



COUNTY OF HUMBOLDT

For the meeting of: 4/28/2020

File #: 20-440

To: Board of Supervisors

From: DHHS: Administration, County Administrative Office and Planning and Building Department

Agenda Section: Departmental

SUBJECT:

Receive a report on Humboldt County housing demands, options to establish and operate a Regional Housing Trust Fund, and considerations for the Housing Trust Fund and Homelessness Solutions Committee (“HTFHSC”)

RECOMMENDATION(S):

That the Board of Supervisors:

1. Receive the report and provide direction to staff on pursuing a Regional Housing Trust Fund;
2. Review and discuss the HTFHSC’s Bylaws and Policies and Procedures Manual in Attachment 1; and direct staff to return with an item considering adoption of the Bylaws and Policies and Procedures Manual along with any necessary changes and an updated discussion of potential funding sources for the Affordable Housing Trust Fund; and
3. Affirm or set priorities for addressing the various levels of housing need in Humboldt County by providing further direction to staff.

SOURCE OF FUNDING:

The salary funding for this work comes from the Social Services Fund and in the General Fund contribution to the Long-Range Planning unit, 1100-282

DISCUSSION:

Executive Summary

On January 14, 2020 the Board of Supervisors directed the Department of Health and Human Services (DHHS) to return in April with recommendations to establish and operate a regional or local housing trust fund, directed the County Administrative Office (CAO) and DHHS to return with recommendations on contributions to the regional trust fund, including but not limited to transient occupancy tax, cannabis excise tax, establishing a vacancy tax and also including the Lucas Street property proceeds, and directed DHHS to return with recommendations on reconstruction of the HTFHSC. This report was written to provide that information, and to address the county’s housing efforts comprehensively.

During the January presentation the focus was on establishing a Regional Housing Trust Fund, without addressing implications for other county housing programs. The CAO, DHHS and Planning and Building have collaborated in the preparation of this report in order to provide the Board with a more comprehensive understanding of all housing interests. The county's ability to assist with providing housing relies on obtaining grant funding. Grant funding can address a range of needs from homelessness to providing low income housing, and up to and including rehabilitating work force housing. The county operates many different programs to address housing needs. Since there are more housing needs than funding availability it is critical to assign priorities. This report will address the policy goals adopted by the county, explain the existing funding sources for existing programs and provide alternatives for the Board's consideration in developing housing priorities.

Concurrently, the HTFHSC has desired to come before the Board to discuss their role and ideas. This report will also present the request of the HTFHSC and provide alternative courses of action for the Board's consideration.

1. 2019-2027 Housing Element

The Housing Element identifies existing and projected housing needs and establishes goals, policies, standards and implementation measures for the preservation, improvement, and development of housing. It recognizes the county's Department of Health and Human Services and the Planning and Building Department both actively pursue federal and state funding for housing. The Planning and Building Department focuses on funding programs aimed at low income and workforce housing, while DHHS focuses on programs to supply transitional and supportive housing and shelter, and housing for individuals experiencing homelessness or at-risk of homelessness.

The Housing Element also describes how in 2018 the Board of Supervisors established and appointed the HTFHSC and identified the sale of the Lucas Street Property as the source of seed money for the HTFHSC, which also satisfied a lingering implementation measure from previous adopted Housing Elements.

The projected regional housing needs KKIXruib ("RHNA") for the 2019 through 2027 time period sets a firm target for the county - a total of 1,413 new residential units will need to be built in the unincorporated areas to meet the projected housing need for the 2019 - 2027 time period, and 41% of those will need to be affordable to lower-income households. The Housing Element also paints a somewhat bleak picture, describing how the lack of available funding is a huge barrier for the development of shelter and housing for all income categories. In response, it proposes bold new measures that put the county in an active role in the development of housing. Through its programs, the county will shift its focus to operate more like a facilitator and a partner in development of shelter and housing opportunities.

