

COUNCIL AGENDA REPORT

TO: City Council

FROM: Interim City Manager Alex Posada
Prepared by: Director of Community Development Chuen Wu

SUBJECT: Fiscal Year 2023-24 HOME Consortium Allocation Recommendation

Description:

The City Council will consider adopting a Resolution to approve the use of Fiscal Year 2023-2024 HOME Investment Partnerships (HOME) funding to be allocated to assist the City of Santa Maria's Tenant-Based Rental Assistance program and an affordable housing project in Santa Barbara County.

Environmental Notice: The Project qualifies for an Exemption pursuant to Section 15061(b)(3) (common sense exemption) of the California Environmental Quality Act State Guidelines.

RECOMMENDATIONS:

Adopt a Resolution approving the use of Fiscal Year 2023-2024 HOME Investment Partnerships (HOME) funding to be allocated to assist the City of Santa Maria's Tenant-Based Rental Assistance program and an affordable housing project in Santa Barbara County.

BACKGROUND:

HOME is a Federal program that funds a variety of activities aimed at providing affordable housing for low- to moderate-income households. The program is administered by the U.S. Department of Housing and Urban Development (HUD). The City has participated in the HOME program for decades, with a brief intermission during Fiscal Year (FY) 2016-17 when the City voted to apply for HOME funding on its own. The City was not successful and returned to the County's Consortium a year later. Currently, the City is under contract with the Santa Barbara County Consortium as both a participating jurisdiction and a sub-recipient. As a sub-recipient, the City is currently using part of its funds to administer the Tenant-Based Rental Assistance (TBRA) program. The TBRA program provides one-time security deposit assistance of up to \$2,500 to income-qualifying households renting a place in Santa Maria. The program began in 2010 and has assisted more than 1,150 local households. There is no other program of its kind in the City.

The remaining amount of the City's HOME funding has historically gone to an affordable housing development project in Santa Maria. Examples of recent affordable housing development projects in Santa Maria include Sierra Madre Cottages (\$1,114,988 HOME

funds and \$285,012 in Santa Barbara County Inclusionary Housing In-Lieu funds for 40 senior units), Residences at Depot Street (\$1,994,459 HOME funds and \$1,178,978 in Santa Barbara County Inclusionary Housing In-Lieu funds for 80 units), West Cox Cottages (\$1,350,000 Homeless Emergency Aid Program and \$1,500,000 No Place Like Home for 30 units), and Good Samaritan Shelter for its Pine Street Bungalows II project (\$291,137 HOME funds for 4-bedroom, 3-bath house).

DISCUSSION:

The City of Santa Maria is receiving \$310,879.72 in HOME funding from the County's Consortium for FY 2023-24. It is proposed that the City use part of the funding for its TBRA program and the other part to assist a project within the County of Santa Barbara. In the fall of 2022, the County of Santa Barbara, which is the lead agency and fiscal agent for the HOME Consortium, issued a Notice of Funding Availability (NOFA) in anticipation of 2023-24 HOME funds. The County of Santa Barbara has a list of potential local projects that can utilize HOME funding. For this reason, staff recommends that \$160,879.72 of the overall FY 2023-24 HOME funding be used at the discretion of the County HOME Consortium unless a viable affordable housing project within the City of Santa Maria (that qualifies for HOME funding) expresses interest. Allowing the County of Santa Barbara's HOME Consortium to fund an area project with the City's allocation is done from time to time when the City does not have a viable project eligible for the funds, or an interested affordable housing developer to use the funds, or the HOME commitment deadline of funds is approaching, and the funds must be committed to a project or returned to HUD. In addition, the City of Santa Maria has benefited from the County's portion of HOME funds in recent years.

As for the City's TBRA program, staff recommends that \$150,000 of FY 2023-24 HOME funding be allocated to this program. By approving this proposed allocation, the City can continue offering the TBRA program seamlessly from one fiscal year to another. The amount recommended should be more than enough to cover the average number of TBRA applications that come into the City, as well as additional TBRA's that will come because of new housing construction.

Alternative(s)

An alternative would be to use the entire \$310,879.72 for TBRA; however, even with the popularity of the program and the increased deposit amounts that the City is now offering, the City has historically never spent more than \$150,000 in one year. Another option is to have the entire amount allocated to a housing project in the County.

Fiscal Considerations

The proposed action will provide \$150,000 to the City's successful TBRA program which continues to serve dozens of residents in the community every year. Due to a lack of housing projects proposed in Santa Maria in 2022 and 2023, the remaining amount has been retained by the HOME Consortium to use for a future affordable housing project within the county. The City's general fund will not be affected by this action.

Impact to the Community

The proposed action will have a beneficial impact on the community by continuing to provide affordable housing to Santa Maria residents with TBRA and will help create additional affordable housing in the County of Santa Barbara.