



## CITY OF MILPITAS SUBCOMMITTEE AGENDA REPORT (AR)

<b>Item Title:</b>	<b>Workforce Housing Rental Assistance Program (WHRAP) and State Budget Allocation from the Office of Assemblymember Alex Lee (Alex Andrade; Economic Development Director; 408-586-3046; Robert Musallam, Housing Division Manager, 408-586-3275)</b>
<b>Category:</b>	Community Development
<b>Meeting Date:</b>	8/22/2023
	<u>Recommendation:</u> <ol style="list-style-type: none"><li>1. Provide input on staff recommendation to use the Public Local Housing Allocation funding to provide rental assistance to 50 households over 24 months through a Workforce Housing Rental Assistance Program.</li><li>2. Provide feedback and guidance on the desired use of the Permanent Local Housing Allocation and State Budget for Homelessness Prevention and Unhoused Services.</li></ol>

### **BACKGROUND:**

This report focuses on two separate unhoused services funding awards totaling close to \$3,000,000, (1) Permanent Local Housing Allocation (PLHA) of approximately \$1,500,000, and (2) \$1,500,000 in one-time state funding awarded through the Office of Assemblymember Alex Lee. Staff is requesting guidance from Council on how to allocate these funds.

### **Permanent Local Housing Allocation (PLHA)**

In 2017, Governor Brown signed a 15-bill housing package aimed at addressing the state's housing shortage and high housing costs. This included Senate Bill 2 Building Homes and Jobs Act (SB-2), which created a recording fee on real estate documents to increase the supply of affordable homes in California. SB-2 established that 70% of the revenue collected, beginning in calendar year 2019, will go to locally administered affordable housing, otherwise known as Permanent Local Housing Allocation (PLHA).

The California Department of Housing and Community Development (HCD) released the 2022 Notice of Funding Availability (NOFA) on August 17, 2022. The allocation spans five years, 2019-2023. HCD requirements state that applicants must submit a five-year plan for the period of 2019-2023 and cannot apply for more than three years of allocation in one year. On November 1, 2022, City Council adopted a Resolution authorizing the 2019, 2020, and 2021 funding application and approving a five-year (2019-2023) plan.

In February 2023, the City received its award letter from HCD. The City was approved to designate 5% to program administration. The remaining balance will be split with 20% of the remaining funding allocated to fund the City's homeless outreach and assessment services for an additional three fiscal years, and the final 80% for a Workforce Housing Rental Assistance Program (WHRAP). Preliminary information regarding the WHRAP was presented to Council on [November 1, 2022](#), and [April 4, 2023](#). Staff has created a more detailed explanation of WHRAP which is provided below.

### **\$1,500,000 in 2023-2024 State Budget Allocation through Assemblymember Alex Lee for Homelessness Prevention and Unhoused Services**

In March 2022, the City requested support of one-time funding as part of the fiscal year 2022-2023 State budget through Assemblymember Alex Lee's Office. The funding request included establishing a Milpitas Resource Center as a 2-year pilot program (\$500,000), supporting the continuation and expansion of the City's mobile shower and laundry services, twice a week, for a period of 3 years (\$300,000), and providing rent relief

to vulnerable Milpitas residents (\$700,000). In fall 2022, the City received notification of the award of state funding, through Assemblymember Lee’s Office, in the amount of \$1,500,000 for housing related programs and services, which was incorporated into the City’s Fiscal Year 2023-2024 Budget.

**ANALYSIS:**

The report provides information and seeks input related to both funding programs mentioned earlier.

**Permanent Local Housing Allocation**

Per PLHA guidelines, rental assistance must help individuals who are at or below 30% of the area median income (AMI). The table below provides the income limits by household size. PLHA guidelines also require any individual receiving rental assistance with the PLHA grant be funded for a minimum of six months.

<b>Household Size</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
<b>30% AMI</b>	\$37,450	\$42,800	\$48,150	\$53,500	\$57,800	\$62,100

**Workforce Housing Rental Assistance Program (WHRAP)**

In accordance with the PLHA funding requirements, WHRAP would provide a rental subsidy to the Milpitas workforce whose income is at or less than 30% AMI. WHRAP would function similarly to a Section 8 voucher system in that the funds would be provided directly to the landlord and would be used to offset a specific amount of rent paid by the tenant, but not the entire rent.

Staff recommends utilizing PLHA funding to provide rental assistance for individuals who work in the city of Milpitas.

Given the income levels, individuals who are likely to be assisted with this program are as follows:

- Select Milpitas Unified School District employees
- Hospitality industry
- Personal care and service sector
- Office and administrative support
- Installation, maintenance, and repair occupations

**Program Administration**

The City was awarded a total grant of \$1,017,554 for 2019, 2020, and 2021 PLHA funds. Five percent (5%) of the total grant, or \$50,877.70, is allocated for program administration. Additional funding may be required to fully fund the administration of this program. The Housing Division will oversee the WHRAP, however, a third-party administrator will be required to facilitate the initial tenant selection and monthly rental assistance distribution. Housing staff will work closely with the administrator to ensure compliance with program guidelines, and Building Safety will provide a housing inspector to pre-inspect any unit that will receive WHRAP funding. While unit inspections are not required, HCD recommends making sure the units leased by recipients of rental assistance are decent, safe, and sanitary, through inspections of those units.