Recognizing the local need for housing programs may outstrip the funding from outside sources, the Housing Element includes Implementation Measure H-IM1:

H-IM1. Pursue Funding for Housing and Emergency Shelter Programs. The county shall pursue funding for housing and shelter programs, including for single room occupancy housing and rehabilitation of housing. Funding and subsidies shall prioritize development of housing affordable to very low-income households, and where there are extraordinary costs for development affordable housing. Potential federal and state sources of funding (not intended to be an exhaustive list), include:

Humboldt County’s First-time Homebuyer Program: up to five units per year
Humboldt County’s Owner-Occupied Rehabilitation Program: up to three units per year

In partnership with developers, assist with one to two development projects per year:

Home Investment Partnership Program (HOME)
State Community Development Block Grant (CDBG)*
Multifamily Housing Program (MHP)
Permanent Local Housing Allocation (SB 2, 2017)*
Building Equity and Growth in Neighborhoods Program (BEGIN)*
United States Department of Agriculture (USDA) Housing Programs
California Housing Finance Authority Loans (CHFA)
Federal and State Low Income Housing Tax Credit (LIHTC)
Infill Infrastructure Grant Program (IIG)

* Indicates sources of funding for which the county has to be applicant. Others, developers may access funding from the source.

As part of the annual budget process the Board of Supervisors shall identify and commit a revenue stream to fund the development of housing and shelter, including for the purpose of matching federal or state funds for housing and shelter development, or off-site improvements in support of eligible projects, within budgetary constraints.

The General Plan has committed the county to identify money each year which will be used for construction of housing. The grant funding from Home, CDBG and Permanent Local Housing Allocation (PLHA) as discussed below would satisfy this requirement.

2. Existing Housing Programs

The county’s existing programs are primarily related to funding provided by federal, state, and local sources. In addition to the programs listed above in H-IM1, the county has been successful in securing funding from other programs described in the paragraphs below.

a) Federal Funding Sources

There are generally three ways that the federal government provides funding toward affordable housing: mortgage insurance, rental assistance, and capital investment. Mortgage insurance assistance is handled by federal agencies that don’t involve the county. Rental assistance for the

county is handled by the Humboldt County Housing Authority which operates the Housing Choice Voucher program (commonly known as Section 8) providing rental assistance payments for low income families and individuals.

Federally funded capital investment programs include the **HOME Investment Partnership Program** (HOME) which is a federal grant made to large jurisdictions and states. Through the state, the county uses these funds to assist with the acquisition and rehabilitation of housing for families with low or very low incomes. The county's First-Time Homebuyer and owner-occupied rehabilitation loan programs are funded by HOME. The county also utilizes the repayment funds from this program as a revolving loan fund. HOME funding has also been used to provide loans to developers of affordable rental housing. This program is administered by the Planning and Building Department.

Community Development Block Grants (CDBG) are also federal capital investment funds administered through the states. These funds may be used for housing rehabilitation loans and grants, multi-family housing acquisition and rehabilitation, construction of shelters, including transitional shelters, infrastructure, public facilities, public services and code enforcement. The Planning and Building Department manages a CDBG revolving loan fund.

b) State Funding Sources

The **California Emergency Solutions and Housing Program** is administered by DHHS and funds a wide variety of projects that serve homeless individuals and families with supportive services, emergency shelter/transitional housing, assists persons at risk of becoming homeless with homelessness prevention assistance, and provides permanent housing to the homeless population. These funds have been used for rapid rehousing projects at Arcata House Partnership, City of Eureka, Redwood Community Action Agency and funds a Day Center in Arcata run by Arcata House Partnership.

The **No Place Like Home Program** administered by DHHS provides funds for the development of permanent supportive rental housing for people living with a serious mental illness who are homeless, chronically homeless or at-risk of chronic homelessness. This fund produced \$4.9 million to assist construction of the 25-unit Bayview Heights project on 4th Street in Eureka.

