

RESOLUTION NO. 2025-_____

**A RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF MERCED, CALIFORNIA,
REVISING THE AFFORDABLE HOUSING FUND
POLICY**

WHEREAS, the City of Merced (City) has determined that it is necessary to adopt the Affordable Housing Fund Policy; and

WHEREAS, on June 20, 2023, the City adopted an Affordable Housing Fund Policy as the official affordable housing fund policy for the City; and

WHEREAS, the City has now determined that it is prudent to revise its Affordable Housing Fund Policy.

**THE CITY COUNCIL OF THE CITY OF MERCED DOES HEREBY
RESOLVE, DETERMINE, FIND, AND ORDER AS FOLLOWS:**

SECTION 1. That certain document entitled, “Affordable Housing Fund Policy” is hereby adopted as the official affordable housing fund policy for the City of Merced. See Exhibit A attached hereto.

SECTION 2. That the City Manager and Finance Officer are hereby authorized and directed to comply with the Affordable Housing Fund Policy effective immediately.

PASSED AND ADOPTED by the City Council of the City of Merced at a regular meeting held on the _____ day of _____ 2025, by the following vote:

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AYES: Council Members:

NOES: Council Members:

ABSENT: Council Members:

ABSTAIN: Council Members:

APPROVED:
MATTHEW SERRATTO, MAYOR

Mayor

ATTEST:
D. SCOTT MCBRIDE, CITY CLERK

BY: _____
Assistant/Deputy City Clerk

(SEAL)

APPROVED AS TO FORM:
CRAIG J. CORNWELL, CITY ATTORNEY

Craig Cornwell 6/10/2025
City Attorney Date

Affordable Housing Fund

Name of fund.

There is created and established within the budget of the City of Merced a fund to be known as the "Affordable Housing Fund."

Purpose of fund.

The purpose of the Affordable Housing Fund is to support the development of affordable housing within the City of Merced. The resources in the Affordable Housing Fund shall accumulate from year to year until available reserves equal \$5,000,000. At such time that an in-lieu fee is created related to Affordable Housing, the cap amount will be re-evaluated.

Sources of resources.

- (1) All money appropriated or allocated for inclusion in the fund, from whatever source.
- (2) Subject to any pledge, contract or other obligation, all interest or other gains from investment of money from the fund.
- (3) Any other money available and directed to be paid into the fund.
- (4) The budget submission for each year shall include a recommendation for a General Fund contribution, which is calculated as 35% of the 45% excess of prior year audited unreserved General Fund balance over the 30% Set-Aside and 5% General Fund Contingency Reserve.

Example (to be updated after Council direction):

Fiscal Year 18-19 Audited unreserved fund balance at June 30	\$3,500,000
Fiscal Year 20-21 Committed 5% GF Contingency Reserve	<u>2,195,270</u>
Excess over Committed GF Contingency Reserve	1,304,730
 Amount Rounded	 1,300,000
	<u>45%</u>
45% of Excess	585,000
	<u>35%</u>
35% to Economic Development Opportunity Fund	\$ <u>204,750</u>

Use of fund.

- (1) Expenditures from this fund shall be used only for the following purposes:
 - a. To construct new and/or expand existing affordable housing located in the City of Merced
 - b. To provide local match for state and federal grants related to the construction of new or expansion of existing affordable housing.

- c. The predevelopment, development, acquisition, rehabilitation, and preservation of multifamily, residential live-work, rental housing that is affordable to extremely low, very low, low-, and moderate-income households, including necessary operating subsidies.
- d. Affordable rental and ownership housing that meets the needs of a growing workforce.
- e. Capitalized reserves for services connected to the creation of new permanent supportive housing, including, but not limited to, developments funded through the Veterans Housing and Homelessness Prevention Bond Act of 2014.
- f. Efforts to acquire and rehabilitate foreclosed or vacant homes and apartments.
- g. Homeownership opportunities, including, but not limited to, down payment assistance.
- h. Construction loans and/or deferred payment permanent financing loans at simple interest rates of no higher than 3 percent per annum, for payment of predevelopment costs, acquisition, construction, or rehabilitation of Eligible Projects.
- i. The predevelopment, development, acquisition, rehabilitation, and preservation of Affordable rental and ownership housing, including Accessory Dwelling Units (ADUs). ADUs shall be available for occupancy for a term of no less than 30 days.
- j. Assisting persons who are experiencing or at risk of homelessness, including, but not limited to, providing rapid rehousing, rental assistance, supportive/case management services 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.
- k. Cost associated with refinancing a residential mortgage loan that will result in a lower mortgage payment to make housing more affordable.
- l. Costs of environmental cleanup on sites intended for affordable housing developments.
- m. To encourage the production of rental housing units, costs of construction materials, building permit fees, and water/sewer connections for addition of one ADU unit on land owned by private homeowners, where an occupied single-family home already exists, when the project meets current zoning ordinances, and when the property owner utilizes the City's pre-approved ADU plans program.
- n. Softs costs that support affordable rental housing developments, including but not limited to, costs of engineering and architectural design and drafting of plans, water, and sewer facility/connection fees, building permit fees, development application fees and costs of discretionary reviews, development impact fees, and environmental reviews and studies.
- o. Costs incurred to relocate, rehabilitate, and/or obtain new or existing housing because of displacement due to natural or unnatural causes, such as flooding, fire or condemnation of existing housing, through no fault of their own, when persons need help getting into new housing but do not meet FEMA or other requirements for assistance.
- p. Cost of temporary emergency housing during times of disaster, natural or otherwise.
- q. Conversion of units from nonresidential to residential.
- r. Operating subsidies, for a specified period, for permanent supportive housing not otherwise covered by other funding sources.
- s. Efforts to acquire and rehabilitate foreclosed or vacant homes.

- t. Administrative costs incurred by the City for staff time spent on any activities listed in items a through s in support of affordable housing efforts may be recovered.
- (2) All expenditures from this fund shall require prior city council approval, unless previously specifically authorized by the city council for expenditure in the annual budget.
- (3) Grants or Low Interest Loans at the discretion of the City Council on a project-by-project basis.
- (4) Non-City Administration and Program Implementation costs capped at 10% of proposed annual expenditures.

Fund Manager.

The Director of Development Services or designee shall administer the Affordable Housing Fund within the financial management system and shall serve as the fund manager.