

MEMORANDUM

To: City of Hayward
Mayor and Council Members
Kelly McAdoo, City Manager

From: Townsend Public Affairs, Inc.
Christopher Townsend, President
Richard Harmon, Senior Director

Date: July 20, 2021

Subject: 2021-22 State Budget Housing and Homeless Update

OVERVIEW

This memorandum is an overview of the various funding programs for housing and homeless-related efforts and projects included in the 2021-22 State Budget. The information in this memorandum is from official proposals, analyses, guidelines and other materials, and is organized as follows:

- **2021–22 State Budget Summary**
- **Housing and Homeless Programs**
 - *Homeless Housing, Assistance and Prevention Program*
 - *Encampment Resolution Grants*
 - *Family Homelessness Challenge Grants*
 - *Regional Early Action Planning Grant Program*
 - *Project Homekey*
 - *Infill Infrastructure Grant Program of 2019*
 - *Affordable Housing Backlog and Preservation*
 - *Foreclosure Intervention and Housing Preservation Program*
 - *Excess Sites*



2021-22 STATE BUDGET SUMMARY

In response to the Governor's revised budget proposal released in May, the Legislature finalized its own budget development process in June and approved a budget bill (Assembly Bill 128) prior to the Constitutional deadline of June 15. Budget negotiations between the Governor and State Legislature continued throughout June, with a final budget bill (Senate Bill 129) approved on June 28 (and signed into law on July 12).

Final budget negotiations required the introduction of smaller budget bills to make changes to funding amounts included in Assembly Bill 128. In addition, there will be a total of more than 20 trailer bills approved with the final agreement that will include provisions for various programs and the use of funds. For example, a budget line item for a specified dollar amount to the Department of Housing and Community Development for homelessness assistance to local agencies would require a trailer bill to specify what entities are eligible for funding, criteria for use of those funds, and processes and accountability related to the distribution of funding.

On July 15, the Legislature approved Assembly Bill 140 (signed into law on July 19) which contained the majority of provisions for housing and homelessness programs as part of the overall State Budget. This document summarizes those provisions and will be updated as necessary following any final subsequent efforts on the State Budget.

HOUSING AND HOMELESS PROGRAMS

Homeless Housing, Assistance, and Prevention Program

In 2019, the State Budget created the Homeless Housing, Assistance, and Prevention Program (HHAPP) for the purpose of providing jurisdictions with grant funds to support regional coordination and expand or develop local capacity to address their immediate homelessness challenges informed by a best-practices framework focused on moving homeless individuals and families into permanent housing and supporting the efforts of individuals and families to maintain their permanent housing. In addition, funding was intended to support local jurisdictions in their unified regional response to reduce and end homelessness.

The HHAPP was funded through two rounds—\$650 million announced in 2019 and \$300 million announced in 2020. The funding was made available through the Business, Consumer Services, and Housing Agency (BCSH) and Homeless Coordinating Financing Council (HCFC) for implementing the program. Eligible applicants included California's 13 largest cities, 58 counties, and 44 Continuums of Care (CoCs).

Generally, recipients of funding were able to expend funds on evidence-based solutions that address and prevent homelessness among eligible populations including any of the following:

- Rental assistance and rapid rehousing.
- Operating subsidies in new and existing affordable or supportive housing units, emergency shelters, and navigation centers. Operating subsidies may include operating reserves.
- Incentives to landlords, including, but not limited to, security deposits and holding fees.



- Outreach and coordination, which may include access to job programs, to assist vulnerable populations in accessing permanent housing and to promote housing stability in supportive housing.
- Systems support for activities necessary to create regional partnerships and maintain a homeless services and housing delivery system, particularly for vulnerable populations including families and homeless youth.
- Prevention and shelter diversion to permanent housing.
- New navigation centers and emergency shelters based on demonstrated need.

The 2021-22 State Budget provides for the allocation of \$2 billion in funds over the next two years for flexible aid for local governments to combat homelessness through the HHAPP. Specifically, the State Budget:

- Allocates **\$1 billion** for Round 3 HHAPP funding in the 2021-22 fiscal year.
 - Provides that **80 percent or \$800 million** to applicants that are cities, counties or CoCs as follows:
 - **32 percent or \$240 million** to CoCs based on each CoC's proportionate share of the State's total homelessness population, based on homeless point-in-time count. Requires the HCFC to award no more than 40 percent of this allocation to any one CoC.
 - **42 percent or \$336 million** to cities, or cities that are also a county, that have a population of 300,000 or more, as of January 1, 2020. Requires the HCFC to calculate the allocation to a city based on the city's proportionate share of the total homeless population of the region served by the CoC within which the city is located, based on homeless point-in-time count. Requires the HCFC not to award more than 45 percent of this allocation to any one city. Provides that if more than one recipient within the CoC meets the requirement of this subparagraph, the proportionate share of funds shall be equally allocated to those jurisdictions.
 - **28 percent or \$224 million** of the allocation to counties. Requires the HCFC to calculate the allocation to a county based on the county's proportionate share of the total homeless population of the region served by the CoC within which the county is located based on the homeless point-in-time count. Requires the HCFC not to award more than 40 percent of the program allocation to any one county.