The **CalHome Program** assists individual first-time homebuyers through deferred-payment loans for down payment assistance and home rehabilitation. The county has a grant application into the Department of Housing and Community Development for funding to provide loans for first time homebuyers and to homeowners wanting to build accessory dwelling units on their properties. These loans may be re-loaned upon repayment. These funds are intended to begin an aggressive program for development of accessory dwelling units including tiny homes by waiving county fees and providing the plans for the units. This program is administered by Planning and Building.

c) Local Funding Sources

On January 23, 2018, the Board directed staff to sell the Lucas Street property and stipulated that proceeds from the property sale would go to the county's Affordable Housing Trust Fund, which could be used as a potential source of match for the LHTF program. However, the county received no bids at the minimum bid when the property was offered for sale earlier this year, so there is no money currently in the county's Affordable Housing Trust Fund.

DHHS has been successful in securing funding to address the needs of those experiencing homelessness or at risk of experiencing homelessness, and new federal and state funding for those programs are announced with seemingly increasing frequency. The Board has already provided strong direction to staff that those funds are a priority for the county, they are not discussed in this staff report. The impact of the COVID-19 crisis may have an impact on the ability to access funds normally used to fund some programs.

3. New Funding Opportunities:

- a) **Permanent Local Housing Allocation (PLHA)** was created with the passage of Senate Bill 2 (SB2) in 2017. The funds derive from a real-estate transfer fee. The funds are disbursed on a formula basis to jurisdictions that maintain Housing and Community Development (HCD) approved Housing Elements. Eligible activities are wide ranging and include:
1. Predevelopment, development, acquisition, rehabilitation, and preservation of:
 - i. multifamily, residential live-work, rental housing that is affordable to extremely low, very low-, low-, or moderate-income households, including necessary operating subsidies.
 - ii. affordable rental and ownership housing, including Accessory Dwelling Units (ADUs), that meets the needs of a growing workforce earning up to 120-percent of AMI.
 2. Matching portions of funds placed into Regional Housing Trust Funds.
 3. Matching portions of funds available through the Low- and Moderate-Income Housing Asset Fund pursuant to subdivision (d) of Health and Safety Code Section 34176.
 4. Capitalized Reserves for Services connected to the preservation and creation of new permanent supportive housing.
 5. Assisting persons who are experiencing or at risk of homelessness, including, but not limited to, providing rapid rehousing, rental assistance, supportive/case management services that allow people to obtain and retain housing, operating and capital costs for navigation centers and emergency shelters, and the new construction, rehabilitation, and preservation of permanent and transitional housing consistent with Housing First practices described in 25 California Code of Regulations, Section 8409, subdivision (b)(1)-(6) and in compliance with Welfare and Institutions Code Section 8225(b)(8).
 6. Accessibility modifications in lower-income owner-occupied housing.

7. Efforts to acquire and rehabilitate foreclosed or vacant homes and apartments.
8. Homeownership opportunities, including, but not limited to, down payment assistance.
9. Fiscal incentives made by a county to a city within the county to incentivize approval of one or more affordable housing projects, or matching funds invested by a county in an affordable housing development project in a city within the county, provided that the city has made an equal or greater investment in the project.

Twenty percent of the PLHA funds must be set aside for owner-occupied housing. Humboldt County's 2020 allocation under this program is \$344,448 with the estimated five-year funding amount being \$2,066,693. This figure is based on assumptions about revenues from real estate transactions which vary from year to year. The deadline to apply for this year's allocation is July 27. The funds available through this program may be rolled forward from one year to the next so that even if no application was submitted this year, these funds would be added onto those available in in years up until 2023.

- b) Local Housing Trust Fund Program (LHTF)** provides matching funds to local housing trust funds dedicated to the creation, rehabilitation, or preservation of affordable housing, transitional housing and emergency shelters. This is a one-to-one matching program that establishes loan funds for housing. The minimum starting amount for a Local Housing Trust Fund (LHTF), single jurisdiction, is \$500,000. The funds may be capitalized up to a five-year period. A threshold requirement is ongoing dedicated revenues totaling a minimum of \$100,000 per year from one or more public or private sources. The LHTF cannot use PLHA for local matching funds. It is unclear if the LHTF will have an annual offering of funding; the application deadline has not been announced at this time and information on future years' funding availability is not forthcoming.

