



City of Merced Permanent Local Housing Allocation 5-Year Plan and Application for Funding

November 18, 2021

City of Merced Housing Division
678 West 18th Street, 2nd Floor
Merced, California 95340
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DRAFT FOR PUBLIC REVIEW

The Public Comment Period began November 18, 2021 and concludes on December 5th, 2021.

Submit Comments by Mail:

City of Merced Housing Division
678 West 18th Street, 2nd Floor
Merced, California 95340

Submit Comments by Email:

Housing@cityofmerced.org

Please include "PLHA" in the subject line

Submit Comments by Phone:

(209) 385-6863

Submit Comments by Fax:

(209) 725-8775

Residents are also invited to submit comments during an December 6th, 2021 Public Hearing at 6:00 PM, prior to City Council consideration of the Plan. Participation instructions are posted with the agenda at <https://www.cityofmerced.org/departments/city-clerk/council-meetings/citizen-participation-instructions>. Additional accommodations are offered by request to the office of the City Clerk at (209) 385-6231 or cityclerk@cityofmerced.org at least three business days prior to the meeting.

All comments and City responses are attached to this document as Appendix A.

Revision History

Summary

The California Department of Housing and Community Development (Department) released a Notice of Funding Availability (NOFA) for approximately \$304 million in funding for the Permanent Local Housing Allocation (PLHA) program for Entitlement and Non-entitlement Local governments. The NOFA is funded from moneys deposited in the Building Homes and Jobs Trust Fund (Fund) in calendar year 2019.

Funding for this NOFA is provided pursuant to Senate Bill (SB) 2 (Chapter 364, Statutes of 2017). SB 2 established the Fund and authorized the Department to allocate 70 percent of moneys collected and deposited in the Fund, beginning in calendar year 2019, to Local governments for eligible 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 communities.

The Entitlement and Non-entitlement formula allocation NOFA outlines threshold and application requirements, as well as defines the method in which funds will be distributed for Entitlement and Non-entitlement Local governments. Ninety percent of the money will be allocated based on the formula used under Federal law to allocate CDBG funds within California, as specified in Title 42 United States Code (USC), Section 5306 and will be distributed to Entitlement Local governments and Non-entitlements local governments via a competitive grant program. Non-entitlement Local government allocations come from ten percent of the moneys available and allocated equitably among Non-entitlement local governments. Allocations are distributed on an annual basis in response to an application defining the eligible planned use of funds for five years.

Eligible activities include:

(1) The predevelopment, development, acquisition, rehabilitation, and preservation of multifamily, residential live-work, or rental housing that is affordable to extremely low-, very low-, low-, or moderate-income households (up to 120 percent of Area Median Income (AMI), or 150 percent of AMI in High-cost areas, see appendix B for a list of High-cost areas), including necessary Operating subsidies.

(2) The predevelopment, development, acquisition, rehabilitation, and preservation of Affordable rental and ownership housing, including Accessory Dwelling Units (ADUs), that meets the needs of a growing workforce earning up to 120 percent of Area Median Income (AMI), or 150 percent of AMI in High-cost areas. ADUs shall be available for occupancy for a term of no less than 30 days.

(3) Matching portions of funds placed into Local or Regional Housing Trust Funds.

Matching funds must be utilized as required by PLHA guidelines Section 301(a).

(4) Matching portions of funds available through the Low- and Moderate-Income Housing Asset Fund pursuant to subdivision (d) of HSC Section 34176. Matching funds must be utilized as required by PLHA guidelines Section 301(a).

(5) Capitalized Reserves for Services connected to the preservation and creation of new Permanent Supportive Housing.

(6) Assisting persons who are experiencing or At risk of homelessness in conformance with 24 Code of Federal Regulations (CFR Section 578.3), including:

- Rapid rehousing in conformance with federal rules contained in 24 CFR Section 576.104, except for legal services;
- Rental assistance with a term of at least six (6) months (rental arrears is not eligible);
- Street outreach, and other Supportive/case management services in conformance with federal rules contained in 24 CFR Section 576.101 that allow people to obtain and retain housing;
- Operating and capital costs for navigation centers and emergency shelters, and the new construction, rehabilitation, and preservation of permanent and transitional housing.
 - This Activity may include subawards to Administrative Entities as defined in HSC Section 50490(a)(1-3) that were awarded California Emergency Solutions and Housing (CESH) Program or Homeless Emergency Aid Program (HEAP) funds for rental assistance to continue assistance to these households.
 - Applicants must provide rapid rehousing, rental assistance, navigation centers, emergency shelter, and transitional housing activities in a manner consistent with the Housing First practices described in 25 CCR Section 8409, subdivision (b)(1)-(6) and in compliance with Welfare Institutions Code (WIC) Section 8255(b)(8). An Applicant allocated funds for the new construction, rehabilitation, and preservation of Permanent supportive housing shall incorporate the core components of Housing First, as provided in WIC Section 8255(b).

(7) Accessibility modifications in Lower-income (up to 80 percent of AMI) Owner-occupied housing.

(8) Efforts to acquire and rehabilitate foreclosed or vacant homes and apartments.

(9) Homeownership opportunities, including, but not limited to, down payment assistance.

