



**DATE:** April 25, 2023  
**TO:** Mayor and City Council  
**FROM:** Assistant City Manager  
**SUBJECT:** Affordable Housing Bonds: Review and Discuss a Proposed Social Impact Bonds Program and Reallocation of \$2 Million in Housing ARPA Funds

### **RECOMMENDATION**

That the City Council reviews and provides feedback on a proposed social impact bonds program and reallocation of \$2 million in ARPA funds designated for housing programs.

### **SUMMARY**

On April 27, 2021, the City Council adopted a resolution authorizing the acceptance of \$38 million in federal stimulus allocation under the American Rescue Plan Act of 2021 (ARPA). On July 13, 2021, City Council approved the Hayward Federal Stimulus Expenditure Plan which included \$4.25 million for housing programs. Staff have already implemented the foreclosure prevention and the emergency relocation assistance programs but have yet to implement the wealth building and tax-defaulted property acquisition programs. All funds awarded through ARPA must be obligated no later than December 31, 2024.

On March 2, 2023, the City of Hayward Homelessness-Housing Task Force (HHTF) held a Work Session on a proposal for a new social impact bonds program and to reallocate \$3 million in remaining housing ARPA funding for down payment assistance for the social impact bonds program. HHTF members expressed interest in the social impact bonds program but directed staff to return to the City Council with an analysis of alternative funding uses.

Because of the anticipated need for anti-displacement legal resources for renters as the County's eviction moratorium is lifted, staff returned to City Council on March 28, 2023, with a recommendation to reallocate \$500,000 of remaining ARPA housing funds for a multi-agency legal assistance and anti-displacement program with Centro Legal de la Raza, Inc. (Centro Legal), which was approved by City Council. This staff report discusses the potential uses of the remaining ARPA housing funds as directed by the HHTF on March 2 and the proposed social impact bonds program.

1. Tenant right to counsel (RTC). To create a successful RTC program, City Council would have to both adopt right to counsel legislation and identify ongoing funding for the

program. The City currently funds three programs that provide legal services for tenants through ARPA and CDBG but ARPA are one-time use funds and staff estimates that the current funding level for legal services is insufficient to support a RTC program in Hayward. The City should evaluate the demand for legal services and local resources to provide legal assistance before committing to legislation that may require substantial ongoing resources to implement and enforce.

2. Rental assistance. Staff do not recommend implementing additional rental assistance because federal requirements prevent households from receiving multiple assistance payments for the same period and it is difficult to mitigate the risks of duplication of benefit. Additionally, given the amount of funding provided by state and federal governments to provide rental assistance, staff recommends that recovery from the pandemic include programs that will help create generational wealth for low-income communities that were disproportionately impacted by the pandemic.
3. Tax-defaulted properties and community land trusts (CLT). When initially proposed, staff anticipated that there would be an increase in tax-defaulted properties that could be converted into ownership opportunities under the CLT model. Although CLTs can be a way to preserve affordable housing, it is a limited appreciation ownership model. Similar to a CLT, the City already provides limited appreciation ownership opportunities through its Affordable Housing Program so staff proposes reprogramming the ARPA funds to a down payment assistance program and exploring a social impact bonds (SIB) program to create ownership opportunities that have a greater potential for wealth building. Support for CLTs could be provided through the City's Affordable Housing Notice of Funding Availability (NOFA).
4. Social impact bonds program. This program would acquire and rehabilitate blighted and distressed properties without long-term affordability restrictions using bond proceeds. This program would achieve the goals of the two proposed housing ARPA programs intended to increase wealth building and create housing opportunities from distressed properties. Staff proposes using ARPA funds for down payment assistance to deepen the affordability level targeted. Funds can be recaptured upon sale of the property to support subsequent home purchasers.
5. Down payment assistance program. Staff proposes a down payment assistance program to provide community members access to wealth building through homeownership that can be recaptured for future home purchasers.

Of the proposed programs, staff recommends creating a down payment assistance program that could be used with a social impact bonds program if administrators can identify an investor or as a stand-alone program if there are no interested investors. Staff is seeking Council feedback on the programs discussed in this report..

