



County of San Mateo

Inter-Departmental Correspondence

Department: GOVERNING BOARD

File #: 20-332

Board Meeting Date: 5/19/2020

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors
From: Raymond Hodges, Interim Director, Department of Housing
Subject: Authorization for Projects and Services Utilizing Permanent Local Housing Allocation Funds from the State of California Department of Housing and Community Development

RECOMMENDATION:

Adopt a resolution:

- A) Representing and certifying that if the County of San Mateo Department of Housing (DOH) receives a grant of Permanent Local Housing Allocation (PLHA) funds from the California Department of Housing and Community Development (the Department) pursuant to the February 26th, 2020 Permanent Local Housing Allocation Notice of Funding Availability (PLHA NOFA) attached hereto as Exhibit A that DOH 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 DOH may have with the Department; and
- B) Authorizing and directing DOH is to receive a PLHA grant, in an amount not to exceed \$7,257,300, the five-year estimate of the PLHA formula allocations stated in Appendix C of the current California HCD PLHA NOFA, in accordance with all applicable rules and laws; and
- C) Representing and certifying that DOH agrees to use the PLHA funds only for Eligible Activities as approved by the Department and in accordance with all PLHA Program requirements, PLHA Program Guidelines, other rules and laws, as well as in a manner consistent and in compliance with the Standard Agreement, its Application, and other contracts between DOH and the Department; and
- D) Representing and certifying that DOH 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; and
- E) Authorizing Interim DOH Director Raymond Hodges 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.

BACKGROUND:

Annually, the County of San Mateo Department of Housing (DOH) receives federal funds through the U.S. Department of Housing and Urban Development (HUD)'s Community Development Block Grant (CDBG) Program and Emergency Services Grant (ESG) Program. The funds are intended to support services and facilities that benefit lower income and housing insecure individuals. Each potential use must be categorized, and each category is subject to a caps and minimums in spending imposed by HUD. These funds are subsequently awarded by DOH to applicants through its competitive Federal Funds NOFA of public services (Public Services NOFA) process.

During DOH's most recent Public Services NOFA process (FY 2020-21), approved applications for non-shelter services categorized as 'public services' had their awards reduced by a total of \$142,000 in order to keep said expenditures below the mandated 15% cap on CDBG funds (approximately \$490,000) used for 'public services'. This represents an oversubscription rate of approximately 30%.

Just under half of the funding DOH provides to county shelters come from CDBG funds awarded by HUD and therefore fall under a 15% cap on 'public services' spending of CDBG funds. Awards of CDBG funds to shelters and core services grantees such as CORA, Home & Hope, LifeMoves, and Samaritan House, totaled \$303,585 from the Department of Housing FY 2020-21 Public Services NOFA process. This contributes to the scarcity of funding for all uses that may be grouped under the 'public services' category. The balance of funding comes from the ESG Program, but HUD requires a minimum of 40% of ESG spending be directed towards rapid re-housing services. In the last year, this amounted to approximately \$86,000 of the \$215,000 in ESG funds.

Unfortunately, \$86,000 is only sufficient to serve 4-5 families. Rapid re-housing operates more efficiently at larger scales because the per-unit cost is equivalent to twelve months rent (around \$20,000 per benefit). Frequently, rapid re-housing funds remain unexpended because the cost of providing an additional benefit exceeds the available balance of awarded funds. This creates significant administrative difficulties since unexpended balances must be explained to HUD and may even be recaptured.

The Permanent Local Housing Allocation (PLHA) Program, which is administered by the California Housing and Community Development Department (the Department), provides financial assistance to local governments for eligible housing-related projects and programs to assist in addressing the unmet housing needs of their local communities. The Department is authorized to provide up to \$195 million to cities and counties for assistance under the SB 2 Permanent Local Housing Allocation Program Entitlement Jurisdiction Component from the Building Homes and Jobs Trust Fund (as described in the California Health and Safety Code section 50470, *et seq.* (Chapter 364, Statutes of 2017 (SB 2)). San Mateo County qualifies as an entitlement jurisdiction under the PLHA Program.

DOH would like to submit an application for PLHA funds on behalf of the County. If its PLHA application is accepted, San Mateo County will receive \$7,257,300 of the next five years beginning with \$1,209,550 during FY 20-21. Among other purposes, the funds will be used to assist persons experiencing or at risk of homelessness, increase the supply of housing for households at or below 60% of area median income, and facilitate housing affordability, particularly for lower- and moderate-income households.

PLHA funds may substitute the CDBG and ESG funds currently supporting shelter and core services without any significant changes to the award and administration process. This would allow approximately \$180,000 in CDBG funds to be redirected towards other public services that apply for federal funds and \$124,000 in ESG funds to supplement rapid re-housing. Allocating the full ESG amount (\$215,000) to rapid re-housing would allow the grantee (currently LifeMoves) to provide services to 10-12 people as well as substantially ease the administrative burden. Additionally, funding shelter services with PLHA funds would allow DOH to execute five (5) year (rather than 2 year) contracts and build in annual cost of living adjustments of 10% for service providers.

DISCUSSION:

Earmarking \$303,585 of PLHA funds (25.1% in FY 20-21) for awards to shelter providers and core services providers that apply to the Public Services NOFA administered by DOH this fall would have the following anticipated impacts:

- Fund all DOH shelter services at FY 19-20 levels (a total of \$253,485 in funding)
- Fund all DOH core services at FY 19-20 levels (a total of \$50,000 in funding)
- Increase the availability of CDBG funds for public services by \$180,000, allowing DOH to close the \$114,100 funding gap for approved CDBG funding applications that fall under the 'public services' category cap
- Provide for up to a 20% increase in support for approved CDBG funding applications that fall under the 'public services' category cap
- More the double the capacity of DOH supported rapid re-housing programs (from \$91,000 to \$214,000)
- Provide DOH with \$60,477 in administrative fees to supplement its budget
- Allow the balance of \$846,685 to be devoted to affordable housing production or other uses and dispersed through the Affordable Housing Funds NOFA process.

DOH seeks a resolution from this Board to authorize and support DOH's application for and acceptance of PLHA funds on behalf of the County. The resolution tracks a sample board resolution required for use by the Department. A formal plan for the funds has not yet been finalized and will be made available for review before the application is submitted. After reviewing the potential uses of the funds, DOH recommends the following proposal:

- 25% of PLHA funds (\$303,585 in year one - FY 20-21) to shelters and Core Services to be awarded through DOH's Public Services NOFA process during the fall of 2020
- Designating the maximum 5% allowable amount for administration (\$60,477 in year one - FY 20-21)
- Designating 70%, or the balance (\$846,685 in year one - FY 20-21) for new affordable housing development to be awarded through DOH's AHF NOFA process during the fall of 2020

The Board is being asked to authorize the Department of Housing approve and accept PLHA funds, authorize the Director of Housing or the Director's designee to submit an application to the State California office of Housing and Community Development, and execute the PLHA Standard Agreement as well as and any subsequent amendments or modifications thereto.

County Counsel has reviewed and approved the resolution as to form.

FISCAL IMPACT:

The amount of the grant would be \$7,257,300 over the next five years beginning with a \$1,209,550 disbursement during FY 20-21. This is a revenue agreement so there is no Net County Cost.