Legislation Text

File #: 2026-0670, **Version:** 1

To: Board of Supervisors and Board of Commissioners
Department or Agency Name(s): Community Development Commission
Staff Name and Phone Number: Michelle Whitman 707-565-7504
Vote Requirement: Majority
Supervisorial District(s): Countywide

Title:
Three Consolidated Administrative Actions in Support of Affordable Housing Funding and Agreements

Recommended Action:

A) Authorize and adopt by resolution the Permanent Local Housing Allocation (PLHA) Five-Year Plan Amendment to allocate funds to Activity 2, Affordable Owner-Occupied Workforce Housing (AOWH).
B) Adopt a Resolution acknowledging completion of three Community Development Block Grant-Disaster Recovery Multifamily Housing Program (CDBG-DR MHP) projects.
C) Adopt a Resolution authorizing the Executive Director, or their designee, to execute a Standard Agreement and related documents with the California Department of Housing and Community Development (HCD) for the administration of the Homekey Program funding associated with Mickey Zane Place.

Executive Summary:
This board report consolidates three administrative actions that work together to advance Sonoma County's (County) broader affordable housing goals. Each action stems from the Sonoma County Community Development Commission's (Commission) partnership with HCD and supports the shared purpose of preserving state affordable housing investments and ensuring compliance with program requirements. The three actions are: (1) amendment of the PLHA Five-Year Plan to ensure program compliance and maximize available resources; (2) acknowledgment of project completion for three CDBG-Disaster Recovery Multifamily Housing Program developments; and (3) authorization to execute the revised Homekey Standard Agreement for continued operation of Mickey Zane Place. Addressing these items together ensures that the Commission continues to meet obligations across these HCD funded activities.

Discussion:
PLHA Five-Year Plan Amendment
As part of a 15-bill housing package, Senate Bill (SB) 2 was signed into law in 2017 to address California's housing shortage and high housing costs. SB-2 established a permanent funding source to increase California's affordable housing stock. The bill allocates 70 percent of the revenue deposited in the Building Homes and Jobs Trust Fund, which began calendar year 2019, to provide financial assistance to local governments for the PLHA program. The revenue from SB-2 varies from year to year, as revenue is dependent on real estate transactions with fluctuating activity.

Local governments with an approved PLHA application and five-year plan receive a "not-to-exceed" five-year award and received a portion of the award as the 2019 allocation of funding from HCD based on the revenue from SB-2 to fund their first plan year activities. Once those local governments spend the first year's allocation, they can submit a streamlined application to receive the following year allocation to fund the plan for next year's activities. Each year's allocation of PLHA funding is identified by the calendar year it was collected as SB-2 revenue from real estate transactions; note that the calendar year does not match local governments' fiscal year activities. The principal goal of HCD's PLHA program is to provide funding to eligible local governments for housing-related projects and programs that address unmet housing needs of their local communities. Twenty percent of the PLHA funding must be expended on AOWH. The remaining funding prioritizes investments that increase affordable rental housing supply for households at or below 60% of the AMI.

PLHA funding is intended to assist cities and counties to:

- Increase the supply of housing for households at or below 60% of AMI.
- Increase assistance to AOWH.
- Assist persons experiencing or at risk of homelessness.
- Facilitate housing affordability, particularly for lower- and moderate-income households.
- Promote projects and programs to meet the local government's unmet share of Regional Housing Needs Allocation (RHNA).
- Ensure geographic equity in the distribution of the funds.

The PLHA Standard Agreement between HCD and the Commission was executed on March 18, 2021, and will terminate on June 30, 2030. The Standard Agreement Plan includes two eligible activities: Activity 1, development of affordable rental housing projects, and Activity 2, development of AOWH.

The Plan allocation period covers revenue from calendar years 2019 through 2023, with 2023 serving as the final year of the Plan. Each year, the Commission publishes NOFA invitation for applications for funding for affordable housing projects and includes PLHA. In previous years, applications received through the NOFA process primarily proposed affordable multi-family rental housing projects serving households at or below 50% of AMI, aligning with Activity 1 of the Plan. Although the Commission has consistently made PLHA funding for AOWH available through the NOFA process, the number of applications received for Activity 2 has remained limited.