## BACKGROUND

On April 27, 2021, the City Council adopted a resolution authorizing the acceptance of \$38 million in federal stimulus allocation under the American Rescue Plan Act of 2021 (ARPA).<sup>1</sup> On July 13, 2021, City Council approved the Hayward Federal Stimulus Expenditure Plan, which included \$4.25 million for housing programs.<sup>2</sup> All funds awarded through ARPA must be obligated no later than December 31, 2024. Of the ARPA funded programs approved by City Council, staff have implemented the foreclosure prevention and emergency relocation assistance programs and have yet to implement the wealth building and tax-defaulted property acquisition programs. A summary of each of the remaining programs is provided below:

*Wealth building program.* Promote home ownership and wealth building by providing down payment assistance, home revitalization grants, other housing stabilization grants, commercial assistance grants or education assistance grants.

*Tax-defaulted property acquisition program.* Assist community members and/or mission driven organizations such as community land trusts or non-profit organizations acquire tax-defaulted or foreclosed properties.

On March 2, 2023, the City of Hayward Homelessness-Housing Task Force (HHTF) held a Work Session on a proposal for a new social impact bonds program and to reallocate \$3 million in remaining housing ARPA funding for down payment assistance for the social impact bonds program.<sup>3</sup> HHTF members expressed interest in the social impact bonds program but directed staff to return to City Council with an analysis of alternative funding uses, specifically an analysis on using the funds to assist community land trusts as initially proposed and providing more immediate support for renters who may be impacted by the upcoming termination of Alameda County's eviction moratorium.

However, because the Alameda County Board of Supervisors failed to extend their contract for legal assistance for tenants facing eviction, staff returned to City Council on March 28, 2023, with a recommendation to reallocate \$500,000 of remaining ARPA housing funds for a multi-agency legal assistance and anti-displacement program with Centro Legal de la Raza, Inc. (Centro Legal) which was approved by City Council.<sup>4</sup> This staff report discusses the potential alternate uses of the remaining ARPA housing funds as directed by the HHTF on March 2 and the proposed social impact bonds program.

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<sup>1</sup> April 27, 2021, City Council Meeting Agenda and Materials:

<https://hayward.legistar.com/LegislationDetail.aspx?ID=4923169&GUID=F3B939CF-3D97-4F0A-A5AE-8F3A12255314>

<sup>2</sup> July 13, 2021, City Council Meeting Agenda and Materials:

<https://hayward.legistar.com/LegislationDetail.aspx?ID=5028015&GUID=E0215022-6A47-486F-81C4-9BFB2583AE10>

<sup>3</sup> March 2, 2023, Homelessness-Housing Task Force Meeting Agenda and Materials:

<https://hayward.legistar.com/LegislationDetail.aspx?ID=6043172&GUID=829241C4-A440-48BA-BED7-CDDAE2CA39DC>

<sup>4</sup> March 28, 2023, City Council Meeting Agenda and Materials:

<https://hayward.legistar.com/LegislationDetail.aspx?ID=6105689&GUID=1AA31089-FDF4-4CFB-9C3A-1C4A428C710C>

## DISCUSSION

The ARPA funds are intended to be used to help the community recover from the impact of COVID-19. Analysis shows that communities of color disproportionately experienced negative financial and physical impacts from the pandemic. The housing programs proposed to City Council were intended to provide support to the community in ways that were not already addressed by Alameda County programs, such as expanded legal services to prevent foreclosure and eviction and the Emergency Rental Assistance Program (ERAP), which provided rent and utility payments to tenants financially impacted by the virus. Through ERAP, the County provided approximately \$130 million in total assistance, with \$32.4 million going to Hayward residents. The City programs' focus was to help people retain or build wealth and to pilot a program to create housing opportunities from properties typically acquired by investors.

The originally recommended wealth building and tax-defaulted property acquisition programs were approved by City Council on July 13, 2021. The programs were meant to address gaps in Hayward's housing resources for homeownership and systemic inequities by providing wealth building opportunities and acquisition of tax-defaulted properties into housing opportunities for low- and moderate-income households. Council also adopted a foreclosure prevention program to support low-income homeowners with legal and financial assistance to prevent foreclosure and an emergency tenant relocation assistance program to support tenants displaced from their homes due to natural disasters, like fire. These two programs have been fully implemented.