As stated above, the City’s five-year plan was approved by HCD. However, only the 2019, 2020, and 2021 funds have been awarded. Each of the three awarded years have different award amounts and usage deadlines. The table below reflects this data:

<b>Allocation Years</b>	<b>Amount Awarded</b>	<b>Expenditure Deadline</b>
Year 1 (2019)	\$ 238,595	4/30/2024
Year 2 (2020)	\$ 370,850	4/30/2025
Year 3 (2021)	\$ 408,109	4/30/2026

As shown in the table above, the 2019 usage deadline is April 30, 2024. Typically, the City would conduct a request for proposal (RFP), which could take anywhere from 3-6 months, to procure an administrator. Given the deadline for the 2019 funds to be spent is approximately 6 months away, staff is recommending awarding the administration of the WHRAP to FORWARD (formerly LiveStories). FORWARD responded to the initial ARPA Milpitas Small Business Grant Program RFP and was awarded as the fiscal administrator in 2021. In addition, FORWARD is currently administering the ARPA funded Rent and Mortgage Relief Program, and the City Council recently approved the use of FORWARD's services for the CDBG funded Microenterprise Grant Program, which is forthcoming. FORWARD has the technology and bandwidth to expedite the needs of the City and staff has established a great working relationship with FORWARD.

Selection Process

Staff recommends utilizing a lottery system for transparency, equity, and to randomly select eligible individuals for the WHRAP. This approach would grant a higher amount of lottery tickets to those individuals in identified preference categories and thus increase their chances of being randomly selected.

Eligible Participants must include the following:

- Households who make 30% AMI or less
- Tenant in good standing
- Employed (to initially qualify)

The Economic Development Strategy adopted by the City Council in May 2020 included an analysis of employed Milpitas residents and workforce, and it was determined that only 12% of Milpitas residents also work in Milpitas (Strategic Economics 2019/ Longitudinal Household Employment Dynamics, 2017;). Staff does not recommend current Milpitas residency be required as the intention of the program is to offset the high cost of living that may have forced or prevented the Milpitas workforce from living in Milpitas. However, staff does recommend including a heavy weighted preference for individuals who work and live in Milpitas.

As noted earlier, PLHA rental assistance requires providing rent relief for a minimum period of six months. The household benefit amount and individuals assisted will be dependent on Council direction. The table below displays a breakdown of projected assistance to benefit between 20-50 households, and through 12-, 18-, and 24-month periods.

<b>2019, 2020, and 2021 Combined Entitlement (24 months)</b>			
<b>PLHA Allocation</b>	<b>Households Assisted</b>	<b>Months Assisted</b>	<b>Benefit Per Month</b>
\$773,341.04	20	24	\$1,611.13
\$773,341.04	30	24	\$1,074.08
\$773,341.04	40	24	\$805.56
\$773,341.04	50	24	\$644.45

<b>2019, 2020, and 2021 Combined Entitlement (18 Months)</b>			
<b>PLHA Allocation</b>	<b>Households Assisted</b>	<b>Months Assisted</b>	<b>Benefit Per Month</b>
\$773,341.04	20	18	\$2,148.17
\$773,341.04	30	18	\$1,432.11
\$773,341.04	40	18	\$1,074.08
\$773,341.04	50	18	\$859.27

<b>2019, 2020, and 2021 Combined Entitlement (12 Months)</b>			
<b>PLHA Allocation</b>	<b>Households Assisted</b>	<b>Months Assisted</b>	<b>Benefit Per Month</b>

\$773,341.04	20	12	\$3,222.25
\$773,341.04	30	12	\$2,148.17
\$773,341.04	40	12	\$1,611.13
\$773,341.04	50	12	\$1,288.90

Staff recommends assisting 50 households for 24 months to ensure the program can provide stability to the beneficiary. As to the number of participants, staff looked at the average rental cost for a one-, two-, and three-bedroom units in Milpitas. The table below displays the average rent for each unit size.

Unit Size	Avg Rent*
1BR	\$2,288
2BR	\$3,316
3BR	\$3,568

\*Source: Zillow

As an example, a 24-month program benefiting 50 households with \$644.45 per month, could result in a 28% reduction in housing cost for the average one-bedroom occupant, a 19% reduction for the average two-bedroom occupant, and a 18% reduction for the average three-bedroom occupant. This example uses the lowest possible benefit per month. If Council decides to use a term less than 24 months or to cap the households assisted below 50, then the benefit per month would increase.

**\$1,500,000 in 2023-2024 State Budget Allocation through Assemblymember Alex Lee for Homelessness Prevention and Unhoused Services**

The initial allocation request aimed to establish a Milpitas Resource Center as a 2-year pilot program (\$500,000), support the continuation and expansion of the City’s mobile shower and laundry services, twice a week, for a period of 3 years (\$300,000), and provide rent relief to vulnerable Milpitas residents (\$700,000) was accepted by the City Council in Fiscal Year 2022-2023.

