



## Legislation Text

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### Agenda Item Wording:

**Permanent Local Housing Allocation (PLHA) 5-year Plan:** Develop FY 2025/26 - 2029/30 plan and amend FY 2024/25.

**Deadline for Action:** 12/3/2024

**Submitting Department:** Finance and Technology Services

**Contact Name and Phone Number:** Margie Perez, Housing Specialist, (559) 713-4460; [margie.perez@visalia.city](mailto:margie.perez@visalia.city) <<mailto:margie.perez@visalia.city>>; Melody Murch, Assistant Finance Director, (559) 713-4379; [melody.murch@visalia.city](mailto:melody.murch@visalia.city) <<mailto:melody.murch@visalia.city>>; Renee Nagel, Finance Director, (559) 713-4375; [renee.nagel@visalia.city](mailto:renee.nagel@visalia.city) <<mailto:renee.nagel@visalia.city>>

### Department Recommendation:

1. Direct staff to prepare a draft 5-year PLHA plan based on Council recommendations tonight.
2. Direct staff to publish the draft 5-year plan for public input and bring back for a public hearing and possible changes before adoption (resolution required).
3. Direct staff to prepare a FY 2024/25 PLHA amendment to include 40% to an Affordable Owner -Occupied Workforce Housing (AOWH) activity.

### Background Discussion:

The Permanent Local Housing Allocation Plan (PLHA) was created by State housing legislation that passed in 2017 to address the shortage of affordable housing in California. In 2017, Governor Brown signed a [15-bill housing package](https://www.hcd.ca.gov/policy-and-research/plans-and-reports) <<https://www.hcd.ca.gov/policy-and-research/plans-and-reports>> aimed at addressing the state's housing shortage and high housing costs. Specifically, it included the [Building Homes and Jobs Act](https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB2) <[https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill\\_id=201720180SB2](https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB2)> (SB 2, 2017), which established a \$75 recording fee on real estate documents to increase the supply of affordable homes in California. The revenue from SB 2 will vary from year to year, as revenue is dependent on real estate transactions with fluctuating activity. The legislation directs the California Department of Housing and Community Development (HCD) to use 70% of the revenue collected, beginning in calendar year 2019, to provide financial assistance to local governments for eligible housing-related projects and programs to assist in addressing the unmet housing needs of their local communities. This program is hereafter referred to as the Permanent Local Housing Allocation (PLHA) program.

Eligible applicants for the entitlement PLHA formula component are metropolitan cities and urban counties allocated a grant pursuant to the federal CDBG formula that are housing element compliant. Thus, the City of Visalia is an eligible applicant. Annually, the City has to apply for PLHA funds from HCD. Total PLHA funds are estimated at approximately \$2.1 million over the next 5 years as shown below in [Table 1: FY 2025/26 - FY 2029/30 PLHA Estimated Funding](#). However, this is based on projected real estate transactions and this number will most likely change. Any unrequested PLHA

funds will revert to HCD'S Multifamily Housing Program (MHP).

Table 1: FY 2025/26 - FY 2029/30 PLHA Estimated Funding						
Resources:	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30	Total
Annual PLHA Allocation	\$ 415,000	\$ 415,000	\$ 415,000	\$ 415,000	\$ 415,000	\$ 2,075,000

**Eligible PLHA Activities:** Eligible PLHA activities are listed below. A complete detailed list of eligible PLHA activities is found on Attachment "A" PLHA Guidelines.

- 1) The development, acquisition, rehabilitation, and preservation of affordable rental housing.
- 2) The development, acquisition, rehabilitation, and preservation of ownership housing, including Accessory dwelling units (ADUs) for workforce households earning up to 120 percent of AMI.
- 3) Matching funds placed into Local or Regional Housing Trust Fund.
- 4) Matching funds available through the Low- and Moderate-Income Housing Asset Fund.
- 5) Capitalized reserves for services connected to the preservation and creation of new permanent supportive housing.
- 6) Assisting persons who are experiencing or at risk of homelessness, via rapid rehousing, rental assistance, case management, operating and capital costs for navigation centers/emergency shelters, and new construction, rehabilitation, and preservation of permanent/transitional housing.
- 7) ADA modifications in lower-income owner-occupied housing.
- 8) Acquisition and rehabilitation of foreclosed or vacant homes and apartments.
- 9) Homeownership assistance.