The Commission conducted informal research to better understand why no applications for AOWH funds have been submitted in recent years and determined a significant factor is the limited number of developers producing this type of housing in the region. Additionally, developers in the region have also faced broader market and industry challenges that have constrained affordable homeownership production. These challenges include high interest rates for construction financing, escalating land and construction costs, labor shortages, increased material costs and supply-chain constraints, restrictive regulatory requirements, and limited availability of government subsidies needed to make projects financially feasible. As a result, AOWH funding has been more difficult to deploy despite ongoing efforts to encourage participation.

However, one local nonprofit organization engaged in affordable homeownership development has expressed interest in applying for available AOWH funding. The organization is currently developing one ownership project and owns another undeveloped site and has indicated an AOWH project is their next priority to

advance.

For calendar years 2019 through 2022, the Commission received $4,606,757 in PLHA funds. The total five-year allocation, inclusive of the final year of the Plan (2023), may not exceed $5,396,358. Through the NOFA process, the Commission has awarded developers a combined total of $3,801,604 for Activity 1 and $424,000 for Activity 2. Awarded project types have included workforce housing, homeless units, family units, and AOWH.

The Commission proposes to amend the Plan to allocate the full fifth-year funding allocation to AOWH to meet HCD's twenty percent minimum threshold requirement. Allocating the full fifth-year allocation to AOWH may incentivize developers' interest in applying for these funds by increasing the total amount available for AOWH in the next NOFA. This amendment is necessary to prevent unexpended PLHA funds from being disencumbered and reverted to HCD at the expenditure deadline. Upon HCD's approval of the amendment, the Commission will designate the PLHA funds exclusively for AOWH projects in the next NOFA. Once applications are received through the NOFA process, Commission staff will review and recommend funding awards to the Community Development Committee (CD Committee). If recommended by the CD Committee, then the awards will go to the Board for final award approval. On June 17, 2026, the CD Committee reviewed the proposed Plan amendment and unanimously recommended it for the Board's approval.

CDBG-Disaster Recovery Multifamily Housing Program Project Completion Acknowledgment

The Board authorized the Commission to receive $4,698,809 in CDBG-Disaster Recovery Multifamily Housing Program funds from HCD on November 10, 2020. This program provided funds to address the unmet rental housing needs, including the needs of individuals displaced from rental homes and those who became homeless as a result of the disaster caused by the October 2017 wildfires. The Commission published a NOFA on April 26, 2021, to solicit affordable housing proposals and six (6) applications were received. The applications were reviewed and evaluated by staff to determine their eligibility and compliance with HCD's criteria, including consistency with Commission's adopted policies and funding priorities.

On September 15, 2021, Commission staff presented the applications and funding recommendations to the CD Committee. After careful review of the applications, the CD Committee recommended funding for the following three projects:

Developer	Project	Amount Awarded	Units/Project Type
Burbank Housing	3575 Mendocino Ave	$2,436,753	38 Units Affordable Senior Housing
MidPen Housing	414 Petaluma	$1,300,000	44 Units Affordable to Special Needs Households and Large Families
Burbank Housing	Petaluma River Place	$492,175	50 Units Affordable to Special Needs Households and Large Families

powered by Legistar™

Upon the Board's approval of the loan awards, Commission staff submitted the individual project applications to HCD for final approval and Notice to Proceed. Upon receiving the Notice to Proceed from HCD, Commission staff worked with the developers to ensure projects were in compliance with all applicable HCD requirements, including Commission loan policies to execute funding agreements and necessary loan documents, and to monitor construction through to completion and receipt of Final Certificate of Occupancy.

The project at 3575 Mendocino Ave. realized significant cost savings and was able to repay a substantial amount of the award upon conversion to permanent financing; therefore, the award amount shown in the resolution is the sum of the permanent financing the project will utilize as requested by HCD.

At this time, all three projects have successfully completed construction and are fully leased and occupied by qualifying households. Pursuant to project closeout procedures outlined in the Standard Agreement, the Commission must submit a resolution for each project from the governing body acknowledging and confirming the completion of that project.