On March 2, 2023, staff brought a proposed social impact bonds program and a recommendation to consolidate the remaining \$3 million in ARPA funding for the two remaining housing programs into one down payment assistance program that would complement the social impact bonds program and accomplish the same objectives (wealth building and acquisition of property) as the originally proposed programs for HHTF consideration. HHTF members expressed support for a social impact bonds program but directed staff to return to City Council with an analysis of alternative funding uses for the remaining ARPA funds. Since the March 2, 2023, HHTF meeting, City Council has approved reallocating \$500,000 of the remaining \$3 million ARPA funds for a legal assistance program for tenants.<sup>5</sup> Because the demand for legal assistance is unknown, staff recommend retaining an additional \$500,000 unencumbered to increase the legal services contract if necessary. Staff will return to Council with a recommendation for use of the remaining \$500,000 at a later date. For the purposes of this report, staff will focus on the potential uses for the remaining \$2 million ARPA funds. Staff recommends that the funds be reprogrammed for down payment assistance but are seeking feedback on the following housing program options as directed by the HHTF on March 2:

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<sup>5</sup> March 28, 2023, City Council Meeting Agenda and Materials:  
<https://hayward.legistar.com/LegislationDetail.aspx?ID=6105689&GUID=1AA31089-FDF4-4CFB-9C3A-1C4A428C710C>

1. Create tenant right to counsel legislation and funding for legal services to prevent eviction.
2. Provide additional rental assistance to support tenants and landlords with past due rent because of the pandemic.
3. Providing funding to Community Land Trusts (CLT) to acquire property (potentially distressed properties) to provide long-term ownership opportunities with limited appreciation.
4. Use social impact bonds to acquire and rehabilitate blighted and distressed properties without long-term affordability restrictions using ARPA funds for down payment assistance which can be recaptured for home purchasers.
5. Create a down payment assistance program to provide community members access to wealth building through homeownership that can be recaptured for future home purchasers.

### ***Tenant Right to Counsel***

Tenant right to counsel (RTC) programs are widely recognized as effective eviction diversion strategies. RTC guarantees free legal representation to qualifying renters (either all tenants or tenants who meet income eligibility criteria, depending on the program design) in eviction proceedings. Evictions have significant negative impacts on tenants, including limiting their options for future housing and increasing the likelihood of future homelessness. This can lead to substantial emotional, social, and financial instability, as families often have to leave their communities, schools, and jobs to find new housing. The risk of eviction is especially high for Black renters, with one recent study showing that average eviction rates are significantly higher for Black renters than for White renters. The eviction process is complex and moves very quickly. On average, 82% of landlords will have legal representation during an eviction proceeding, compared to only about 3% of tenants; therefore, legal services are one effective solution for preventing unnecessary evictions for tenants most at risk.<sup>6,7,8</sup> Evaluations of existing RTC programs suggest that improving access to legal representation increases tenants' ability to remain in their homes or successfully obtain new housing after an eviction filing.<sup>9</sup>

RTC programs require significant start-up time as well as ongoing funding sources to scale services to meet demand, even if the program restricts eligibility by income. Local legal services providers indicate that a good first step is funding legal services without a right to counsel requirement. This makes it easier to set-up tenant right to counsel programs for success in the long term because it allows partner providers to scale their operations, such as hiring enough staff and attorneys, before making the service a legal requirement. If the City chooses to enact

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<sup>6</sup> Peiffer, E. (2018). Why we need to stop evictions before they happen. *Housing Matters: An Urban Institute Initiative*. Retrieved March 15, 2023, from <https://housingmatters.urban.org/feature/why-we-need-stop-evictions-they-happen>

<sup>7</sup> Hepburn, P., Louis, R., & Desmond, M. (2020). Racial and gender disparities among evicted Americans. *Eviction Lab*. Retrieved March 15, 2023, from <https://evictionlab.org/demographics-of-eviction/>

<sup>8</sup> National League of Cities. *Using right to counsel as an eviction diversion strategy*. Retrieved March 14, 2023, from <https://www.nlc.org/article/2021/10/26/using-right-to-counsel-as-an-eviction-diversion-strategy/>

<sup>9</sup> Pollock, J. Using right to counsel as an eviction Diversion Strategy. *National League of Cities*, Retrieved March 6, 2023 from <https://www.nlc.org/article/2021/10/26/using-right-to-counsel-as-an-eviction-diversion-strategy/>

a tenant right to counsel program in the future, serious consideration will need to be given to how this type of program will be funded long term, as legislating a right to counsel program would require identifying and committing a sustainable funding source.

