



## Legislation Text

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*Report Prepared by: Leah Brown, Management Analyst, Development Services*

**SUBJECT:** Authorization to Apply for the Department of Housing and Community Development's Prohousing Designation Program, the Prohousing Incentive Pilot Program Grant, Direction on Use of Grant Funds, and Approve First Amendment to the Agreement for Professional Services with RSG, Inc. for a Prohousing Feasibility Study

### REPORT IN BRIEF

Authorization to apply for the State of California Department of Housing and Community Development's (HCD) Prohousing Designation Program, the Prohousing Incentive Pilot Program (PIP) grant, provide direction on proposed use of PIP funds, and approve the First Amendment to the Agreement for Professional Services with RSG, Inc. for the Prohousing Feasibility Study.

### RECOMMENDATION

**City Council** - Adopt a motion:

- A. Adopting **Resolution 2023-15**, a Resolution of the City Council of the City of Merced, California Authorizing Application to and Participation in the Prohousing Designation Program; and,
- B. Adopting **Resolution 2023-16**, a Resolution of the City Council of the City of Merced, California, Authorizing Application for, and Receipt of, Prohousing Incentive Pilot Program Funds; and,
- C. Providing staff direction on the proposed use of the PIP grant funds; and,
- D. Approving the First Amendment to the Agreement with RSG, Inc. for the Prohousing Feasibility Study by extending the end date; and,
- E. Authorizing the City Manager or Deputy City Manager to execute the necessary documents.

### ALTERNATIVES

1. Approve as recommended by staff; or,
2. Approve, subject to other than recommended by staff (identify specific findings and/or conditions amended to be addressed in City Council motion); or,
3. Deny; or,
4. Refer to City Staff for reconsideration of specific items to be addressed in City Council motion); or,
5. Continue to a future City Council meeting (date and time to be specified in City Council motion).

### AUTHORITY

City of Merced Charter, Section 200; et. seq.

## CITY COUNCIL PRIORITIES

As provided for in the 2022-23 Adopted Budget and the City Council's Prohousing Policies.

### DISCUSSION

On April 4, 2022, City Council adopted Resolution No. 2022-15 (Attachment 1), which adopted a bridge or interim affordable housing production requirement similar to Inclusionary Zoning to new private market rate development, with some specific exclusions and exemptions, at a rate of twelve and a half percent (12.5%). On April 25, 2022, the City issued a request for proposals to conduct a Prohousing Feasibility Study and to recommend an in-lieu fee structure for developers as an option towards meeting the required affordable development percentage. In August 2022, RSG, Inc. was awarded the Agreement for Professional Services (Attachment 2) to conduct a Prohousing Feasibility Study, recommend an in-lieu fee structure for affordability, policy guidance for establishing a Housing Trust Fund, and assisting with applying for HCD's Prohousing Designation Program.

Communities with a Prohousing Designation are prioritized for funding by the Transit and Intercity Rail Capital Program (TIRCP) and Transformative Climate Communities (TCC) programs. Prohousing Designation will also be included as criteria in Affordable Housing and Sustainable Communities (AHSC) and Infill Infrastructure Grant (IIG), both grants that the City has been awarded previously. Program implementation is still in its early stages and HCD is currently working with interagency partners to identify additional funding opportunities tied to Prohousing Designation. Competitive funding programs (for transportation infrastructure, housing, or other amenities) will award additional points or other preferences to Prohousing communities.

The PIP grant was initiated to spur communities into applying for the Prohousing Designation. Prohousing Designation is earned by HCD approval of a self-scored application; communities earn points for each item on the application deemed in support of housing. The City must score at least 30 points to qualify for Prohousing Designation, Merced's preliminary score is 59 points. The PIP grant has a deadline of March 15, 2023. If approved by Council, the intension will be to submit the Prohousing Designation application and PIP grant application together. Merced is eligible to receive \$500,000 (based on population), plus \$10,000 per point up to a maximum of \$500,000 on the Prohousing Self Score. Thus, the City of Merced could be awarded up to \$1,000,000 for applying in March and earning a Prohousing Designation.

#### The eligible PIP grant uses are:

- a. 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.
- b. Affordable rental and ownership housing that meets the needs of a growing workforce earning up to 120 percent of area median income, or 150 percent of area median income in high-cost areas.
- c. Matching portions of funds placed into local or regional housing trust funds.
- d. Matching portions of funds available through the Low- and Moderate-Income Housing Asset Fund pursuant to subdivision (d) of Section 34176 of the Health and Safety Code.
- 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. Assisting persons who are experiencing or at risk of homelessness, including providing rapid rehousing, rental assistance, navigation centers, emergency shelters, and the new construction, rehabilitation, and preservation of permanent and transitional housing.
- g. Accessibility modifications.
- h. Efforts to acquire and rehabilitate foreclosed or vacant homes.
- i. Homeownership opportunities, including, but not limited to, down payment assistance.
- j. Fiscal incentives or matching funds to local agencies that approve new housing for extremely low, very low, low-, and moderate-income households.

As part of the application process the State would like to know our proposed activity and the eligible use category it pertains to. Staff seeks council input and direction on a proposed use.

Due to the State issuing the PIP grant, it has become a priority to complete the Prohousing Designation Application and PIP grant application before the other actions in the scope of work. The full scope of work is nearing completion for the Prohousing Feasibility Study and related actions. The grant funding the Prohousing Feasibility Study ends on September 30, 2023. The 1<sup>st</sup> Amendment to the Agreement for Professional Services with RSG, Inc. adds time to allow for completion of all activities and to match up with the funding completion date.

### **IMPACT ON CITY RESOURCES**

The funding for this agreement is provided via the Local Early Action Planning Grant (LEAP-Fund 091) from the State of California Department of Housing and Community Development (HCD). No appropriation of funds is needed.

### **ATTACHMENTS**

1. Resolution 2022-15
2. Original Agreement for Professional Services with RSG, Inc.
3. Resolution 2023-15
4. Resolution 2023-16
5. 1<sup>st</sup> Amendment to the Agreement for Professional Services with RSG, Inc.
6. Presentation