Staff has prepared preliminary research on the various homelessness prevention and unhoused services options the initial allocation aimed to respond to. Further guidance is warranted before proceeding. Below is a summary of the research and requests for guidance.

**1. Milpitas Resource Center:**

The original request allocated \$500,000 for a resource center. A resource center was one of the options brought to Council by the Homelessness Task Force in February 2022. Council has had ongoing discussions surrounding how to support homeless residents. During the Task Force recommendation discussions, Council elected to not move forward with a resource center, navigation center, day worker center, and/or safe parking. As the City received State funding for a resource center, staff have provided definitions below to help provide clarity on some of the options Council may want to consider.

A **day worker/help center** is a clearinghouse and **resource center** that connects day workers to short-term jobs from residents and businesses. The facility would also function as a community and support center for clients with training classes and employment services. No overnight accommodations would be provided. Day worker centers in other cities predominately serve clients who already have housing and are pre-screened for employment. A help center can be expanded to support the unhoused population with added services or referrals to other service providers. Currently, the nearby cities with similar centers are Mountain View who has a day worker center and Fremont, who has both a help/resource center for unhoused individuals and a navigation center, administered by the City’s Human Services Department.

A **navigation center** is a rapid rehousing facility for the unhoused population with case management and wrap-around services to transition clients from homelessness to stable housing. The City Council has decided not to pursue this option through the recent prioritization projects voting on June 20, 2023.

**Safe parking** are sites for temporary parking of RVs (overnight only or 24-hours) to provide a secure and alternate location to on-street or off-street parking. Case management and supportive services are often, but not always, provided to transition clients to stable housing. The viability of this option depends on the number of individuals living in RVs in the city, their willingness to participate in the program, and space availability. A half-acre site can accommodate about 15 RVs depending on the size of vehicles with allowance for on-site facilities, vehicle separation, and emergency access. As an alternative, Council could also consider a safe parking program that accommodates both RVs and passenger vehicles. The cities that currently have this option include San Jose, Morgan Hill, Mountain View, Palo Alto, and Fremont. City Council will be discussing this option at the next quarterly prioritization meeting.

**Tiny Home Villages** are rapid rehousing models for unhoused individuals to live in individual or duplex modular shelters. They often include case management and wrap-around services to transition clients from homelessness to stable housing. A Tiny Home Village was one of the [final recommendations](#) from the Homelessness Taskforce. Per City Council direction, staff proceeded with a Tiny Home Village Feasibility Study. Currently, the consultants are drafting the Feasibility Study, which is expected to be presented to City Council in October. Funds from the state budget could be used to fund a potential Tiny Home Village, however, more research would be required to determine the true fiscal impact of such a project.

## 2. **Mobile Shower and Laundry Services:**

As noted above, the original budget request for \$300,000 was meant to provide funding for this service for three fiscal years and increase service frequency from once a week to twice a week. There was no subsequent direction from Council regarding increasing the frequency to twice a week. Hence the Adopted FY 23-24 Budget includes funding for three years at a frequency of once per week. The City entered into contract with WeHOPE on July 5, 2023, to continue mobile shower and laundry services until June 30, 2026, with a total-not-to exceed amount of \$150,000. As the original budget request was \$300,000, staff will need guidance on the remaining \$150,000 that was not allocated to mobile showers and laundry.

## 3. **Rent Relief:**

Staff is prepared to add \$700,000 to the rent relief portion of the existing Rent and Mortgage Relief Program. Should Council desire to amend the allocation, staff would require guidance on an amended amount.

Unlike the existing allocation for rent relief, which was funded by the American Rescue Plan Act (ARPA), the State's budget does not require a COVID-19 hardship to allocate funds for rental assistance. Staff recommends eliminating the COVID-19 hardship requirement for the rent relief money received from the State's budget as this will allow for an expansion of assistance coverage. The COVID-19 hardship requirement will still be in place for eligible applicants who access the remaining ARPA funded rent relief.

Staff is requesting guidance on the use of these funds from the Housing Subcommittee:

- \$500,000 for a potential resource/navigation center
- \$150,000 in excess funding meant for Mobile Shower and Laundry Services
- \$700,000 in rent relief funding

Staff have made several attempts over the past year to seek clarification from Assemblymember Lee's Office and the State on whether there is flexibility in using the funds to support other homelessness prevention and unhoused services than the ones initially requested. To date, since no specific direction has been received, staff is working under the assumption that as long as the funding is used to support similar goals as the original funding request, i.e. to prevent homelessness and provide services to the unhoused, alternate funding options would be eligible.

**RECOMMENDATION:**

1. Provide input on staff recommendation to use the Public Local Housing Allocation funding to provide rental assistance to 50 households over 24 months through a Workforce Housing Rental Assistance Program.
2. Provide feedback and guidance on the desired use of the Permanent Local Housing Allocation and State Budget for Homelessness Prevention and Unhoused Services.