

53. Authorize release of Notice of Funding Availability for affordable housing project activities, and take related actions ()



County of Santa Cruz Board of Supervisors

Agenda Item Submittal

From: Community Development and Infrastructure

Subject: Authorize Release of a Notice of Funding Availability

Meeting Date: January 27, 2026

Formal Title: Authorize release of Notice of Funding Availability for affordable housing project activities, and take related actions

Recommended Actions

1. Authorize the Department of Community Development and Infrastructure (CDI) to publish a Notice of Funding Availability (NOFA) for affordable housing project activities, such as predevelopment and/or housing rehabilitation; and
2. Authorize the CDI Director to approve and publish the final form of the NOFA and application materials, establish a staff review committee to review and score the applications pursuant to the NOFA terms, and return to the Board in April or May for approval of the proposed funding commitments to the selected awardees.

Executive Summary

The Community Development and Infrastructure (CDI) Department administers several special revenue funds (“Funds”) that are established to support the development of affordable housing primarily for lower-income households. In recent months, CDI has received numerous inquiries about upcoming funding opportunities. To establish a fair and transparent process for award of these funds, CDI proposes issuing a NOFA for up to approximately \$1.5 million in County Housing special revenue funds for affordable housing project predevelopment and/or housing rehabilitation uses, as defined in the NOFA. Staff anticipate releasing the NOFA in February 2026 and returning to the Board of Supervisors (Board) for approval of the proposed funding awards in April or May 2026. All funding awards will be provided in the form of a loan secured by the affordable housing property benefiting from the award.

Discussion

CDI Housing and Fiscal staff administer the County’s Housing Funds, which include the Low- and Moderate-Income Housing Asset Fund (LMIHAF), the Affordable Housing Impact Fee Fund, the Permanent Local Housing Allocation (PLHA) fund, and possibly several ancillary future funding sources. These Housing Funds consist of locally generated and/or state grant funds that are legally restricted for use in supporting the creation and/or preservation of affordable housing for low- and moderate-income households.

Each fund has its own particular restrictions which will be incorporated into the terms of all ultimate loans awarded through this NOFA. At this time, the balances in these funds are not high enough to support financing of acquisition or construction projects, which typically require loans in the seven-figure range. Instead, staff recommend awarding the limited amount of available funding for activities with lower total project costs, such as predevelopment and/or rehabilitation of 100% affordable, lower-income housing communities. These activities are also consistent with the types of funding requests staff have heard from potential applicants.

In recent months, staff have received multiple funding requests for affordable housing activities. Following approval of this item, staff will issue the NOFA in February 2026. The funds will be made available for activities resulting in the development or rehabilitation/preservation of multi-unit, 100% affordable housing properties. Key terms of the proposed NOFA are summarized in the attached NOFA Summary document. The NOFA will not include the award of any federal funds, as none are available at this time for affordable housing project-related uses.

The NOFA anticipates awarding up to approximately \$1.5 million. The total amount may be adjusted up or down by the CDI Director prior to returning to the Board with recommended awards, as the balance of each housing fund may change somewhat by that time.

Financial Impact

The recommended actions do not impact the County General Fund. Funding proposed to be made available through the proposed NOFA is available for the proposed housing activities in the adopted budget and/or five-year spending plan, where applicable, for each of the funds listed in the NOFA (e.g., LMIHAF, AHIF, and PLHA funds).

Strategic Initiatives

Operational Plan - Attainable Housing

Submitted By:

Matt Machado, Deputy CEO / Director of Community Development and Infrastructure

Recommended By:

Nicole D. Coburn, County Executive Officer

Artificial Intelligence Acknowledgment:

Artificial Intelligence (AI) did not significantly contribute to the development of this agenda item.

**Summary of Proposed Notice of Funding Availability
January 27, 2026**

Total Funding Available	Approximately \$1.5 Million
Source of Funds	County of Santa Cruz Housing Funds: <ul style="list-style-type: none"> • Low-Moderate Income Housing Asset Fund (LMIHAF), • Permanent Local Housing Allocation Funds (PLHA), • Affordable Housing Impact Fee (AHIF)
Minimum Award	\$300,000
Maximum Award	\$500,000
Form of Assistance	55-year loan secured by deed of trust and regulatory agreement recorded against title to the property. All payments of principal and interest are deferred for the term of the loan, provided the project is in compliance with the loan and regulatory agreements. If site control consists of a ground lease, the regulatory agreement is still recorded against title to the property, and deed of trust is recorded against ground lease interest.