The City currently funds the following programs that provide resources and legal assistance to tenants:

1. **AC Housing Secure.** This program was established by the County in 2018 to provide legal assistance and eviction defense for tenants. The Alameda County Board of Supervisor's failed to pass additional funding for this program two months before the end of the eviction moratorium on April 29, 2023, so on March 28, 2023, Council adopted Resolution 23-071 to reallocate \$500,000 of the \$3 million unspent ARPA funds designated for housing programs to support Hayward tenants through the AC Housing Secure program. Centro Legal de la Raza administers the umbrella contract for this multi-agency legal assistance program for tenants.
2. **Centro Legal de la Raza Community Development Block Grant (CDBG) legal services program.** Each year, Council approves Community Services Commission recommendations for allocation of the City's CDBG entitlement award. For the current fiscal year, Council approved a \$93,998 award to Centro Legal to provide consultation and eviction defense. As of this report writing, they have expended 65% of this contract.
3. **Eden Council for Hope and Opportunity (ECHO) Fair Housing Services and Landlord/Tenant Counseling.** For FY 2023, Council authorized a \$25,000 CDBG agreement with ECHO to provide fair housing services, including prevention and response to housing discrimination. Council also authorized a \$15,000 General Fund social services agreement with ECHO to provide landlord/tenant counseling, which includes education, mediation, and negotiation of rent repayment plans, depending on the situation.

To create a successful RTC program, City Council would have to both adopt right to counsel legislation and identify ongoing funding for the program. One-time ARPA funds are insufficient to continually fund the services needed to implement RTC legislation. Staff estimates that the current funding level for legal services is insufficient to support a RTC program in Hayward based on pre-pandemic eviction defense costs paid for by Alameda County and estimates of eviction volume following the end of the eviction moratorium.<sup>10</sup> For comparison, the City and County of San Francisco RTC program has over \$16 million in funding. Staff recommends that the City continue to study the demand for legal services and local resources to provide legal assistance before committing to legislation that may require substantial ongoing resources to implement and enforce.

### ***Rental Assistance***

The City of Hayward allocated over \$2 million in federal CARES Act COVID-19 funding for one-time rental assistance payments to eligible households experiencing early financial impacts of

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<sup>10</sup> For more information on estimated eviction volume, see March 28, 2023, City Council Meeting Agenda and Materials: <https://hayward.legistar.com/LegislationDetail.aspx?ID=6105689&GUID=1AA31089-FDF4-4CFB-9C3A-1C4A428C710C>

the pandemic. The program was in place from May 2020 through early 2021 and it served 670 households. Council did not authorize further funding for this program from ARPA, as an additional \$32.4 million in funding for the Emergency Rental Assistance Program (ERAP) became available through the County. The County is also considering implementing a foreclosure prevention program for landlords whose tenants are eligible for ERAP but still have unpaid rent.

Staff does not recommend implementing additional rental assistance for several reasons. First, federal requirements prevent households from receiving multiple assistance payments for the same period and it is difficult to mitigate the risks of duplication of benefit. Staff could request data from the ERAP provider but would need to determine if the prior ERAP provider has the capacity to administer a new program, including verifying eligibility for each applicant. Relatedly, there continue to be pending applications for ERAP funds and staff do not have a way to determine who has a pending application. Additionally, it is difficult to estimate the scale of the need for further rent relief, especially given the unknown quantity of pending applications. It is unclear what amount of rent relief would be impactful. Lastly, given the amount of funding provided by state and federal governments to provide rental assistance, staff recommends that recovery from the pandemic include programs that will help create generational wealth for low-income communities that were disproportionately impacted by the pandemic.

