS, the Permanent Local Housing Allocation Application was presented to the City of San Leandro City Council; and

WHEREAS, the City Council is familiar with the contents thereof; and

WHEREAS, the City Manager recommends approval of said agreement.

NOW, THEREFORE, the City Council of the City of San Leandro does RESOLVE as follows:

1. If Applicant receives a grant of PLHA funds from the Department pursuant to the above referenced PLHA NOFA, it represents and certifies that it will use all such funds in a manner consistent and in compliance with all applicable state and federal statutes, rules, regulations, and laws, including without limitation all rules and laws regarding the PLHA Program, as well as any and all contracts Applicant may have with the Department.
2. Applicant is hereby authorized and directed to receive a PLHA grant, in an amount not to exceed the five-year estimate of the PLHA formula allocations, as stated in Appendix C of the current NOFA in accordance with all applicable rules and laws.
3. Applicant hereby agrees to use the PLHA funds for eligible activities as approved by the Department and in accordance with all Program requirements, Guidelines, other rules and laws, as well as in a manner consistent and in compliance with the Standard Agreement and other contracts between the Applicant and the Department.
4. Applicant certifies that it will subgrant some or all of its PLHA funds to another entity or entities. Pursuant to Guidelines Section 302(c)(3), "entity" means a housing developer or program operator, but does not mean an administering Local government to whom a Local government may delegate its PLHA allocation;
5. Applicant certifies that its selection process of these subgrantees will be accessible to the public and shall avoid any conflicts of interest;
6. Pursuant to Applicant's certification in this resolution, the PLHA funds will be expended only for eligible Activities and consistent with all program requirements;
7. Applicant certifies that, if funds are used for the acquisition, construction or rehabilitation of for-sale housing projects or units within for-sale housing projects, the grantee shall record a deed restriction against the property that will ensure compliance with one of the requirements stated in Guidelines Section 302(c)(6)(A),(B) and (C);
8. Applicant certifies that, if funds are used for the development of an Affordable Rental Housing Development, the Local government shall make PLHA assistance in the form of a low-interest, deferred loan to the Sponsor of the Project, and such loan shall be evidenced through a Promissory Note secured by a Deed of Trust and a Regulatory Agreement shall restrict occupancy and rents in accordance with a Local government-approved underwriting of the Project for a term of at least 55 years.
9. Applicant shall be subject to the terms and conditions as specified in the Standard Agreement, the PLHA Program Guidelines and any other applicable SB 2 Guidelines published

by the Department.

10. Jeff Kay, Applicant's City Manager, is authorized to execute the PLHA Program Application, the PLHA Standard Agreement and any subsequent amendments or modifications thereto, as well as any other documents which are related to the Program or the PLHA grant awarded to Applicant, as the Department may deem appropriate.





# City of San Leandro

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## Resolution - Council

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**Agenda Section:** PUBLIC HEARINGS

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**TO:** City Council

**FROM:** Jeff Kay  
City Manager

**BY:** Tom Liao  
Community Development Director

**FINANCE REVIEW:** Not Applicable

**TITLE:** RESOLUTION of the City Council of the City of San Leandro Authorizing and Adopting the 302(c)(4) Plan for the Permanent Local Housing Allocation Program for Funding Allocation Years 2019-2023

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WHEREAS, the State of California ("State"), Department of Housing and Community Development ("HCD") is authorized to provide up to \$195 million under the Senate Bill 2 Permanent Local Housing Allocation ("PLHA") Program Formula Component from the Building Homes and Jobs Trust Fund for assistance to Cities and Counties (as described in Health and Safety Code section 50470 et seq. (Chapter 364, Statutes of 2017 (SB 2))); and

WHEREAS, HCD issued a Notice of Funding Availability ("NOFA") dated February 26, 2020 under the PLHA Program; and

WHEREAS, the City of San Leandro ("City" or "Applicant") is an eligible Local government applying for the program to administer one or more eligible activities; and

WHEREAS, HCD may approve funding allocations for the PLHA Program, subject to the terms and conditions of the PLHA Guidelines, NOFA, Program requirements, the Standard Agreement, and other contracts between HCD and PLHA grant recipients; and

WHEREAS, Section 302(c)(4) of the PLHA Guidelines requires applicants to submit a plan detailing the manner in which allocated funds will be used, a description of the way the Local government will prioritize investments that increase the supply of housing for households with incomes at or below 60 percent of Area Median Income, and a description of how the Plan is consistent with the programs set forth in the Local government's Housing Element; and

WHEREAS, Section 302(c)(4) of the PLHA Guidelines also requires that the plan be authorized and adopted by resolution of the Local government and that the public should have an adequate opportunity to review and comment on the content of the plan; and

WHEREAS, City staff prepared a plan consistent with the requirements of Section 302(c)(4) of the PLHA Guidelines (“302(c)(4) Plan”) and published a Public Notice in the East Bay Daily News on July 2, 2020 with a public comment closing date of July 20, 2020 the locations of where a copy of this plan is located on City websites and how to comment on the 302(c)(4) Plan contents; and

WHEREAS, the City Council is familiar with the contents thereof; and

WHEREAS, the City Manager recommends approval of said 302(c)(4) Plan.

NOW, THEREFORE, the City Council of the City of San Leandro does RESOLVE as follows:

1. The document attached hereto marked as Attachment A is hereby authorized and adopted as the 302(c)(4) Plan for Funding Allocation Years 2019-2023 for the City of San Leandro.
2. The City Clerk shall certify to the adoption of this Resolution, and thenceforth and thereafter the same shall be in full force and effect.