There are several challenges in utilizing the Local Housing Trust Fund monies. The first is the commitment of matching funds. Matching funds must be committed prior to application to the program and need to be on deposit before the funds are disbursed. Several methods of meeting the \$500,000 match requirement for the LHTF have been discussed, but so far only \$200,000 has been committed. It is hoped that the sale of the of the Lucas Street property would net at least and additional \$200,000 for a Housing Trust Fund; however, no buyers have come forward. This is likely to be a competitive program due to the availability of matching funds. Due to lack of matching funds, it is hard to see the use of the LHTF at the present time.

Regional Housing Trust Fund Program (RHTF) provides matching funds to regional housing trust funds dedicated to the creation, rehabilitation, or preservation of affordable housing, transitional housing and emergency shelters. This is a one-to-one matching program that establishes loan funds for housing. The minimum starting amount for a RHTF is \$750,000. A RHTF must include at least three jurisdictions. For example, a county and two cities could operate an RHTF. This is a competitive program, and credit is given for participation by additional jurisdictions. The funds may be capitalized up to a five-year period. A threshold requirement is ongoing dedicated revenues totaling a minimum of \$100,000 per year from one or more public or private sources.

Establishment of an RHTF allows utilization of PLHA funds as a local match, but it requires the participation of at least three jurisdictions. If the cities of Eureka, Arcata and Fortuna all agreed to participate the local matching funds could all come from PLHA money. If Eureka or Arcata chose not to participate, it would be hard to put together a large enough contingent of cities to meet the minimum local match requirement from PLHA funds. Agreements for participation of the three jurisdictions would require significant negotiations. The State Housing and Community Development Office have indicated that a Joint Powers Authority (JPA) is not an appropriate mechanism for putting together a RHTF. The path forward protecting each jurisdiction's interests will be delicate. Key points of agreement would be designating an administrative entity for the fund and program guidelines governing the use of funds. Your Board in January had expressed interest in the Humboldt County Association of Governments being the administrative entity, however this is not possible as they are a JPA. The timeline for interjurisdictional coordination required to create a RHTF coalition would push past the July 27, 2020 PLHA application deadline for this year

Since this is a 5-year program it would require commitment of the PLHA funds for those years, which would render these funds unavailable for other county programs during that period. On the positive side, this would generate approximately \$6 million dollars to underwrite the cost of a project. A downside of this is that if a private partner is not interested in developing housing, then the money is not available for other purposes, except it can be used for rehabilitation and loans to owner occupied housing. For a RHTF to be successful, there will need to be agreement on project scope, location, and preferably a private partner. The difficulty will be having all jurisdictions agree on a project and location. On the positive side, the county currently has established relationships with Fortuna, Blue Lake and Rio Dell in administering their CDBG programs. This may make for the start of such a RHTF, however Blue Lake does not have a compliant housing element making the city is not eligible for PLHA funds and the amount of PLHA from these cities is much smaller than Arcata and Eureka.

The ability of the county to comply with its RHNA obligations cannot be lost in this discussion. The state does seem to be encouraging regional collaboration in allowing the use of the PLHA as local matching funds for the RHTF but the state has not reformed the RHNA process to allow jurisdictions to take credit for housing built in another jurisdiction when jurisdictions are collaborating. This is an important consideration because while RHNA reform is being discussed at the state level, other reform is also being discussed which would withhold funding (particularly transportation funding) to jurisdictions not achieving their RHNA obligations.

The Board of Supervisors directed staff to return with alternative funding sources for the RHTF. That direction came prior to the COVID-19 crisis and those funding sources are now unstable until the economy is re-established.