### ***Using Tax Defaulted Properties for Community Land Trusts***

Staff's initial proposal for the use of ARPA funds included a tax-defaulted property acquisition program. The original concept was to provide gap financing to owner-occupant buyers, non-profits or CLTs to acquire tax-defaulted properties. When initially proposed, staff anticipated that there would be an increase in tax-defaulted properties that could be converted into ownership opportunities under the CLT model. There are only a few tax-defaulted, single-family homes each year, which, based on public records, appear to be owner-occupied. To pursue these opportunities, staff would need the support of an experienced organization to identify properties that are not owner occupied and clear title if necessary. The proposed social impact bonds program discussed later in this report would be administered by a non-profit experienced in the acquisition of distressed properties but the social impact bonds model is to create generational wealth so properties acquired through this program would not be available to CLTs as the focus will be on owner-occupant buyers.

A CLT is an independent non-profit organization that preserves long-term affordable housing through land acquisition or through the acquisition of existing properties. A purchaser of a CLT unit only owns the home (improvements) and enters into a ground lease with the CLT for the use of the land. The ground lease contains certain restrictions on the use of the home and provides a resale formula that limits the amount that a home can be resold to subsequent homebuyers. Similarly, a CLT can also create affordable rental housing or lease land to affordable rental housing developers. Rents are restricted through a ground lease, ensuring long-term affordability of the units. By removing land from the market and holding it in perpetuity, a CLT can restrict purchase prices or rents on CLT owned land. In this way CLTs can buffer housing and other land uses from the volatility of the housing market.

Although CLTs can be a way to preserve affordable housing, CLTs require significant financial support from municipalities. To acquire property and sell or rent to lower income households, a CLT would require land contributions or financial assistance from the City to make the development of land or property acquisition feasible. Acquired properties may require additional financial investment to cure maintenance failures or code violations to bring the property up to habitable condition. However, acquisition is only the first step and even after a successful acquisition, CLTs face major ongoing funding challenges to grow the properties in a CLTs' portfolio as well as to support ongoing stewardship functions. These costs include building maintenance, overseeing home sales, screening potential buyers, linking buyers with lenders, and collecting lease fees, among others. Typically, the revenue that a CLT generates by charging small monthly ground lease fees, resale fees, or rents are not enough to support operations so CLTs tend to be dependent on external funding sources like grant sources from local governments and private donors. ARPA funds are one-time use funds and the City is not expected to receive any additional funding once these funds have been expended. Although the City could provide gap financing to a CLT to acquire a property, that does not address the ongoing financial needs of a CLT which the City does not have the resources to support at this time. Lastly, prior to committing funds to this type of project, the City would have to verify that the CLT has the resources to complete the acquisition and rehabilitation if necessary.

Similar to the goals of a CLT, the City already provides affordable ownership and affordable rental units that are restricted as affordable in-perpetuity through the City's Affordable Housing Program. The City gains these units when developers provide units to comply with the City's Affordable Housing Ordinance or when the City subsidizes the development of 100% affordable projects from collected in-lieu fees. Since the City already has a program that accomplishes the same goals as a CLT, staff recommends using the ARPA funds for other uses like down payment assistance to create ownership opportunities that provide wealth building in addition to long-term housing stability. Although staff is not recommending financing for CLTs at this time, it can provide an important housing resource if adequately funded. The City periodically issues an affordable housing NOFA to fund projects through the Inclusionary Housing Trust Fund and staff recommends that CLTs submit projects for funding consideration when the NOFA becomes available. Through this process, the City can compare proposed projects and evaluate the best use of limited resources.

### ***Social Impact Bonds***

In May 2022, representatives from the Richmond Community Foundation (RCF Connects) and Neighborhood Housing Services of the East Bay (East Bay NHS), both non-profit community development organizations, reached out to staff to discuss the use of social impact bonds to create affordable ownership housing from distressed properties (the "SIB Program").

On March 2, 2023, HHTF held a work session on a proposal for the SIB Program and a recommendation to reallocate remaining housing ARPA funding for down payment assistance that could be used with a social impact bonds program. Down payment assistance used in combination with a program like the SIB Program can achieve deeper income targeting to help lower income households successfully purchase a home. The premise of the SIB Program is that distressed properties can be acquired at favorable below market prices. The resale prices even after the additional expense to rehabilitate those properties are



still expected to be lower than market reducing the affordability gap to purchase the home and making them more affordable to lower-income households, especially when combined with price stabilizing programs like down payment assistance.

