



CITY OF SAN MATEO

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Agenda Report

Agenda Number: 10

Section Name: {{section.name}}

Account Number: 36-3133

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TO: City Council
FROM: Alex Khojikian, City Manager
PREPARED BY: Community Development Department
MEETING DATE: February 20, 2024

SUBJECT:

Permanent Local Housing Allocation (PLHA) Supportive Housing Loan – Agreement

RECOMMENDATION:

Adopt a Resolution to approve a loan to the St. James Community Development Corporation for predevelopment and development costs for a new supportive housing project in the amount of \$377,212 and authorize the City Manager to execute the agreement in substantially the form presented.

BACKGROUND:

The purpose of the Permanent Local Housing Allocation program (PLHA) is to provide a permanent source of funding to all local governments in California to help cities and counties implement plans to increase housing affordability. This is a flexible funding source that can be used for a wide range of activities from increasing the housing supply to providing supportive services. The PLHA application requires the City to develop a five-year plan to allocate spending. The City's third-year allocation amount is \$584,800. After the City awarded funding assistance to the other PLHA third-year subrecipients, the remaining funding available to be used for this request is \$377,212. The California Department of Housing and Community Development (HCD) defines the third-year PLHA grant as the 2021 allocation, but has consistently released PLHA funds on a deferred schedule, so the City is utilizing the 2021 allocation as part of its 2023 – 2024 fiscal year activities.

The St. James African Methodist Episcopal Zion church is a historically African American church located on Monte Diablo Avenue in the City's North Central Neighborhood. They are current participants in the City's Community Funding program of the Community Development Block Grant (CDBG), where they provide school supplies, meals, and uniforms to low-income students and youth in the City. In winter of 2022, City staff were approached by representatives from St. James regarding the potential for developing a new supportive housing project aimed at housing the City's transition-aged former foster youth. Transition-aged former foster youth are defined by HCD as individuals between the ages of 18 to 24 who have recently left the foster care system and may not possess all the necessary resources for stable housing while entering life as an adult. The church owns an adjacent parcel at 831 Monte Diablo Avenue that is currently a single-family home. Known as "New Beginnings Supportive Housing," the project proposes to redevelop this parcel into an affordable housing village with four to six units of supportive housing for transition-aged former foster youth.

Senate Bill (SB) 4 (2023) allows for approval of a housing development project on a site that is owned by a religious institution and is zoned for residential uses, including single-family residential zones, at a density of at least 30 units per acre so long as 100% of the units shall be made affordable to lower-income households. New Beginnings Supportive Housing will satisfy this requirement by making all of its units restricted to extremely low-income households (30% Area Median Income or AMI) for 55 years. This forgivable loan award does not constitute a planning entitlement or building permit approval; it only provides funding to allow the project to move forward with design, predevelopment activities, and construction once permits are approved.

This PLHA funding will be distributed to St. James Community Development Corporation (Applicant) in the form of a 0% interest loan, with a deferred payment schedule that will not collect repayment throughout predevelopment and development of the project, and would be forgiven upon completion of project construction. The resolution to approve this loan to the Applicant for this supportive housing project is included as [Attachment 1](#).

This loan of PLHA funds will be used to cover design and predevelopment costs, such as preparation of construction plans, surveys, professional service fees, and various reports to ensure compliance with environmental regulations. The agreement that specifies the terms of this loan of PLHA funds is included as [Attachment 2](#). Additional information about the proposed project, including a breakdown of pre-construction and construction costs, is provided in [Attachments 3 and 4](#). The Applicant has estimated that the project in total will cost approximately \$1,500,000 to complete at five units. Since this project could include six units, a large construction contingency has been included. Their funding plan notes that they have currently secured \$315,000 from various funding sources, and after obtaining \$377,212 in PLHA funds, will secure an additional \$1,300,000 from the FY 24-25 Measure K grant to cover the remaining funding gap and provide a contingency reserve of \$563,571 that may be used for construction of a sixth unit. The cost breakdown for the project, as provided by the Applicant, is as follows:

Expenses		Funding Sources	
Pre-development Expenses	\$346,500	Local Initiative Support Corporation (LISC) Initial Grant	\$15,000
Developer's Fee	\$117,961	Measure K District 2 Funding	\$60,000
Site Construction	\$541,020	LISC/Silicon Valley Community Foundation Recoverable Grant	\$200,000
Unit Construction (5 units)	\$423,160	Private donations (as of Jan 2024)	\$40,000
Total Estimated Development	\$1,428,641	PLHA	\$377,212
Construction Contingency	\$563,571	Measure K 24/25	\$1,300,000
<u>TOTAL EXPENSES</u>	<u>\$1,992,212</u>	<u>TOTAL REVENUE</u>	<u>\$1,992,212</u>

NEXT STEPS:

Approval of the resolution ([Attachment 1](#)) and execution of the loan agreement ([Attachment 2](#)) will award a forgivable loan of \$377,212 in the current year of PLHA funding for predevelopment and development of permanent supportive housing. If an additional funding gap is identified throughout the course of the project, the City may supplement the agreement with additional funding from future allocations of the PLHA grant with an amendment. If a funding surplus is ascertained, the remaining funds may be used for construction, but only after the Applicant has submitted a complete construction cost breakdown to City staff with line-item breakdown, at which time the agreement could be amended if consistent with PLHA requirements and approved by the City.

BUDGET IMPACT:

The City has established a fund (referred to as Fund 280) that manages the annual PLHA grant funding. PLHA is a noncompetitive grant from the State which is allocated to the City over a five-year period. The grant amount for the third year (2021) is \$584,800. HCD defines the PLHA five-year allocation cycle as the years of 2019 - 2023, but has consistently released PLHA funds on a deferred schedule. The first year the City was able to utilize the PLHA grant was in 2021, and since then the allocation year has preceded project activities by two years. PLHA Year 3 funds have not yet been received by the City, as they need to be requested through a release of funds. The exact dollar amount for the final two years will vary based upon the collection of the real estate recording fees, but the total estimated dollar amount the city will receive over five years is \$2,051,364. The finalized budget for the third year of the PLHA grant is as follows, with the subject loan request highlighted with *italics*:

PLHA Year 3 (2021) Budget	Amount
Bridge Housing (Montara)	\$61,541

LifeMoves (RRH)	\$76,807
HIP Housing	\$25,000
Samaritan House (SH)	\$15,000
<i>New Beginnings Supportive Housing</i>	<i>\$377,212</i>
Administration (City staff)	\$29,240
Total	\$584,800

A five-year plan amendment will not be needed to utilize this budget, nor will it be necessary for awarding this contract. The five-year PLHA plan was previously revised in an approved resolution adopted by the City Council on February 6, 2023 that allows the City to use up to 80% of Year 3 allocation funding for 6 eligible projects, which include predevelopment and development of permanent supportive housing. Staff consulted with HCD staff and confirmed that this project is eligible for funding and is consistent with the City's most recently adopted five-year PLHA plan. Overall, the aforementioned actions of the resolution are already accounted for in the annual PLHA budget and will not have any significant impacts. Forgiveness of the loan is contingent on completion of the project's construction. The Applicant will be responsible for repayment of the loan in full if the project is unable to be completed.

ENVIRONMENTAL DETERMINATION:

Awarding this loan and executing the associated agreement will not constitute a planning entitlement or a building permit approval for the construction of the project. This agreement is only to award the applicant the necessary funds to ensure the project's fiscal feasibility. This agreement award is not a project subject to CEQA, because it is an organizational or administrative activity that will not result in direct or indirect physical changes in the environment. (CEQA Guidelines Section 15378(b)(5)). Environmental review for the demolition and reconstruction of the site will occur at a later time.

NOTICE PROVIDED

All meeting noticing requirements were met.

ATTACHMENTS

Att 1 – Proposed Resolution

Att 2 – Proposed Loan Agreement

Att 3 – Funding Request Letter from Applicant, 12/19/23

Att 4 – Supplemental Funding Request Letter from Applicant, 1/29/24

STAFF CONTACT

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