**PLHA Funding Requirement - Affordable Owner-Occupied Workforce Housing (AOWH):**

Pursuant to Health and Safety Code Section 50470(b)(2)(A), twenty percent (20%) of the moneys collected and deposited in the Building Homes and Jobs Trust Fund shall be expended for Affordable Owner-Occupied Workforce Housing (AOWH). HCD monitors compliance with this requirement both based on allocations adopted in required 5-year plans and any amendments to that plan as well as actual expenditures. Based on these indicators, HCD has determined that at the end of the current 5-year period funds projected to be expended on AOWH are trailing behind the required 20%.

**Therefore, HCD is requiring all jurisdictions that have not had an AOWH activity to include a minimum of 40% to an eligible AOWH activity beginning in FY 2024/25 and in the next 5-year PLHA plan.** The City of Visalia has not had an AOWH PLHA funded activity which means the City will have to meet the 40% requirement starting in this fiscal year.

**Eligible AOWH Activities:**

The following PHLA activities directly related to ownership housing for household up to 120% of the area median income (AMI), which for a family of four is \$105,500.

- The development, acquisition, rehabilitation, and preservation of ownership housing.
- Matching portions of funds placed into a Housing Trust Fund.
- Matching portions of funds available through the Low- and Moderate-Income Housing Asset Fund.
- ADA modifications in lower-income owner-occupied housing.

- Acquisition and rehabilitation of foreclosed or vacant homes and apartments.
- Homeownership assistance.

**PLHA Community Needs Assessment:**

The City conducted an online PLHA survey from October 17, 2024, through November 4, 2024, in English and Spanish. 91 individuals completed the PLHA 5-year survey. 75% of individuals lived in the City of Visalia and 30% worked or owned a business in the City of Visalia. 62% of those survey stated the target population in Visalia most in need of housing resources are those experiencing homelessness and at-risk of homelessness. Those survey felt the most needed housing options are Affordable Rental Housing, Rental Assistance, Emergency Shelter, Permanent Supportive Housing, Transitional Housing, and Homeownership Assistance. The full PLHA survey results are included in Attachment D: FY 25/26 - FY 29/30 PLHA Survey Results.

**City Staff Recommendation for PLHA Funding:**

PLHA allows up to 5% for administration and is requiring a minimum of 40% to a AOWH homeownership activity allowing the remaining 55% for other PLHA activities. Staff is recommending utilizing remaining PLHA funding to assist persons experiencing homelessness or at-risk of homelessness. Based on the Community Needs Assessment staff is proposing to include development and operation of an extended overnight Emergency Shelter, Warming Center operational, the Visalia Navigation Center operational, and Eden House operational funding as shown below in Table 2: FY 2025/26 - FY 2029/30 PLHA Proposed Activities. The table below is based on the FY 2024/25 PLHA allocation. Annual PLHA funding is expected to fluctuate each year; therefore, HCD encourages establishing activity percentages that will be increased or decreased annually based actual annual allocations according to the approved 5-year PLHA plan percentages. Any unspent annual Warming Center funds will be directed to the development and/or operation of an overnight Emergency Shelter. Staff will continue to research if an extended overnight emergency shelter is financially feasible through leveraging other potential funding including additional federal, state, and local funding sources.

Table 2: FY 25/26 - FY 29/30 Proposed PLHA Activities						
Resources:	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30	Total
Annual PLHA Allocation	\$ 415,000	\$ 415,000	\$ 415,000	\$ 415,000	\$ 415,000	\$ 2,075,000
Prior Year Resources	165,800	-	-	-	-	165,800
<b>Total PLHA Resources</b>	<b>\$ 580,800</b>	<b>\$ 415,000</b>	<b>\$ 415,000</b>	<b>\$ 415,000</b>	<b>\$ 415,000</b>	<b>\$ 2,240,800</b>
Expenditures:						
PLHA Administration (5%)	\$ 20,750	\$ 20,750	\$ 20,750	\$ 20,750	\$ 20,750	\$ 103,750
AOWH - Homeownership Activities (40%)	331,800	166,000	166,000	166,000	166,000	995,800
Emergency Shelter (19%)	-	-	76,250	76,250	76,250	228,750
Warming Center (19%)	76,250	76,250	-	-	-	152,500
Visalia Navigation Center Operational (18%)	76,000	76,000	76,000	76,000	76,000	380,000
Eden House Operational (18%)	76,000	76,000	76,000	76,000	76,000	380,000
<b>Total PLHA Expenditures</b>	<b>\$ 580,800</b>	<b>\$ 415,000</b>	<b>\$ 415,000</b>	<b>\$ 415,000</b>	<b>\$ 415,000</b>	<b>\$ 2,240,800</b>

**PLHA Amendments:** Any amendment exceeding 10% of the funds allocated in the plan triggers an amendment to the 5-Year plan and will require approval by City Council and a public hearing. Under PLHA rules, funds must be committed by resolution before subsequent year funding can be requested.