TIMELINE

NOFA Publication	February 2026
Applications Due	30 Days after Publication Date
Awards Announced	April or May 2026 (Board Meeting)
Deadline to Enter into Loan Agreement	Within 90 days of Award Date
Deadline to Expend Funds	3 Years from Date of Loan Agreement

ELIGIBILITY

Allowable Uses	<ul style="list-style-type: none"> • Predevelopment • Housing Rehabilitation
Project Types	100% Affordable, Lower-Income Housing: Rental Apartments, Mobilehome Parks, or Self-Help Homeownership
Property Location	In Unincorporated Santa Cruz County
Property Owner	501(c)(3) Non-Profit Affordable Housing Developer, or a wholly-controlled affiliate thereof (LP, etc.)
Site Control	Housing Rehab: Applicant must hold fee title to property

**Summary of Proposed Notice of Funding Availability
January 27, 2026**

	<p>Predevelopment: Applicant may hold fee title or a long-term ground lease of at least 55 years, of which a memorandum of lease is recorded against fee title to the property, with a scaled delineation of the boundaries of the lease area included (if the entire parcel is not subject to the lease), or Applicant is in escrow to purchase the property, with a PSA fully executed before January 1, 2026 and closing to occur before County funds are disbursed. If Applicant does not hold fee title, the property owner must sign a consent form acknowledging Applicant’s application for County funds and agreeing to accept the terms of funding. In the case of organizational, trust or corporate ownership, a resolution of the board of such organization or other entity, delegating authority to sign documents relating to the funding application and the project itself to the proposed signatory, will be required as part of the application.</p>
Funding Match	At least 15%
Project Status	<p>The following types of projects are not eligible for funding through this NOFA:</p> <ul style="list-style-type: none"> • Projects already under construction or under development that are not yet completed; • Projects on sites with open code enforcement cases; • Projects with current County funding that has not been fully expended
Anti-Displacement Policy	<ul style="list-style-type: none"> • Projects that will cause permanent displacement of existing occupants of the site are not eligible. • Rehabilitation projects that cause temporary displacement of existing tenants will be required to provide tenants with temporary relocation benefits as required by state law.

PRIORITY FOR FUNDING

Housing Rehabilitation:

- Properties with an existing long-term affordable housing deed restriction in favor of the County; or
- Properties with urgent rehabilitation needs which, if not addressed, will compromise structural integrity or health and safety of the housing; or
- Applicants who have successfully completed other rehabilitation projects funded by the County

**Summary of Proposed Notice of Funding Availability
January 27, 2026**

Predevelopment:

- Applicants who have previously built at least one other affordable housing project within the unincorporated county that has been occupied for at least three years, which is similar in scale and type to their proposed project for which they are requesting predevelopment funds
- Projects on sites that are already owned by the Applicant
- Projects on sites that are in the Ministerial Combining District (MCD)
- Projects that will include units restricted to extremely low-income and/or special needs households
- Projects with a fully developed, credible financing plan and timeline for construction and occupancy, consistent with Applicant's track record on prior projects

More information: A complete NOFA and application form will be published on the CDI website in February: <https://cdi.santacruzcountyca.gov/Planning/Housing.aspx>

To be notified by email when the NOFA is published, please email HousingProgramsInfo@santacruzcountyca.gov with your name, organizational affiliation, and contact info, with the subject line "Add me to the NOFA Distribution List". Applicants are advised to check the website by mid-February either way, in case your email is caught up in a spam filter.

SANTA CRUZ COUNTY
BOARD OF SUPERVISORS INDEX SHEET

Creation Date: 4/15/15

Source Code: PLANN

Agenda Date: 4/21/15

INVENUM: 70330

Resolution(s):

Ordinance(s):

Contract(s):

Continue Date(s):

- Index: -- Letter of the Planning Department dated April 6, 2015
-- Affordable Housing Impact Fee Expenditure Plan

- Item: 31. ACCEPTED AND FILED report on the Affordable Housing Impact Fee Expenditure Plan Principles and approved related actions, as recommended by the Planning Director



COUNTY OF SANTA CRUZ

0185

PLANNING DEPARTMENT

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(831) 454-2580 FAX: (831) 454-2131 TDD: (831) 454-2123
KATHLEEN MOLLOY PREVISICH, PLANNING DIRECTOR