#### *Conversion of Distressed Properties to Affordable Housing Resources*

The social impact bonds program presented by RCF Connects is a strategy to create affordable housing opportunities from underutilized properties and has already been successfully implemented in the City of Richmond. The City would issue municipal bonds or partner with a Joint Powers Agency (JPA) to issue municipal bonds (social impact bonds) to provide the initial funding for the program and loan the bond proceeds to RCF Connects. RCF Connects would use the bond proceeds to acquire target properties from lenders (banks or mortgage pool trustees), or through tax sales or other means and rehabilitate the properties to bring them up to habitable and marketable standards. Since the target properties are likely in poor condition or being sold due to tax delinquency, the assumption is that these properties could be acquired at very favorable, below market prices. These properties would then be resold to eligible owner-occupants at an affordable price. Principal and interest on the social impact bonds would be paid solely from the proceeds generated from the program with no liability for repayment on the City's part. RCF Connects would work with local non-profits like East Bay NHS and the City to find eligible owner-occupant buyers for the properties acquired with bond proceeds.

#### *Wealth Building*

This program promotes wealth building in multiple ways.

1. **Equitable Development Initiative.** Developers who identify as racial or ethnic minorities are severely underrepresented in a market dominated by large global and national firms. These developers have historically faced significant barriers to entering the real estate industry due to the lack of access to capital, equity, and experience. The proposed program would include an equitable development initiative to help increase the development capacity of local developers of color. RCF Connects would engage local developers or contractors of color by providing the opportunity to provide rehabilitation services for properties acquired through the program helping them to gain experience and grow their business.
2. **Wealth Building through Home Equity.** The ownership model proposed by RCF Connects and NHS, would utilize the social impact bond strategy to sell acquired properties at cost with reasonable return for investors to enable sale at affordable prices without resale restrictions to buyers that intend to owner-occupy the home. Purchasers would have the benefit of market appreciation.
3. **Limited Wealth Building with Housing Stability.** The proposed down payment assistance program funded by ARPA discussed in more detail in the next section, could be paired with the SIB Program to help low-income buyers achieve the goal of homeownership by providing gap financing to make the purchase feasible. There would be recapture requirements but combining the two programs would stabilize housing costs for buyers making the transition from rental to ownership and start low-income buyers on the pathway to building generational wealth.

Staff recommends pursuing this program because it accomplishes the goals of the previously proposed programs and reduces the administrative burden of standing up two new programs. However, economic headwinds since that meeting, specifically the collapse of Silicon Valley Bank (SVB) on March 10, 2023, may make finding an investor for this program more challenging. If determined that the program is not feasible at this time, staff recommends using \$2 million in ARPA funds for a stand-alone down payment assistance program.

***Down Payment Assistance***

The City does not currently have a down payment assistance program. Funds invested in down payment assistance can be recaptured through loan repayments and can be used to assist a new homebuyer, creating a self-sustaining revolving loan fund. Many households struggle to save enough for a down payment on a home. The Bay Area’s high cost of living, tight housing market, and the disparate economic impacts of the pandemic on communities of color exacerbates the struggle, driving up prices on single-family homes and putting them even more out of reach for low- to moderate-income families. For many households, particularly lower-income families and people of color who have been historically excluded from the housing market, down payment assistance programs help to make homebuying more affordable and can reduce the racial wealth divide.

If approved by Council, the proposed program would be available to low-income households. Based on ARPA guidelines, the City would need to impose recapture requirements on these funds. Staff recommends a shared-equity model where the homebuyer receives the down payment in exchange for sharing a small portion of any appreciation of the home, in addition to repaying the original down payment loan. The shared appreciation model helps extend purchase capacity and provides the most stability in changing housing markets.

