

South Bay Cities Council of Governments

April 11, 2022

TO: SBCCOG Board of Directors

FROM: Jacki Bacharach, Executive Director
David Leger, Staff

SUBJECT: South Bay Regional Housing Trust Update – Formation and Funding Opportunities

Adherence to Strategic Plan:

Goal B: Regional Advocacy. Advocate for the interests of the South Bay.

BACKGROUND

Since late 2021, the Legislative Committee has been looking into the possibility of creating a South Bay Regional Housing Trust (SBRHT). In January, a sub-committee of the SBCCOG's Legislative Committee was formed to evaluate various Regional Housing Trust (RHT) models and to determine if the SBCCOG should consider moving forward with a subregional/multi-jurisdictional RHT. The sub-committee met on February 7th to begin discussing RHT models and information that had been presented at previous Legislative Committee meetings. The sub-committee meeting was well attended including SBCCOG Board Members, City Managers, Community Development Directors, and other city staff representing 11 different member cities throughout the SBCCOG service area. An overview and pros/cons document reviewing the multiple RHT governance and funding models was created and shared with the Legislative Committee, City Managers, and Community Development Directors (Exhibit 1).

Since January, under the leadership of Legislative Committee Chair Stacey Armato, staff has further researched what model would be best for the South Bay should one be created. After conversations with San Gabriel Valley RHT (SGVRHT) staff, SBCCOG staff has concluded that a lending model JPA seems to be most appropriate for a SBRHT and is similar to those being created by other regions. This model would allow funding to be re-loaned after being paid back by a developer.

The SGVRHT was created via legislation sponsored by Senator Rubio in 2019-2020 and has already received upwards of \$20 million via the state budget process. After a conversation with staff from Senator Rubio's office where it was learned that the Senator will be requesting close to \$100 million for the SGVRHT in state budget funding this session, Chair Armato met with Assemblymember Al Muratsuchi and Senator Ben Allen to determine if they would be willing to submit a \$50 million funding request as part of the state budget process for a South Bay Regional Trust Fund. Both legislators indicated that they would certainly consider the request but asked for further information about the South Bay's RHT.

In a subsequent meeting with Senator Allen's staff, his office expressed support for the concept and offered to explore legislative opportunities to create the SBRHT if the SBCCOG Board authorized that next step.

Staff has prepared a series of questions that have come up through the research process and the associated answers.

QUESTIONS & ANSWERS:

Question: **Would moving forward with the formation legislation commit a city to participating in the SBRHT?**

Answer: No. Moving forward with formation legislation is the first step. Seeking official members would be a subsequent process facilitated by the SBCCOG.

Question: **Would participation in the SBRHT be voluntary?**

Answer: Yes. A separate Joint Powers Authority would be created and membership to the SBCCOG does not require membership to the SBRHT.

Question: **Who would operate the SBRHT?**

Answers: The SBRHT would be governed by a 7-member Board of Directors consisting of 5 SBCCOG board members and 2 local experts with experience in housing and/or homelessness. The SBCCOG board would appoint members to the SBRHT board. In terms of day-to-day operations, it is likely that the SBRHT would contract with the SBCCOG for staffing. The San Gabriel Valley RHT contracts with the San Gabriel Valley COG and it has been a successful model.

Question: **Does it cost anything to be part of the SBRHT?**

Answer: There will likely be a dues structure to ensure administrative operations of the RHT. The exact structure and amount a city would pay would be determined at a later date. State/federal earmarks and grants can be used in part for administration, so there may be opportunities to offset some costs.

Question: **Do other areas have RHTs formed by legislation?**

Answer: Although legislation is not required, several do because legislation could possibly facilitate the eventual state funding. The San Gabriel Valley COG, Western Riverside COG, and Orange County have all formed their RHTs via legislation. Gateway Cities COG and the cities of Burbank/Glendale/Pasadena have begun the process as well.

Question: **What would the SBRHT do?**

Answer: The SBRHT would fund and finance the planning and construction of homeless housing, and extremely low, very low, and low-income housing projects. SBHRT funding would make the construction of affordable housing more appealing to developers. The trust would only consider a development that had city approval. The trust could also address the “sustainability” of the housing –encouraging opportunities to promote walking, cycling, and travel using zero-emission local use vehicles.

Question: **If a city participates in the SBRHT, can they city get RHNA credit for a project funded through the SBRHT but built in a different city?**

Answer: No. At this time, state law does not allow for RHNA credit sharing.

Question: **How would the SBRHT be funded?**

Answer: Through state/federal budget requests/”earmarks”, state/federal grants, and other opportunities that may arise.

Question: Since we are considering a lending model, how would the funds be paid back?
Answer: The SBRHT, through loan professionals, would provide funding to a proposed housing project via lower interest loans than the developer would receive through traditional banks or lending organizations. Funds would be repaid to the SBRHT over the term of those loans, which is often less than 5 years.