The incentive of matching funds makes both the LHTF and RHTF programs attractive. The PLHA is money that is available to the county and can be used as the local match for the RHTF. There is an important consideration in pursuing the RHTF versus simply applying for the PLHA funds. Both the LHTF and the RHTF require that structures be built and that there be security placed on the property in

the form of a deed of trust to guarantee affordability. This is a standard practice for construction of affordable housing units. Conversely, the PLHA allows services to people experiencing or in danger of homelessness and so there is a lot more flexibility in the use of the funds if the Board decides to place an emphasis on addressing homelessness immediately. The county's PLHA for 2020 could come in the form of \$70,000 to address owner occupied affordability with the remaining \$275,000 available to other efforts such as underwriting the costs of Accessory Dwelling Units or Tiny Homes and/or establishing services to address homeless issues.

Another important consideration is the Coronavirus Aid Relief and Economic Security (CARES) Act will likely be providing funding to address homelessness issues associate with the COVID-19 Crisis. There will likely be additional support to address homelessness issues coming through CDBG funding. Staff is monitoring this.

There are three basic options available to the Board of Supervisors:

- I. Apply for PHLA Funds and take the annual draw allocated to the county
- II. Apply for PHLA Funds and find other funding to support a LHTF.
- III. Pursue a RHTF.

The decision before the Board is whether use this year's PLHA funds to address immediate homeless needs or whether a longer-term approach to developing facilities is warranted. If the Board chooses to pursue the RHTF, it is recommended that the Board of Supervisors direct staff not to apply for funding this year. Use the next six months to determine the potential to form a RHTF and monitor the likelihood of RHNA reform. If this proves possible, apply for the PHLA funds next year and pursue the RHTF. If a RHTF is not feasible, develop a plan for use of the PHLA funds which may focus on providing services to homeless individuals and providing incentives to develop accessory dwelling units and tiny homes. It is important for the Board to consider that if the RHTF is committed to as the path forward, all PLHA funds will be devoted to developing housing in conjunction with the cities for the next 5 years.

4. **Housing Trust Fund and Homelessness Solutions Committee (HTFHSC)**

On February 27, 2018, the Board of Supervisors adopted Resolution No. 18-14 (superseded by resolution 18-73) which established the HTFHSC and directed they prepare a draft ordinance or resolution setting forth criteria governing the Affordable Housing Trust and preparing bylaws to be adopted by the Committee.

In the forming resolution it states: *“the Board of Supervisors desires to establish a Housing Trust Fund and Homelessness Solutions Committee to set criteria for (1) the receipt of funds into the Housing Trust Fund; and (2) the expenditure of funds derived from the Housing Trust Fund; and (3) to make recommendations for expenditures from the Affordable Housing Trust Fund; and (4) make recommendations on homelessness solutions.”* The duties assigned to the committee in that resolution implement these objectives by having the committee make recommendations to the Board of Supervisors on funding sources and expenditures and engaging in public discussions on the needs and

solutions to address homeless concerns. The Policies and Procedures Manual prepared by the Committee implement the provisions of the resolution. It seems that the primary focus of the Committee is to address homelessness, but as discussed above there is the potential for funding sources to be available that would address homeless needs or provide money to building housing. One of the questions raised by this situation is how do priorities get established when targeting grant funding.

The discussion above related to creation of a RHTF also has implications related to the Committee. It is unlikely that elected leaders from other jurisdictions will want to have an appointed body from the county decide how those funds will be used and thus the HTFHSC would likely not be the body to make decisions relative to the RHTF.

In addition, there are already other trust funds managed by Planning and Building that have \$22 million in assets. When loans in these programs are repaid the money is available to be reused. As mentioned above there are situations where these funds are used to subsidize construction of affordable housing.

This raises the question of how does the HTFHSC fit into the county effort to address housing needs in 2020 and into the future? There are many functions the Committee can serve, including:

- Bringing innovative and creative solutions to address housing and shelter. There are a number of 2019 Housing Element policies and programs that reflect their creativity.
- The Committee can be the voice for those who are not at the table. They bring a perspective and experience that county staff does not have.
- The Committee can be a partner to help inform the public about the housing and shelter issues.
- They have the experience to help the county develop resources for the community such as putting together a best practices manual for a housing and shelter projects and a Frequently Asked Questions handout for shelters on how to be a good neighbor.
- Assist with fundraising and advising the Board on funds going to projects that are difficult to find funding for but are needed in the community.
- Help the county “think outside of the box”.
- Committee members have a high level of commitment and work ethic.

