



City of Huntington Beach

File #: 20-1400

MEETING DATE: 2/18/2020

REQUEST FOR CITY COUNCIL ACTION

SUBMITTED TO: Honorable Mayor and City Council Members

SUBMITTED BY: Oliver Chi, City Manager

PREPARED BY: Ursula Luna-Reynosa, Community Development Director

Subject:

Consider adopting Resolution No. 2020-13 related to the Joint Exercise of Powers for Membership in the Orange County Housing Finance Trust (OCHFT) , and authorize the City Manager to execute the Orange County Housing Finance Trust Joint Powers Authority (JPA) Agreement

Statement of Issue:

Jamboree Housing, which is currently pursuing the development of a 43-unit senior permanent supportive housing project at 18431 Beach Boulevard, recently requested that the City of Huntington Beach consider joining the Orange County Housing Finance Trust ("OCHFT"), in order to allow them the opportunity to pursue affordable housing funds available through that particular entity. OCHFT was formed in 2019 as a Joint Powers Authority ("JPA") between the County of Orange and cities throughout the County. Enacted by Assembly Bill 448, the OCHFT is intended to provide a greater opportunity for Orange County cities to attract and secure funding for affordable housing and supportive housing. Services associated with supportive housing may include social services, mental health services, health care, counseling, job placement, veterans' affairs, and life and budget planning. The State has provided additional funding for affordable housing and is providing several billion dollars for eligible efforts and projects. The City's membership in the OCHFT would provide affordable housing developers access to gap funding for projects located in Huntington Beach as this source of funding is not available within nonmember municipalities. This added source of funding makes it more likely that affordable housing projects proposed within Huntington Beach would be financially viable. Adopting the proposed City Council Resolution and the executing the Joint Powers Agreement would enable the City to join the OCHFT.

Financial Impact:

The estimated fiscal impact, effective, 7/1/2020, would be approximately \$21,060 annually. If approved, the City will identify a funding source for this expenditure as part of the budget process. Additional information related to this expenditure follows.

Administration of the OCHFT will be funded through a combination of grants as well as annual payments from the County and the member cities on a pro-rata share basis based on population. Staffing for the first year of the OCHFT (Fiscal Year 2019-2020) includes contract employees and

consultants. The County is assuming all administrative costs incurred during Fiscal Year 2019-2020. Moving forward, the OCHFT's administrative costs are calculated through an allocation formula where the County pays for 4/9 of the total annual costs and the member cities pay the remaining 5/9 share.

Preliminary cost estimates provided by the OCHFT estimate Huntington Beach would contribute \$21,060 per year (Attachment 1). Variables affecting cost include the number of member cities, funding sources that can be used to cover administrative expenses, and the adopted administrative budget.

If costs exceed a certain threshold, the City would have the option to terminate its membership. The City maintains the right to withdraw from the JPA subject to a written resolution and by providing a six-month notice.

Recommended Action:

A) Adopt Resolution No. 2020-13, "A Resolution of the City Council of the City of Huntington Beach Relating to the Joint Exercise of Powers for Membership in the Orange County Housing Finance Trust;" and,

B) Authorize the City Manager to execute the proposed Joint Powers Agreement to join the Orange County Housing Finance Trust.

Alternative Action(s):

Do not pass the Resolution to join the OCHTF.

Background:

In June 2018, the Orange County Board of Supervisors approved a Housing Funding Strategy in response to the shortage of affordable housing in Orange County. The Housing Funding Strategy set a target for the development of 2,700 new supportive housing units within seven years and identified a need for an additional 2,700 affordable housing units during the same time period. The County estimated the capital funding requirements for the 2,700 supportive housing units at \$930 million. Given the potential funding sources known at the time, a capital gap of \$353 million was identified, along with an estimated \$350 million funding gap in operating and rental subsidies (per the *Orange County Community Resources: Housing Funding Strategy* report). In September 2018, the Association of California Cities, Orange County ("ACC-OC") worked with state legislators to pass Assembly Bill 448 (Attachment 2).

AB 448 allows Orange County cities and the County to work together to form the OCHTF and provide Orange County with greater opportunity to attract and secure competitive funding for affordable housing projects, such as state bond funds, grants and private contributions. The OCHFT applies for and receives funding from federal and state agencies and then awards funding to individual projects in Orange County based on certain criteria. Examples of funding sources include Proposition 1, Senate Bill 2, and Community Development Block Grant funds. Funding sources approved by the Governor through the State Budget or legislation could provide additional

funding opportunities.