Question: Are there strings attached to the funds from the state/federal government?
Answer: State budget earmarks do not have any requirements beyond a timeframe in which the funds should be spent (2yrs). Federal earmarks and federal/state grants may come with additional requirements based on the individual funding agencies and grant programs. An evaluation of the grant and its requirements would be made prior to submittal of an application.

Question: Why would a city want to participate?
Answer: Cities would have a say in the process and would be able to leverage funding to build affordable housing within their city, allowing people to live closer to work, increasing quality of life, while also reducing GHG emissions. Cities would also be able to work together to build affordable supportive housing for the region's most vulnerable populations. *For a full list of reasons why a city might participate, see Exhibit 1.*

Question: Can a city join later or at any time?
Answer: As long as there are cities that are interested initially, cities will be able to join at any time. However, joining later will mean that they will not be part of the creation of initial policies such as determining any administrative fees, project selection criteria, etc.

NEXT STEPS

If the SBCCOG Board chooses to move forward with formation legislation, the Legislative Committee and staff would work with Senator Allen and other South Bay legislators to introduce language, via a spot bill or through an amendment to another proposed regional housing trust bill, to form the SBRHT. Between introduction of the legislation and a signature by the Governor, the Legislative Committee and SBCCOG Legal Counsel would draft JPA documents, by-laws, and other administrative procedures needed to form the SBRHT. During that time, SBCCOG cities would also need to decide if they would be willing to participate in the SBRHT.

The Board is also asked to approve moving forward with a request for state funding via the budget process to fund the SBRHT. If approved, the Legislative Committee, through its Chair, and staff would meet with Senator Allen and other South Bay legislators to request funding for the SBRHT.

RECOMMENDATION

Approve moving forward with legislation to form the South Bay Regional Housing Trust and request funding from the State as well as authorizing staff to begin drafting the formation documents.

Attachments: Exhibit 1 – 03.2022 Housing Trust Fund Overview Pros & Cons list
Exhibit 2 – Proposed South Bay Regional Housing Trust JPA Formation Legislation

Prepared by: David Leger

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PROS AND CONS OF CREATING AN HTF

Pros:

- Work Force Housing! Work Force Housing! Work Force Housing!
 - Here's a partial list of essential workers that could benefit from more affordable housing in our region:
 - Teachers
 - Police/Fire
 - Nurses/Medical Assistants/Hospice care
 - Hospitality industry employees
 - Grocery/Retail workers
 - Administrative assistants
 - City managers and staff
 - These workers are priced out of many areas of our region. With the economic development going on in the Inglewood/Hawthorne area, housing affordability is only going to get worse.
 - Counterintuitive – not building enough affordable housing will make traffic worse. Workers will need to commute into our area. This is bad for quality of life of the workers and bad for the environment. Adding more cars on the road runs counter to SBCCOG's sustainability objectives.
- Fund can also be used to build affordable supportive housing for the region's most vulnerable populations
- Cities gain control of development in their area. HTFs can compete directly with private market rate developers. Building workforce housing may be an easier sell to constituents than having private developers build more market rate housing.
 - For example, if a strip mall is for sale, the only option now is for a private developer to purchase the property and build whatever they want on the land. Cities can try to persuade or incentivize developers to build workforce housing, but in the end, it is the developer's call. A HTF could compete and bid for that property and build workforce housing.
 - HTF projects can increase community engagement
 - For example, affordable housing projects could seek community artists to commission a mural or a sculpture garden.
 - Cities could have a say in the aesthetics of the project, architecture, and inclusion of locally-serving amenities such as green space and community gardens.
 - Cities could dedicate the naming of the project to honor a local dignitary, or hold visioning sessions that empower the community to choose the project's name.
 - Cities could ensure community members take the lead in guiding the direction and development of this locally-serving workforce housing.
- HTFs can take advantage of billions of dollars of Federal/State and private funding.
 - Federal and State Housing Trust Fund Grants
 - Several HTFs in near-by areas have received multi-million-dollar earmarks from Federal and State budgets.
 - California HCD's Local Housing Trust Fund Program provides dollar for dollar matching grants.
 - Billions of dollars of ESG funding raised by banks – Citigroup, Bank of America, JP Morgan, etc.

- HTF can structure payments as loans as opposed to grants. Once the loans are paid back, those funds could be lent to other projects, eventually having projects in all participating cities.
- Administrative costs could be paid out of grants or loans; potentially making city contributions minimal.
- Other sources of funding could include: affordable housing development fees for market rate developers and local bond initiatives.
- Projects can be mixed use if zoning permits – returning sales taxes to the city.

Cons:

- NIMBY opposition to new affordable housing could be directed at the new HTF, its associated member agencies, and SBCCOG – we'll need to be ready for potential negative reaction.
- If a nonprofit, the HTF likely will rely heavily on funding through grants, private donors, and fundraising. All of this would require staff capacity to administer. Fundraising can be a year-round endeavor for nonprofits.
- Not every city may see an immediate dividend from participating. Development of projects may take 1-2+ years.
- Increased administration and oversight needed for a new organization. Depending on structure and funding mechanisms, cities may need to contribute administrative funding. Requires administrative oversight to set policies, issue RFPs, underwrite loans and grants, and monitor awarded funds.
- At present, the creation of affordable housing units by an HTF or a CLT will only satisfy the RHNA requirement for the City in which the housing is located and the legislature is not inclined to change that.