April 6, 2015

**APPROVED AND FILED
BOARD OF SUPERVISORS**

DATE: 4/21/15
COUNTY OF SANTA CRUZ

AGENDA: April 21, 2015

Board of Supervisors
County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

SUSAN MAURIELLO
EX-OFFICIO MEMBER OF THE BOARD
BY: [Signature] DEPUTY

Subject: AFFORDABLE HOUSING IMPACT FEE EXPENDITURE PLAN

Members of the Board:

On February 24, 2015 your Board approved an update to the Affordable Housing Program, including adoption of an Affordable Housing Impact Fee (AHIF). At that time your Board directed staff to return today with a proposed Affordable Housing Impact Fee Expenditure Plan. Today's letter is intended to set initial parameters on expenditures from the AHIF.

Summary of Affordable Housing Impact Fee Program

As your Board will recall, the adoption of the AHIF concluded a 15 month process that included a nexus study and feasibility analysis led by Keyser Marston Associates. The result is a County housing policy that represents a significant change from the past 35 years during which the primary focus of the program was the building of deed restricted for sale homes in projects of five or more units for Moderate Income households at or below 120% of the Area Median Income (AMI). The nexus study demonstrated that all development creates the need for affordable housing and as a result, the new program takes an "everyone pays" approach and includes both residential and commercial development in the AHIF program. The AHIF includes the following fees:

- 1) Rental housing projects are subject to an affordable housing impact fee of \$2 per habitable square foot, including ADUs constructed as market rate rental units;
- 2) Non-residential projects are subject to a \$2 per square foot affordable housing impact fee;
- 3) Residential projects of from 1 to 4 units are subject to a fee based on size as follows:

Size of Home:	Fee per Square Foot
Up to 2,000 square feet	\$2
2,001-2,500 square feet	\$3
2,501-3,000	\$5
3,001-4,000	\$10
4,001 and up	\$15

Note that additions to residential projects and any deed-restricted affordable housing units, are exempt from affordable housing requirements.

In addition to the AHIF your Board approved an approach in which developers of projects with 5 or more for-sale units would have the ability to choose whether they pay a \$15 per habitable square foot impact fee for all units in the project, or provide 15% of the units as on-site deed-restricted units to be sold to qualifying moderate income households. Staff will return in the summer of 2017 with a report on the outcomes of this policy. Finally, the Planning Department is currently in the process of analyzing and updating the County's ADU program and your Board directed staff to consider whether residential projects built with a deed restricted ADU could have all permit and impact fees waived for the project.

Affordable Housing Impact Fee Expenditure Plan Principles

Staff recommends that the focus of the AHIF Program should be on creating new affordable rental units and supporting the existing Measure J portfolio.

The generation of local fee revenue from the AHIF was a key part of the policy discussion for update of the County's affordable housing program. The 2011 elimination of redevelopment as a source of local affordable housing funds has resulted in the County having limited resources available to address a growing housing affordability shortfall. Local government can alleviate this housing shortage through land use and other policies that support the market's ability to create housing. The market has not been able to create an adequate supply of rental housing, however, and this need can and should be a priority for local jurisdictions.¹ For this reason, a key goal of the AHIF is to generate funds that can be used to compete for other state and federal resources, including low income housing tax credits in which local investment is the "tie-breaker" based on which funding is awarded.

The nexus study indicated that all development creates a need for affordable workforce housing, defined as housing affordable to households earning between 30% and 80% of Area Median Income. While workforce housing is a dominant need in the community there is also a compelling need for housing affordable to extremely low-income households earning below 30% AMI, generally these households are seniors, disabled adults and youth. It is recommended that, to the extent possible, the projects in which the County invests should strive to include some percentage of units for this income group. This will allow for integration and more balanced communities.

As stated above, for many years the County's "Measure J" program has focused on the affordable deed restricted homes that have been required for projects of five or more units. Currently there are 489 homes in the Measure J program. Administration of the County's successful program includes project review, income qualification, underwriting for both purchase and refinance, recording restrictions, and preservation activities (including purchase of at-risk homes when necessary and subsequent rental and/or sale of preserved units). Annual staffing costs for these activities range from approximately \$160,000 to \$200,000 per year.