Mickey Zane Place Homekey Standard Agreement

The Commission acquired Mickey Zane Place on November 24, 2020, using Homekey Program funding awarded by HCD, and has operated the property in accordance with program requirements. HCD requires execution of a Standard Agreement and related documents to continue administration of the Homekey grant. Approval of the attached resolution will authorize the Executive Director, or their designee, to execute the Standard Agreement and required documents and take necessary actions to maintain compliance with Homekey Program requirements and support the continued operation of Mickey Zane Place. The purpose of executing this Standard Agreement and program requirements is to extend the term of the Standard Agreement by five years, and to allow the property to continue to operate as interim housing, all other provisions remain the same.

Strategic Plan:
This item directly supports the County's Five-year Strategic Plan and is aligned with the following pillar, goal, and objective.

> **Pillar:** Healthy and Safe Communities
> **Goal:** Goal 3: In collaboration with cities, increase affordable housing development near public transportation and easy access to services.
> **Objective:** Objective 2: Identify and leverage grant funding sources for permanent supportive and affordable housing development.

Racial Equity:

Was this item identified as an opportunity to apply the Racial Equity Toolkit?
No

Prior Board Actions:

PLHA

- August 18, 2020 - Authorization and approval of Permanent Local Housing Allocation (PLHA) Five-Year Plan
- July 7, 2020 - Authorization to enter into grant agreement and prepare program guidelines for the State Permanent Local Housing Allocation (PLHA).

CDBG-Disaster Recovery

August 2, 2022, the Board approved:

A) the Community Development Committee's Recommendations to Award CDBG-DR Funding to Certain Multifamily Housing Projects.
B) funding agreements for CDBG-DR MHP loans as recommended by the Community Development Committee in the aggregate amount of $4,228,928 and related documents.

November 10, 2020, the Board:

A) Adopted a resolution authorizing the acceptance of Community Development Block Grant Disaster Recovery (CDBG-DR) funds in the amount of $4,698,809 to be used for a multi-family housing program, in response to the 2017 Sonoma Complex Fires;
B) Authorized the Community Development Commission's Interim Executive Director to enter into a grant agreement with the California Department of Housing and Community Development (HCD) for $4,698,809 to be used for a multi-family housing program;
C) Authorized Interim Executive Director to issue a Request for Proposals, select, and enter into an agreement with a consultant to prepare due diligence, underwriting services, and program management for the Commission's CDBG-DR and Community Development Block Grant Coronavirus (CDBG-CV) programs;
D) Adopted a resolution adjusting the fiscal year 2020-2021 adopted budget to facilitate use of grant funding from the California Department of Housing and Community Development in the amount of $4,698,809 to be used for a multi-family housing program.

Mickey Zane Place

- August 18, 2020 - Authorize the Application to the Homekey Program.
- November 10, 2020 - Approval of Purchase of Hotel Azura and Accept Homekey Award.
- August 21, 2021 - Authorize Interim Executive Director to execute Homekey documents.

FISCAL SUMMARY

Expenditures	**FY26-27 Adopted**	**FY27-28 Projected**	**FY28-29 Projected**
Budgeted Expenses			
Additional Appropriation Requested			
Total Expenditures			
Funding Sources			
General Fund/WA GF			

State/Federal			
Fees/Other			
Use of Fund Balance			
General Fund Contingencies			
Total Sources			

Narrative Explanation of Fiscal Impacts:
There are no fiscal impacts related to the approval of this requested action.

Staffing Impacts:			
Position Title (Payroll Classification)	**Monthly Salary Range (A-I Step)**	**Additions (Number)**	**Deletions (Number)**

Narrative Explanation of Staffing Impacts (If Required): There are no staffing impacts.

Attachments:

1. PLHA Five-Year Plan Amendment Resolution
2. 3575 Mendocino Closeout Resolution
3. 414 Petaluma Closeout Resolution
4. Petaluma River Place Closeout Resolution
5. Mickey Zane Place HCD Resolution

Related Items "On File" with the Clerk of the Board:

6. PLHA Plan Amendment
7. PLHA Five-Year Plan
8. PLHA Standard Agreement
9. 3575 Mendocino Avenue Phase II CDBG-DR Grant Documents
10. 414 Petaluma CDBG-DR Grant Documents
11. Petaluma River Place Apartments CDBG-DR Grant Documents