Senate Bill No. XXX

CHAPTER 670

An act to add Section 6539.6 to the Government Code, relating to joint powers.

SB XXX, (Senator). Joint powers authorities: South Bay Regional Housing Trust.

The Joint Exercise of Powers Act authorizes 2 or more public agencies, by agreement, to form a joint powers authority to exercise any power common to the contracting parties, as specified. Existing law authorizes the agreement to set forth the manner by which the joint powers authority will be governed. That act specifically authorizes the creation of the Orange County Housing Finance Trust, a joint powers authority, for the purposes of funding housing specifically assisting the homeless population and persons and families of extremely low, very low, and low income within the County of Orange, as specified.

This bill would similarly authorize the creation of the South Bay Regional Housing Trust, a joint powers authority, by the County of Los Angeles and any or all of the cities within the jurisdiction of the South Bay Cities Council of Governments, with the stated purpose of funding housing to assist the homeless population and persons and families of extremely low, very low, and low income within the South Bay. The bill would authorize the South Bay Regional Housing Trust to fund the planning and construction of housing, receive public and private financing and funds, and authorize and issue bonds. The bill would require that the joint powers agreement establishing the South Bay Regional Housing Trust incorporate specified annual financial reporting and auditing requirements.

This bill would make legislative findings and declarations as to the necessity of a special statute for the South Bay Cities region of Los Angeles County.

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares the following:

- (a) California has an affordable housing crisis, which is especially acute in the South Bay Cities region of Los Angeles County due to the high cost of housing in that area, even in formerly affordable communities.
- (b) The establishment of the South Bay Regional Housing Trust to receive available public and private funds could help finance affordable housing projects for homeless and low-income populations.

SEC. 2. Section 6539.6 is added to the Government Code, to read:

6539.6. (a) (1) Notwithstanding any other law, the County of Los Angeles and any or all of the cities within the jurisdiction of the South Bay Cities Council of Governments may enter into a joint powers agreement pursuant to this chapter to create and operate a joint powers agency to fund housing to assist the homeless population and persons and families of extremely low, very low, and low income, as defined in Section 50093 of the Health and Safety Code, within the South Bay Cities region.

(2) The joint powers agency created pursuant to this section shall be known as the South Bay Regional Housing Trust, and shall be created and operate in accordance with this section.

(b) (1) The South Bay Regional Housing Trust shall be governed by a board of directors consisting of seven directors appointed by the governing board of the South Bay Cities Council of Governments.

(2) (A) Five members of the board of directors shall be a member of the governing board of the South Bay Cities Council of Governments that represents either of the following:

- (i) A city that is a party to the joint powers agreement.
 - (ii) A County of Los Angeles board of supervisor district that is located wholly or partially within the territory of the South Bay Cities Council of Governments, if the county is a party to the joint powers agreement.
- (B) Two members of the board of directors shall be experts in homeless or housing policy.
- (3) The board of directors shall elect a chairperson and a vice chairperson from among its members at the first meeting held in each calendar year.
- (4) (A) Members of the board of directors shall serve without compensation.
- (B) Members of the board of directors may be reimbursed for actual expenses subject to the approval of the governing board of the South Bay Regional Sustainable Housing Trust. Actual expenses shall be approved before they are incurred.
- (5) If a vacancy occurs on the board of directors, the governing board of the South Bay Cities Council of Governments shall appoint a qualified individual to fill the vacancy within 60 days of the vacancy.
- (c) Notwithstanding any other law, the South Bay Regional Housing Trust may do any of the following:
- (1) Fund the planning and construction of housing of all types and tenures for the homeless population and persons and families of extremely low, very low, and low income, as defined in Section 50093 of the Health and Safety Code, including, but not limited to, permanent supportive housing.
 - (2) Receive public and private financing and funds.
 - (3) Authorize and issue bonds, certificates of participation, or any other debt instrument repayable from funds and financing received pursuant to paragraph (2) and pledged by the South Bay Regional Housing Trust.
 - (d) The South Bay Regional Housing Trust shall incorporate into its joint powers agreement annual financial reporting and auditing requirements that shall maximize transparency and public information as to the receipt and use of funds by the agency. The annual financial report shall show how the funds have furthered the purposes of the South Bay Regional Housing Trust.
- (e) The South Bay Regional Housing Trust shall comply with the regulatory guidelines of each specific state funding source received.

SEC. 3. The Legislature finds and declares that a special statute is necessary and that a general statute cannot be made applicable within the meaning of Section 16 of Article IV of the California Constitution because of the unique circumstances, described in Section 1 of this act, in the South Bay Cities region of Los Angeles County.