TO: CITY COUNCIL

VIA: CITY ADMINISTRATOR

FROM: DIRECTOR OF DEVELOPMENT SERVICES

DATE: JULY 23, 2019

SUBJECT: ORANGE COUNTY HOUSING FINANCE TRUST JOINT POWERS AUTHORITY AGREEMENT

FISCAL IMPACT: Possible Future Grant Funding for Supportive Housing

SUMMARY:

The Orange County Housing Finance Trust Joint Powers Authority Agreement, as enacted by Assembly Bill 448, is proposed to provide and receive funds for housing for the homeless population and persons and families of extremely low, very low, and low income within the County of Orange, to include the City of Placentia. The Orange County Housing Finance Trust emphasizes funding for "supportive housing," which is housing for persons that may require additional on-site or other local services. These services may include social services, mental health services, health care, counseling, job placement, veterans' affairs, and life and budget planning.

RECOMMENDATION:

It is recommended that the City Council take the following actions:

1. Adopt Resolution No. R-2019-XX, A Resolution of the City Council of the City of Placentia, California entering into the Joint Exercise of Powers Agreement to become a member of the Orange County Housing Finance Trust; and

2. Approve the Orange County Housing Finance Trust Joint Powers Authority Agreement and authorize the City Administrator, or designee, to sign and execute the Agreement; and

3. Receive and file the draft bylaws, which are subject to formal adoption by the Orange County Housing Trust's Board of Directors following its creation through the execution of the Orange County Housing Finance Trust Joint Powers Agreement by the County of Orange and participating cities; and

4. Determine this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) and 15060(c)(3) of the CEQA Guidelines because this action will not result in a physical change to the environment, directly or indirectly; and

3. a.
July 23, 2019
5. Authorize the City Administrator, or his designee, to execute all documents necessary, substantially in a form approved by the City Attorney.

**DISCUSSION:**

As the Orange County region’s housing prices have risen and the quantity of housing units have not kept up with demand, Orange County’s cities have seen an increase in persons experiencing homelessness. Some persons are chronically homeless, meaning that they have a disabling condition and have been homeless (sheltered or unsheltered) for at least twelve consecutive months or they have had at least four episodes of homelessness in the past three years with a total duration of at least one year of homelessness. As a result, cities and city residents were experiencing greater numbers of visible homeless – on streets and medians, under freeway overpasses, along riverbeds and storm drain channels and in parks and other public facilities.

In 2017 and 2018, policy makers around the County started discussing a goal of providing up to 2,700 units of supportive housing across the region. The number was developed in part from data from the 2017 Point in Time Count. The goal of increasing the supply of housing is directly tied to addressing the County’s homeless crisis. Thus, the “housing pipeline” – where a real homelessness solution involves transitioning the chronically and other homeless from the streets to emergency or bridge shelters to transitional housing and finally to supportive housing, is a critical step in solving our homeless crisis. Without enough units and beds at each step – including supportive housing – the system and solution fails.

In 2018, the Association of California Cities – Orange County, worked with local legislators (including Assembly Members Daly and Quirk-Silva and Senators Bates, Moorlach, and Nguyen) to pass AB 448. The bill was intended to allow the cities of Orange County and the County of Orange to work together to secure additional competitive public and private funds to build supportive housing units, as one large region. AB 448 allows Orange County to compete alongside the City of Los Angeles or the City of San Diego to secure state bond funds, grants and private contributions to leverage other local or Federal funds in order to construct supportive housing.

On June 12, 2018, the Orange County Board of Supervisors (“Board”) approved the Housing Funding Strategy in response to the crisis of homelessness and a shortage of supportive and affordable housing in Orange County. The Housing Funding Strategy took these earlier efforts and set a target for the development of 2,700 new supportive housing units within six years and identified the need for 2,700 additional affordable units during the same period. It also concluded that capital funding requirements for the 2,700 supportive housing units was an estimated $930 million.

Given potential funding sources known at the time, a capital gap of $353 million was identified, along with an estimated $350 million funding gap in operating and rental subsidies. Since that time, the County has identified additional funding sources, such as Proposition 1, Housing for a Healthy California, and Multi-Family Housing Program Supportive Housing, which reduced the estimated capital gap to $252 million. Efforts are ongoing to identify additional funding sources and other options to close the capital, operating, and rental subsidy gaps to meet the goals of the Housing Funding Strategy.
The Purpose of the Trust
The Orange County Housing Finance Trust is developed to enable the Trust to secure primarily funds from State Housing Bond vehicles (such as Prop 1), SB 2 / Documentary Transfer Tax funds willingly provided by a Member City, developer fees willingly provided by a Member City (ensuring that the appropriate nexus remains) and private donations. The County of Orange has discussed ensuring that the County’s Proposition 2 / Mental Health Services Act (MHSA) funds (estimated at up to $70 million) would be made eligible for Trust-funded projects as well.

The Trust is envisioned to provide a stronger voice for the Orange County region to secure the region’s share of State and other funds (including private grants) to help address long-term housing for persons formerly homeless. Additionally, as envisioned, supportive housing developers would go hand-in-hand with a Member City to the Trust’s governing board to apply for a portion of the Trust’s funds to overcome any remaining funding gap in order to complete their project.

The Trust will not build projects itself, own projects, manage projects or place projects in cities which did not apply for them. The Trust cannot require Member Cities to take a share of any allocation of supportive housing units, nor come to the table with funds to allocate. The Trust governing board would only determine whether a project application is worthy of funding from the Trust.