The amount of assistance provided depends on the target population the City intends to serve. Serving lower-income households as required by ARPA funding requirements will require higher assistance to make the purchase transaction feasible. Based on preliminary analysis, staff recommends providing an assistance amount between \$200,000 - \$300,000. The amount of assistance a purchaser will need will vary, but if this program is funded with \$2 million, the City can likely assist up to 10 households. According to Bay East Association of Realtor’s March 2023 report, the median sales price for a market rate condominium and detached single-family home in Hayward are \$642,000<sup>11</sup> and \$880,000<sup>12</sup> respectively. Even with \$300,000 assistance, there is still a gap for 80% AMI households to purchase a home at the lower median home price. *Table 1* provides the incomes for households at low-income levels.

*Table 1. 2022 California Department of Housing and Community Development Income Limits*

Household Size	1	2	3	4	5
Low Income	76,750	87,700	98,650	109,600	118,400

<sup>11</sup> BAYEAST Association of Realtors Market Activity Summary Hayward – Attached Single-Family Home: [https://bayeast.org/wp-content/uploads/hayward\\_attached.pdf](https://bayeast.org/wp-content/uploads/hayward_attached.pdf)

<sup>12</sup> BAYEAST Association of Realtors Market Activity Summary Hayward – Detached Single-Family Home: [https://bayeast.org/wp-content/uploads/hayward\\_detached.pdf](https://bayeast.org/wp-content/uploads/hayward_detached.pdf)

Acquired properties in the SIB Program are expected to be sold at favorable, below market rate prices so if used with this program, the amount of down payment assistance needed by low-income purchasers to bridge the affordability gap would be lower. Even if the SIB Program is not implemented, funding a down payment assistance program would still be beneficial to promote homeownership and address gaps in City resources. Additionally, the City's down payment assistance could possibly be layered with other financial assistance programs like CalHFA and AC Boost. Staff will continue to evaluate program parameters as more information becomes available.

### ***Conclusion***

Staff recommends that the City participate in a social impact bonds program and that it reallocates \$2 million in ARPA funds for down payment assistance to be used in conjunction with the social impact bond program or as a stand-alone program since \$2 million in City funding and another \$32.4 million in County ERAP funding has already been provided to assist tenants and landlords with rental assistance. Additionally, staff does not recommend implementing a right to counsel program without adequate funding and legal services providers to sustain the program and is no longer recommending the acquisition of tax-defaulted properties program due to limited inventory.

Using the ARPA funds to provide downpayment assistance creates a pool of funds that can be used by subsequent purchasers as loans get repaid. If the ARPA funds are used for downpayment assistance with the social impact bonds program, it will create wealth building opportunities for community members and rehabilitate distressed properties consistent with the intent of the originally proposed wealth building and tax-defaulted property acquisition programs. Staff is seeking Council feedback on the programs discussed in this report.

### **ECONOMIC IMPACT**

There is no immediate economic impact with the consideration of this report.

### **FISCAL IMPACT**

This item has no impact on the City's General Fund.

A social impact bonds program would be funded through proceeds from the sale of municipal bonds. Implementing a social impact bonds program to reduce the vacant and blighted property inventory in the City could mean positive fiscal impacts for the City because of increased tax revenue and reduced costs for code enforcement and law enforcement efforts to mitigate distressed properties.

Other programs discussed in this report would be funded by the reallocation of a portion of previously appropriated and unspent ARPA funds designated for housing programs.

## **STRATEGIC ROADMAP**

This agenda item supports the Strategic Priority of Preserve, Protect & Produce Housing. The purpose of the Preserve, Protect & Produce Housing Initiative is to house and support people experiencing homelessness, incentivize housing production for all and protect the affordability of existing housing. This item supports the following goals and objectives:

Goal 1: Incentivize housing production for all

Objective H4d: Explore program to convert tax-defaulted properties to affordable housing.

Goal 2: Protect the affordability of existing housing

Objective H11g: Wealth Building/Universal Income Program

Depending on Council feedback, the Strategic Roadmap may need to be modified.

## **PUBLIC CONTACT**

Staff received a public comment in support of a social impact bonds program at the March 2, 2023 Homelessness-Housing Task Force meeting.

## **NEXT STEPS**

Based on Council feedback, staff will further develop the programs supported by City Council and bring the item to City Council for consideration.

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Approved by:



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Kelly McAdoo, City Manager