

CITY OF SANTA ROSA  
HOUSING AUTHORITY

TO: HOUSING AUTHORITY COMMISSIONERS  
FROM: NICOLE DEL FIORENTINO, HOUSING AND COMMUNITY  
SERVICES MANAGER  
HOUSING AND COMMUNITY SERVICES DEPARTMENT

SUBJECT: AFFORDABLE HOUSING FUNDING SOURCES OVERVIEW

AGENDA ACTION: STUDY SESSION

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RECOMMENDATION

It is recommended by the Housing and Community Services Department that the Housing Authority, hold a study session on affordable housing funding sources and provide direction to staff on whether to proceed with a rolling Notice of Funding Availability (NOFA) solicitation for HOME Investment Partnership program funds.

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EXECUTIVE SUMMARY

At the January 2023 Housing Authority meeting, Commissioners requested a study session to review affordable housing funding source requirements and eligible uses. This study session will review the various Housing Authority funding sources for affordable housing, the eligible uses, and the requirements for the funds including timeliness of expenditures. Staff is also seeking direction from the Housing Authority on whether to proceed with a rolling Notice of Funding Availability solicitation for HOME Investment Partnership (HOME) funds to deploy the funds more easily within the expenditure requirements of the program.

BACKGROUND

Housing Authority Commissioners reviewed the 2022 Planning Day themes at their January 2023 meeting. From these themes, Commissioners requested additional information about the funding sources included in the Housing Trust budget for affordable housing in advance of the next Notice of Funding Availability (NOFA) solicitation.

PRIOR HOUSING AUTHORITY REVIEW

Not applicable.

## ANALYSIS

The Housing Trust budget includes federal, state, and local funding sources for affordable housing, each with unique eligible uses and requirements. During the NOFA solicitation process, developers submit applications for funding and staff determine the applicability of each funding source for the proposed use. Developers typically are not able to request specific funding sources. The below information summarizes the general affordable housing eligible uses and requirements of each funding source:

### **Federal Funding Sources**

#### Community Development Block Grant (CDBG)

##### Eligible Activities

- Acquisition of Real Property
- Demolition
- Rehabilitation (of residential or commercial/industrial property)
- Homeownership Assistance

##### Requirements

- Income requirements – 51% of assisted households must be at or below 80% Area Median Income (AMI)
- Environmental Review Process – subject to the National Environmental Policy Act (NEPA)
- Prevailing Wage requirements for construction-related activities
- Timeliness of program expenditures requires no more than 1.5 of the annual allocation to remain in the Housing Authority's budget 60 days prior to the end of the fiscal year

#### HOME Investment Partnership (HOME)

##### Eligible Activities

- Acquisition of Real Property
- Demolition
- New Construction
- Rehabilitation
- Predevelopment loans to Community Housing Development Organizations (CHDOs)

##### Requirements

- Income requirements – 90% of assisted households must be at or below 60% of AMI
- Must adhere to HOME rent limits and maximum per unit subsidy limits
- Timeliness requirements include: funds must be committed to a project within 24 months of award by HUD; construction

commencement must occur within 12 months of funding commitment; 4-year construction completion

- Last funds in – all necessary funding has been secured
- Prevailing Wage requirements for construction-related activities
- Environmental Review Process – subject to the National Environmental Policy Act (NEPA)

## **State Funding Sources**

### Permanent Local Housing Allocation (PLHA)

Eligible Activities related to multifamily affordable rental housing

- Predevelopment
- Development
- Acquisition
- Rehabilitation
- Preservation

Requirements

- Income requirements - 60% of AMI or lower

## **Local Funding Sources**

### Real Property Transfer Tax

Eligible Activities

- Affordable housing and homeless programs

Requirements

- Affordable housing generally defined as housing in which the household pays no more than 30% of their income towards rent/mortgage

### In-Lieu (Impact) Fees

Eligible Activities include but are not limited to:

- Development of affordable housing
- Acquisition
- Construction
- Planning, administration, and design
- Building/Installation costs

Requirements

- Income requirements – 80% of AMI or lower

Affordable housing program funding in the Housing Grant Fund, Low-Mod Fund, Operating Reserves, Mortgage Revenue Bonds, and the Rental Rehabilitation Fund accumulates as past loans from these funds are paid off. In general, these

funding sources are less restrictive and can be used for any affordable housing purpose benefitting households at 80% of AMI or less.

The requirements and eligible uses for the various funding sources administered by the Housing Authority vary, with the most restrictive requirements related to expenditure and construction timelines in the HOME program. Including HOME program funds in annual NOFA solicitation each spring has resulted in few project applications who meet the timeliness requirements to be eligible for HOME funds. If the HOME program funds are removed from the annual NOFA solicitation and included in a rolling NOFA solicitation open year-round, the funds will be more available for projects meeting the 12-month construction commencement requirement.

### FISCAL IMPACT

Holding a study session does not have a fiscal impact on any Housing Authority funds.

### ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

### COUNCIL/BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

### NOTIFICATION

Not applicable.

### ATTACHMENTS

- None

### CONTACT

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