## Community Development Department | Housing Division Permanent Local Housing Allocation 302(c)(4) Plan (Funding Allocation Years 2019-2023)

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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. The due date for the City's response the NOFA with a program application is July 27, 2020.

Under the PLHA program, funding is provided through formula grants to entitlement jurisdictions such as San Leandro based on the formula prescribed under federal law for the Community Development Block Grant (CDBG) program over a five-year funding period. The City of San Leandro is an entitlement jurisdiction and is eligible to receive an estimated \$2.1 million, or approximately \$350,000 annually, over the five-year funding period. It is important to note that this is only an estimate -- annual PLHA amounts are subject to change.

The State requires entitlement jurisdictions to use PLHA program funds to increase the supply of affordable housing. In order to receive PLHA program funds, the City is required to submit a PLHA Plan detailing the manner in which allocated funds will be used.

The following titles in bold are the required elements of 302(c)(4) Plan.



**1. Describe the manner in which allocated funds will be used for Eligible Activities<sup>1</sup>:**

The City of San Leandro ("City") will establish a program to use PLHA funds for the predevelopment, development, acquisition, rehabilitation, and/or preservation of multi-family, residential live-work, rental housing that is Affordable to Extremely low-, Very low-, Low-, or Moderate-income households, including necessary Operating subsidies. The City will allocate PLHA funds to multi-family rental housing either for new developments or preservation. For preservation projects, the City will prioritize existing, unregulated affordable housing or regulated affordable housing developments with expiring regulatory agreements i.e. properties that are at-risk of being lost from the affordable housing supply.

**2. Provide a description of the way the City of San Leandro will prioritize investments that increase the supply of housing for households with incomes at or below 60% of the Area Median Income (AMI).**

In FY 2020-2021 the City will circulate an RFQ to solicit non-profit affordable housing developers with an established track record of successful development of similar types of affordable housing that it proposes to build using PLHA funds. In June 2016, Alameda County citizens passed a General Obligation Bond Measure A-1 to increase affordable housing county-wide. The non-profit affordable housing developer must propose a development that is consistent with the guiding principles set-forth by Alameda County Measure A-1 Rental Housing Development Fund:

- 1) Maximize leverage and produce the largest number of units possible;
- 2) Select feasible projects that can compete well for State/Federal financing;
- 3) Fund projects at a level to ensure viability for the life of the regulatory period;
- 4) Use Measure A-1 and PLHA funds to fill a gap and not supplant other affordable housing development funding available to the project.

**3. Provide a description of how the Plan is consistent with the programs set forth in the City of San Leandro's Housing Element.**

The following sections of the City of San Leandro's Housing Element demonstrate that this 302(c)(4) Plan is consistent with the overall goals to increase the number and quality of affordable housing in the jurisdiction:

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<sup>1</sup> See Section 301 of the Permanent Local Housing Allocation Program, Final Guidelines at the California Department of Housing and Community Development website: <https://www.hcd.ca.gov/grants-funding/active-funding/docs/PLHA-Final-Guidelines-11-19.pdf>



- Action 53.03: City will actively pursue and leverage public funds to facilitate the development of housing affordable to lower and moderate income households in San Leandro.
  - Action 53.03-A: Applications for Grant Funding--City will pursue funding sources for affordable housing construction.
  - Action 53.03-B: Support for Non-Profit and For-Profit Affordable Housing Developers--City will provide support and information to non-profit and for-profit developers seeking to create affordable housing in San Leandro.
- 4. Provide a description of how allocated funds will be used for each proposed Affordable Rental Housing Activity.**

As of June 30, 2020, the City of San Leandro has an unused allocation of Alameda County Measure A-1 Rental Housing Development Bond Funding in the amount of a little over \$5 million. The City of San Leandro will seek developers who can use at minimum 95% of the total PLHA fund allocation to successfully leverage A-1 and other State/Federal affordable housing development funding. The PLHA funding will be used to make a gap loan for new construction of multifamily rental housing developments proposed by non-profit affordable housing developers requesting City funds (such as the Housing Trust Fund) loans.

The City reserves the right, if needed, to use the allowed 5% of its total allocation for eligible City staff administration costs.

**5. Describe major steps/actions and a proposed schedule for the implementation and completion of the Activity.**

The City will circulate an RFQ with a response deadline of September 30, 2020 seeking qualified affordable housing developers that can leverage PLHA funds to secure Alameda County Measure A-1 Affordable Rental Housing Development Funds. The ultimate goal for the affordable housing developer is to successfully leverage City and County funds for an affordable housing development in the City of San Leandro.

The next Alameda County Measure A-1 Affordable Rental Housing Development Fund NOFA is likely to be released in FY 20-21. This NOFA is scheduled to be released in time so that non-profit affordable housing developers can access other funding available through programs such as the Affordable Housing & Sustainable Communities Greenhouse Gas Reduction Funds (with an anticipated NOFA in February 2021), Infill Infrastructure Grants (with an anticipated NOFA in March 2021), Transit Oriented Development Grants (with an anticipated NOFA in April 2021), Veterans Housing and Homeless Prevention Grants (with an anticipated NOFA in February 2021), and/or Low Income Housing Tax Credits (with an anticipated NOFAs in March and July 2021).