Terms of the Joint Powers Authority
The Joint Powers Authority (“JPA”) sets forth the powers – generally to fund affordable and supportive housing projects – that the Member Cities and County would share. It sets forth the Governing Board to include four representatives from the County of Orange, all elected officials (including two members of the Board of Supervisors) and placed on the Trust Governing Board by the Orange County Board of Supervisors. The Governing Board also includes five representatives from Member Cities. In addition, the JPA document expresses that, among other things:

- Members of the Trust can leave at any time.
- Members of the Trust cannot have, as a condition of membership, a requirement to provide any number of housing units.
- The Trust shall have an annual report to maximize transparency.
- The Trust cannot issue debt. If at a later date the Trust governing board wishes to pursue debt, a recirculation and amendment of the JPA document is required.

The Agreement also preserves certain powers for the participating parties. The Agreement does not authorize the Trust to do any of the following:

- Regulate land use in cities or in the unincorporated area of the County.
- Serve as an owner or operator of housing units.
- Levy, or advocate or incentivize the levying of, an exaction, including an impact fee, charge, dedication, reservation or tax assessment, as a condition for approval of a development project.
• Require or incentivize inclusionary zoning requirements.
• Require the Parties to this Agreement to dedicate or assign funding for any Trust obligations or programs.
• Approve a housing project or program that is not supported by the governing body of the jurisdiction in which the project is proposed to be sited.
• Require the Parties to this Agreement to accept or provide any number of housing units as a prerequisite to joining or remaining a member of the Trust.

Draft Bylaws
From November to December 2018, a working group of Orange County local elected officials and Staff worked to develop draft bylaws (along with Vision and Mission Statements) that the Trust Board would consider adopting. The draft bylaws, among other things, set forth more specifically as to the Governing Board (in terms of population), meeting requirements, a conflict of interest section, and other administrative requirements.

The working group included Supervisors Andrew Do and Shawn Nelson, City elected representatives Jennifer Fitzgerald (Fullerton), Wendy Bucknum (Mission Viejo), Barbara Delgleize (Huntington Beach), Fred Whitaker (Orange), and City Management representatives Kristine Ridge (Laguna Niguel), Lori Ann Farrell (Huntington Beach), and Laurie Murray (La Palma). County representatives included CEO Frank Kim, Director of Care Coordination Susan Price, and Orange County Housing Authority official Julia Bidwell. The bylaws will be considered and approved by the Trust Board.

Advantages and Disadvantages of Joining the Trust
Supporters would argue that Trust Member Cities can participate in the region’s solutions to homelessness, without any commitment of units or allocations of that City’s funding for Trust projects (though there may be a commitment to help support any Staff costs for the Trust after the start-up year). Joining in the Trust helps cities to provide more funding for housing in their communities and region, without necessarily having to compete against more qualified or experienced applicants.

Opponents of the Trust argue that the participation in any JPA comes with additional Staff time commitment and possibly the additional commitment of elected officials, and that some cities will feel more comfortable seeking funding for housing projects on their own, using their own expertise. Further, in the event that Trust administrative costs are not covered by grant and other funds (as is the intent and goal), members of the JPA may be asked to cover all or a portion of administrative costs on a pro-rata basis.

The Other Orange County Housing Trust
The Orange County Housing Trust ("OCHT") is an existing but older Trust that was recently re-energized by the Orange County Business Council ("OCBC"). The OCHT is governed by private sector individuals, and primarily intended to receive private donations. The OC Housing Finance Trust, alternatively, is oriented towards public dollars but can also accept private donations. OCBC representatives have said that the two trusts will and should work together closely to fund projects.
Member Cities of the OCHT and Governing Board
The County of Orange has taken the first step to become a member of the Trust by virtue of the County Board of Supervisors’ action on March 12, 2019. The cities of Anaheim, Buena Park, Costa Mesa, Dana Point, Fountain Valley, Fullerton, Garden Grove, San Juan Capistrano, Santa Ana, Stanton, Tustin, La Habra, Laguna Beach, Laguna Niguel, Mission Viejo, Newport Beach and Orange have also joined.

On June 27, 2019, the Governing Board of the OCHT held an initial meeting consisting of Board Members Supervisor Andrew Do, Supervisor Doug Chaffee, County of Orange Treasurer-Tax Collector Shari Freidenrich, Dana Point Council Member Jamey Federico, Laguna Niguel Mayor John Mark Jennings, Mission Viejo Council Member Ed Sachs and Santa Ana Council Member David Penaloza. The Governing Board conducted appointments to the Ad Hoc Committee to review the OCHFT Bylaws. The County of Orange has pledged that County Staff will assist in staffing the Trust for the first year of the Trust’s operations and the board unveiled their new website www.ochft.org.

If the City of Placentia joins, the City would participate in future board meeting(s) as an attendee where staffing, budget, administration of the OCHT, and State bond and other funding approaches are developed. It is envisioned that the first applications for project funding may come before the Trust in the Fall 2019.

Environmental Review
Staff recommends the City Council find this action is not subject to the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

FISCAL IMPACT:

There is no fiscal impact related to this item. However, as the Trust becomes operational, there is a likelihood that City-supported affordable housing projects could receive funding from the Trust which may or may not be included in the City budget. Additionally, while the County of Orange will provide a year’s worth of start-up staffing costs for the Trust, the Trust Board may later ask for City pro-rata support of any Trust administrative activities should State, County, or other funds not cover those costs.

Prepared by:

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Reviewed and approved:

Joseph M. Lambert
Director of Development Services
Attachment:
1. Resolution No. 2019-XX
   Exhibit A: Orange County Housing Finance Trust Joint Powers Authority Agreement
   Exhibit B: Orange County Housing Finance Trust Joint Powers Authority Bylaws
2. Text of AB 448 (Daly, 2018)