(10) Fiscal incentives made by a county to a city within the county to incentivize approval of one or more Affordable housing projects, or matching funds invested by a county in an Affordable housing development project in a city within the county, provided that the city has made an equal or greater investment in the project. The county fiscal incentives shall be in the form of a grant or low-interest loan to an Affordable housing project. Matching funds investments by both the county and the city also shall be a grant or low-interest deferred loan to the Affordable housing project.

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The City of Merced’s 5-year PLHA Plan (“the Plan”) allocated the proposed funding according to the following percentages:

Percentage of Funds Allocated for:	2019	2020	2021	2022	2023
(1) Multifamily Rental Housing	95%	95%	95%	95%	95%
Program Administration	5%	5%	5%	5%	5%

Each year reference the funding allocation year from the California Department of Housing and Community Development (HCD).

Permanent Local Housing Allocation Formula Allocation Plan Application Plan Components

- Describe the manner in which allocated funds will be used for eligible activities:
 - The City of Merced will utilize 100% of its five-year allocation to support the development of multifamily housing dedicated to households with incomes at or below 60% of AMI.
- Provide 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 (AMI)
 - The County is prioritizing its investment to increasing the supply of housing for households with incomes at or below 60% of AMI, by committing 100% of its five-year allocation as gap funding for the construction of affordable housing in Merced.
- Provide a description of how the Plan is consistent with the programs set forth in the Local Government's Housing Element
 - The plan is consistent with and supports the goals, programs, and policies in the City of Merced's Housing Element including the following:
 - Goal H-01: Increase the Stock of Affordable Housing for Extremely Low, Very Low, Low, and Moderate Income Households
 - Policy H-1.2: Support Development of Affordable Housing
 - Policy H-1.6: Pursue State and Federal Funds for New Housing Construction

Program Reuse

Program income received from activities in this plan will first be utilized to deliver additional activities of the same type. If future amended plans no longer support the allocation of funds to that activity, the program income will be programmed according to the activity allocation in effect at that time.

Certifications

The City will record a deed restriction against for-sale housing projects or units within for-sale housing projects which were acquired, constructed, or rehabilitated using PLHA funds.

The City will make PLHA assistance in the form of a low-interest, deferred loan to the project sponsor for funds used for the development of Affordable Rental Housing.

Reporting

The City will provide an annual report of the uses and expenditures of any allocated funds every July 31st to The Department of Housing and Community Development's grant management division according to their specifications.

Activity 1: Multifamily Rental Housing

Activity Description:

The predevelopment, development, acquisition, rehabilitation, and preservation of multifamily, residential live-work, rental housing that is affordable to extremely low-, very low-, low-, or moderate-income households, including necessary operating subsidies.

Provide a detailed and complete description of how allocated funds will be used for each proposed Affordable Rental Housing Activity:

The PLHA funds will be used to provide assistance in the form of low-interest, deferred loans to project sponsors for the development of Affordable Multifamily Rental Housing. The loan shall be evidenced through a Promissory Note secured by a Deed of Trust, and Regulatory Agreements restricting occupancy and rents.

Percentage of Funds Allocated for Affordable Owner-Occupied Workforce Housing: 0%

Funding Allocation Year	2019	2020	2021	2022	2023
% of Annual Funds Allocated for the Proposed Affordable Rental Housing Activity	95%	95%	95%	95%	95%
Area Median Income Level Served	30%	30%	30%	30%	30%
Unmet Share of RHNA at this AMI Level	1351	1318	1285	1252	1219
Projected Number of Households Served	33	33	33	33	33
Period of Affordability for the Proposed Affordable Rental Housing Activity (Years)	55	55	55	55	55

A description of major steps/actions and a proposed schedule for implementation and completion of the Activity.

PLHA funds will be used as a gap loan for construction of affordable multifamily housing in the City of Merced, which will be operated as affordable housing serving families at 30% AMI or below. The 2019 and 2020 allocations will be used to support a development project jointly developed by UPHoldings and Self-Help Enterprises. For this project, the purchasing and entitlement process will be undergone through the remaining of 2021. Financing applications for the project will be pursued through the first part of 2022, with construction beginning in 2023. A traditional 12-month construction schedule will be pursued, which will allow residents to move in 2024. Funding is dependent on other agencies including the California Department of Housing and Community Development, the California Tax Credit Allocation Committee, and the California Debt Limit Allocation Committee.

Allocations for PLHA in 2021-2023 have not been allocated to a specific developer or development site. These funds will also be used to provide assistance in the form of low-interest, deferred loans to project sponsors for the development of Affordable Multifamily Rental Housing.

Appendix A: Public Comments and City Responses

Appendix B: Public Notices and Outreach

The following methods were used to communicate the 15-day public comment period and public hearing:

- Public Notice in the Merced Sun Star newspaper
- Public Notice posted to the website of the City Clerk
- Posting on City Facebook and Twitter Pages
- Emails distributed to list of community stakeholders maintained by the Housing and Community Development Division

Placeholder for Public Notice

Appendix C: PLHA Application & 5-Year Plan

The City plans to submit the PLHA plan and City Council resolution by December 31, 2021. A copy of the adopted plan will be placed here.