Committees made up of industry experts have been highly beneficial in providing recommendations to the county (Williamson Act, and Forest Review Committee among others). The key clarification here is where does the role of the HTFHSC begin and end. Is it primarily focused on homelessness, up to and including constructions of transitional and supportive housing, or is the role as a clearinghouse for all affordable housing, or is the role focused on meeting the immediate needs of the homeless?

The most basic alternatives for the Board’s consideration are as follows:

- i. Focus on immediate needs of Homeless (providing shelter, places of refuge)

- ii. Responsible for addressing all homeless needs including constructing transitional and supportive housing
- iii. Clearinghouse for all affordable housing activities.

5. Homelessness Solutions

The COVID-19 crisis has heightened concern for the homeless and actions the county should be taking to address this issue. Questions are asked why interim measures such as tent camps or safe parking programs have not already been established (the COVID-19 crisis adds another layer of complexity to this discussion which is not addressed here because this is intended to take a longer-term view.) In short there are two primary concerns with these endeavors, first is ability to supply Sheriff's deputies and DHHS staff, and second the policy approach adopted by the Board of Supervisors has been Housing First. This is also reflected in the implementing resolution for the HTFHSC which states:

*“The purpose of the Housing Trust Fund and Homelessness Solutions Committee (hereinafter the Committee) is to recommend criteria for the receipt and use of Affordable Housing Trust Fund monies, which shall be subject to Humboldt County Board of Supervisors approval. The criteria shall ensure that housing fund monies are used to assist the county in meeting its affordable housing goals with an emphasis on **"bricks and mortar"** projects.”*

In 2016, the California Legislature passed Senate Bill 1380 (Mitchell) requiring all housing programs to adopt the Housing First model. Housing First is an approach to serving people experiencing homelessness that recognizes a homeless person must first be able to access a decent, safe place to live, that does not limit length of stay (permanent housing), before stabilizing, improving health, reducing harmful behaviors, or increasing income. Under the Housing First approach, anyone experiencing homelessness should be connected to a permanent home as quickly as possible, and programs should remove barriers to accessing the housing, like requirements for sobriety or absence of criminal history. It is based on the “hierarchy of need” people must access basic necessities-like a safe place to live and food to eat-before being able to achieve quality of life or pursue personal goals. Finally, Housing First values choice not only in where to live, but whether to participate in services. For this reason, tenants are not required to participate in services to access or retain housing. All funding sources have a basic tenant that the jurisdiction comply with the Housing First approach.

The capacity to implement Housing First is improving with the increases in permanent supportive housing inventory. The most notable at this point are the supportive housing development under construction on Fourth Street in Eureka and the conversion of Humboldt Inn to supportive housing by Providence. With these developments coming online there will be additional housing resources to address the needs of people transitioning out of homelessness in the Eureka area but also serving the greater Humboldt County population.

The next stage of need in addressing homelessness issues is to provide locations for people experiencing homelessness to obtain necessary resources. This can be accomplished by providing day centers, places that are not shelters but provide needed resources for homeless people to be able to obtain needed resource assistance. These centers can be located around the county. They are most

effective when placed in each of the communities where there is an identified homeless population. This type of service could be funded with PLHA funds but could not be funded by RHTF funds. This is an action the Board could consider in giving direction as to whether the PLHA funds should be used primarily to serve homeless needs.

FINANCIAL IMPACT:

Unknown. Pending direction of the Board.

STRATEGIC FRAMEWORK:

This action supports your Board's Strategic Framework by protecting vulnerable populations.

OTHER AGENCY INVOLVEMENT:

Department of Health and Human Services

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Board discretion.

ATTACHMENTS:

1. HTFHSC's Bylaws and Policies and Procedures Manual
2. Resolution 18-73 forming the HTFHSC

PREVIOUS ACTION/REFERRAL:

Board Order No.: F-1

Meeting of: January 14, 2020

File No.: 20-4