**Recommended FY 2024/25 PLHA Amendment:**

As mentioned above, HCD is requiring all jurisdictions that have not had an AOWH activity to include a minimum of 40% to an eligible AOWH activity beginning in FY 2024/25. This change is requiring an amendment to the City’s FY 2024/25 PLHA Plan. FY 2024/25 PLHA plans submitted without a 40% AOWH activity will be rejected by HCD and will result in the loss of the FY 2024/25 PLHA allocation. This loss would impact approved PLHA activities which include the Visalia Navigation Center, Eden House, and the Warming Center.

In addition, on October 15, 2024, HCD released the FY 2024/25 PLHA allocations (Attachment B: FY 2024/25 PLHA Allocation), which is \$414,499 for the City of Visalia. The allocation is \$216,316 less than expected which was based on the first-year (FY 2020/21) PLHA allocation. Due to the reduction in the PLHA allocation and to satisfy the 40% AOWH homeownership activity, staff proposes reducing each approved PLHA activity evenly based off their original percentage as shown below in Table 3: FY 2024/25 PLHA Proposed Amendment.

<b>Table 3: FY 2024/25 PLHA Proposed Amendment</b>			
<b>PLHA Activity</b>	<b>Current Budget</b>	<b>Proposed Amendment</b>	<b>Proposed Budget</b>
PLHA Administration	\$ 31,541	\$ (19,106)	\$ 12,435
AOWH Homeownership Activity @ 40%	-	165,800	165,800
Navigation Center Operational	410,030	(248,375)	161,654
Warming Center Operational	94,622	(57,317)	37,305
Eden House Operational	94,622	(57,317)	37,305
<b>Total FY 2024/25 PLHA Funds</b>	<b>\$ 630,815</b>	<b>\$ (216,316)</b>	<b>\$ 414,499</b>

**Next Steps:** Staff will use the priorities and direction provided by Council tonight to draft the proposed 5-year PLHA Plan, and FY 2024/25 PLHA Amendment which will be brought to Council for review, public hearing/comment, and adoption. The 5-year PLHA plan is due to HCD by July 2025. The FY 2024/25 PLHA Amendment is due to HCD by February 28, 2025. Staff would like to submit both documents early to allow ample time to answer HCD questions and resubmit if needed.

**Fiscal Impact:**

Action today will authorize staff to prepare a draft 5-year plan for the use of estimated \$2.1 million in PLHA program funding over the next 5-years. The 5-year PLHA plan will control the use of PLHA program funding for the 5-year period of FY 2025/26 - FY 2029/30. After approval, the 5-year PLHA plan may only be changed through an Amendment submitted to HCD. In additional action today will authorize staff to prepare the FY 2024/25 PLHA Amendment to include 40% to an AOWH homeownership activity.

**Prior Council Action:** July 20, 2020 - Council adoption of the current 5-year FY 2020/2021 - FY 2024/2025 Permanent Local Housing Allocation (PLHA) Plan.

**Other:** None

**Alternatives:** None

**Recommended Motion (and Alternative Motions if expected):**

Council moves to approve:

1. Staff to prepare a draft 5-year PLHA plan based on Council recommendations tonight.
2. Staff to publish the draft 5-year plan for public input and bring back for a public hearing.
3. Staff to prepare a FY 2024/25 PLHA amendment to include 40% to an Affordable Owner-Occupied Workforce Housing activity.

**Environmental Assessment Status:** N/A

**CEQA Review:** N/A

**Attachments:** ● Attachment A - PLHA Guidelines; ● Attachment B - FY 2024/25 PLHA NOFA; ● Attachment C - AOWH Activities; ● Attachment D - FY 25/26 - FY 29/30 PLHA Survey Results; ● Attachment E - Proposed CDBG, HOME, & PLHA 5-Year Funding ● Attachment F - FY 2025/26 - FY 2029/30 PowerPoint