The focus of both local and state affordable housing resources is turning from assisting with creation of new ownership affordable housing, to new rental affordable housing. For this reason, preserving and maintaining the existing stock of affordable ownership units, including the Measure J portfolio, is ever more important. The AHIF program can appropriately be used to administer the county's affordable

¹ It is hoped that the State will eventually come up with a broader program replacing the redevelopment tools that were eliminated. More flexible local dollars will continue to play an important role in affordable housing.

housing program, including both existing and future affordable units. Therefore, the AHIF is a new local resource that should be focused on the creation of rental housing opportunities and maintenance of the Measure J portfolio.

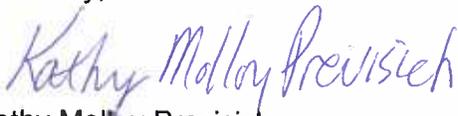
Project Approval Process

As your Board is aware, financial structuring of affordable projects is undergoing a change and it is difficult to predict the level of local funding, or the "per-unit subsidy", that will be required to successfully compete for low income housing tax credits, bond financing and other financing tools. It is also difficult to predict the rate at which the AHIF will accrue funds. Because of this, staff recommends that the process for committing funds will be opportunity driven, similar to that of the former redevelopment agency. Potential projects will be presented to your Board to authorize financing for predevelopment, acquisition or development activities based on the merits of the project, including readiness, feasibility and consistency with County goals.

RECOMMENDATION

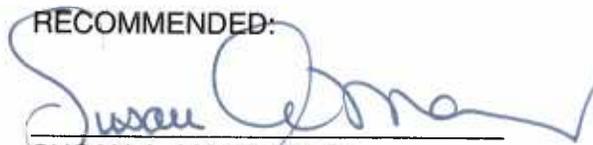
It is therefore recommended that your Board accept and file this report on the Affordable Housing Impact Fee program, and direct staff to utilize the Affordable Housing Impact Fee Expenditure Plan Principles (Attachment 1) in developing future budget recommendations for consideration by the Board of Supervisors.

Sincerely,



Kathy Molloy Previsich
Planning Director

RECOMMENDED:



SUSAN A. MAURIELLO
County Administrative Officer

ATTACHMENT 1: Affordable Housing Impact Fee Expenditure Plan Principles

Link to Nexus Study: <http://www.sccoplanning.com/PlanningHome/Housing/>

COUNTY OF SANTA CRUZ HOUSING PROGRAM

0188

Affordable Housing Impact Fee Expenditure Plan Principles

The Affordable Housing Impact Fee (AHIF) program will be used to create new deed restricted affordable rental projects and to support the administration of the Measure J Program. The Expenditure Plan is supported by the nexus study and feasibility analysis entitled "*Summary and Recommendations—Update of Affordable Housing Regulations*"¹ and accepted by the Board of Supervisors on August 19, 2014.

1. Affordable Rental Housing

The underlying concept of the residential nexus analysis is that new residential development represents net new households in Santa Cruz County which leads to increased consumption of goods and services; new consumption generates new jobs and a portion of those jobs are at lower compensation levels, generating the need for affordable housing. Housing demand is distributed across lower income tiers. Housing production funded through the AHIF program will be characterized as follows:

- A. The focus of the AHIF will be investments in rental housing affordable to households earning between 30 and 80 % of the Area Median Income. Affordability will be defined through the Affordable Housing Guidelines.
- B. Funds may be used for pre-development, acquisition and development purposes, as approved by the Board of Supervisors.
- C. Because the County is experiencing an overall shortage of housing units, priority will be placed on the creation of new units, however projects proposing to acquire and rehabilitate existing units to rent to qualifying households at affordable rents will be considered.
- D. The purpose of County funding is to leverage additional funding necessary to develop multi-family housing; County funding will be structured as subordinate financing with a minimum of 55 years of affordability.
- E. The County recognizes that along with affordable workforce housing the community needs housing affordable to extremely low income households defined as those with incomes below 30% AMI; potential projects will be asked to consider including units affordable to this income group.

2. Administration of Measure J Program

Administration of the County's Measure J program includes project review, income qualification, underwriting for both purchase and refinance, recording restrictions, and preservation activities. Annual staffing costs for these activities will be proposed annually through the Planning Department's budget and approved by the Board of Supervisors.

¹ Keyser Marston Associates, Inc., *Summary and Recommendations—Update of Affordable Housing Regulations* Prepared for County of Santa Cruz August 2014