The OCHFT is structured as a JPA that shares, among city members and the County of Orange, the power to secure and allocate funding for affordable housing projects and programs. The JPA Agreement (Attachment 3) sets forth the powers, generally to fund affordable and support housing projects that the member cities and County would share. The OCHFT Board of Directors includes nine total members. There are four representatives from the County of Orange and five representatives from member cities. Currently, the County Appointed Representatives include Supervisors Do and Chaffee, Treasurer/Tax Collector Shari Friedenrich, and Sheriff Don Barnes. City Representatives include Anaheim Councilmember Stephen Faessel, Dana Point Councilmember Jamey Federico, Laguna Niguel Mayor Mark Jennings, Mission Viejo Councilmember Ed Sachs, and Santa Ana Councilmember David Penaloza. Per the terms of the JPA, the OCHFT does not build, own, or manage projects. OCHFT cannot require projects be located in specific cities, require member cities to take an allocation of supportive housing units, or require that cities provide a local funding match. The OCHFT Board of Directors determines whether a funding application meets its criteria. The local jurisdiction maintains land use control and processes the entitlement consistent with its municipal code requirements.

The County of Orange became a member of the OCHFT on March 12, 2019. As of the writing of this staff report, there are twenty-two member cities of the OCHFT, including Aliso Viejo, Anaheim, Buena Park, Costa Mesa, Dana Point, Fountain Valley, Fullerton, Garden Grove, La Habra, Laguna Beach, Laguna Hills, Lake Forest, Laguna Niguel, Mission Viejo, Newport Beach, Orange, Placentia, San Juan Capistrano, Santa Ana, Stanton, Tustin and Westminster. If the attached Resolution (Attachment 4) is adopted by the City Council, Huntington Beach would be able to become a member of the OCHFT.

Current Status

The OCHFT Board of Directors held its inaugural meeting on Thursday, June 27, 2019. During this meeting, the Board of Directors adopted its Conflict of Interest Code and received presentations related to the OCHFT. On August 30, 2019, the Board of Directors held its second meeting. During this meeting, the Board adopted the Trust By-laws (Attachment 5), elected officers of Chair and Vice Chair, and authorized the OCHFT to start applying for funding opportunities.

Over the next few months, the OCHFT will apply for state funding specifically allocated to local housing trusts. The OCHFT will also lobby for additional discretionary state and federal funding. To date, the County of Orange approved \$5 million to the OCHFT towards the development of supportive housing. Additionally, the State of California recently approved \$1 million to OCHFT for the same purpose. On January 24, 2020, the OCHFT issued its first Notice of Funding Availability ("NOFA") that would total up to \$11.5 million.

The OCHFT allows the Orange County region to be more competitive for federal or state funds. This regional approach is intended to bring back to Orange County tax dollars that would otherwise be distributed to other jurisdictions. Membership in the OCHFT allows developers building affordable housing to access additional sources of gap funding for projects. A city must be a member of the OCHFT for a developer to apply for funds for a project within that city.

Discussion:**Huntington Beach, our Housing Element, and the OCHFT**

In late January of 2020, Jamboree Housing Corporation ("Jamboree") closed on the property located at 18431 Beach Boulevard (Beach and Main). The City provided a \$3 Million acquisition loan to subsidize affordable housing for extremely low seniors. Jamboree has requested the City apply for membership to the OCHTF so that their proposed Huntington Beach project can qualify for available funds under the NOFA issued in January 2020. (Attachment 6)

On February 3, 2020, the City Council approved amendments to the City's Housing Element and Beach Edinger Corridor Specific Plan which put the City's Housing Element in compliance with state housing law and eligible for Housing and Community Development ("HCD") certification. With this approval, the City is now in compliance with state law and is able to access state funding through the OCHFT, as well as other funding sources.

Environmental Status:

Staff has determined the project is not subject to the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

Strategic Plan Goal:

Strengthen long-term financial and economic sustainability

Attachment(s):

1. OCHFT Administrative Expense Allocation Formula Policy and Procedures
2. OCHFT Authorizing Bill - AB 448 (2018)
3. Resolution No. 2020-13, w/Exhibit "A" OCHFT Joint Powers Authority Agreement
4. OCHFT Joint Powers Authority By-laws
5. Request to Join OCHFT from Jamboree