Annual HHAPP Distribution Funding Categories		
Category for Distribution	Funded Amount	Eligible Applicants
Continuum of Care— <i>Based on Point in Time Count Ranges</i>	\$240 million	Continuum of Care (CoC)
City/City that is also a County — <i>Based on Percent of Homeless Population</i>	\$336 million	Large cities with a population over 330,000
County— <i>Based on Percent of Homeless Population</i>	\$224 million	Counties



- **18 percent or \$180 million** of the funding available be set aside for awarding bonus funding for jurisdictions that achieve the outcome goals specified in their applications, described below. Requires the HCFC to determine bonus award allocations, based on homeless population, and to report to the chairs of the relevant fiscal and policy committees within 30 days of making the funding allocation determinations.
- Provides not more than **2 percent or \$20 million** of the funding to tribal applicants, as follows:
 - Allows tribes to request funds, and to be allocated funds up to their requested amount, or up to a total of \$20 million collectively among all tribal applicants.
 - Allows the HCFC to make allocations to tribes on the basis of a tribal applicant's proportionate share of need relative to all tribes that submit an application for funding.
 - Provides that a tribal applicant may partner with a local CoC or coordinated entry system.
 - Provides that any funds available to tribal applicants that are unallocated by July 1, 2025, shall be allocated as bonus awards.
- Provides for the allocation of Round 3 funds to eligible jurisdictions via the following process:
 - Requires the HCFC to issue a standard agreement for applicants to apply for Round 3 program funds no later than **September 15, 2021**, which specifies requirements for applicants to submit an application that includes a local homelessness action plan and specific outcome goals.
 - Requires a signed standard agreement to be returned to the HCFC no later than 30 days from the date the HCFC issues the agreement.
 - Requires the HCFC to allocate 20 percent of an eligible city's, county's, or CoC's total allocation upon receipt of a signed standard agreement.
 - Allows a city, city and county, single CoC, or county to apply jointly with a counterpart entity or entities. Provides that an applicant that applies jointly shall be allocated 25 percent of the jointly applying jurisdictions' total allocation instead of 20 percent upon receipt of a signed standard agreement.
 - Requires a joint application to include, at a minimum, evidence of collaboration between the jointly applying applicants and an explanation of how the jointly applying applicants will administer the funds allocated to them.
 - A recipient is permitted to use the initial funds awarded to complete the local homeless action plan, including paying for any technical assistance or contracted entities to support completion of the homeless action plan.
 - Requires an applicant to submit an application to the HCFC by **June 30, 2022**, that includes a local homelessness action plan, a narrative, and specific outcome goals to receive the remaining balance of its Round 3 program allocation, as follows:
 - Requires that a complete application include the following:
 - A local homelessness action plan.



- Outcome goals aimed at preventing and reducing homelessness over a three-year period, informed by the findings from the local landscape analysis and the jurisdiction's base system performance measure from 2020 calendar year data in the Homeless Data Integration System. The outcome goals shall set definite metrics, based on the United States Department of Housing and Urban Development's system performance measures.
 - A narrative describing the uses of the requested funds and how they will help the jurisdiction achieve their outcome goals.
 - Requires an applicant to engage with the HCFC on its local plan and outcome goals before submitting a complete application.
 - Requires an applicant to agendaize the application at a regular meeting of its governing body, including receiving public comment, before being submitted to the HCFC.
 - Requires the HCFC to either approve the application, and issue the notice of award to allocate the remaining percent of an applicant's funding, or return it to the applicant with written comments and specific requested amendments.
- Requires Round 3 funds to be used in the following manner:
 - Prohibits a program recipient from using funding from the program to supplant existing local funds for homelessness services under penalty of disallowance or reduction, or both, of future program funds, as determined by the HCFC.
 - Provides that no more than 5 percent or \$50 million of the funds available shall be used to cover the HCFC's costs of administration. The HCFC may expend administrative funds until December 31, 2026, to complete grant close-out activities.
 - Provides that a program recipient use at least 10 percent of the funds allocated for homeless youth populations.
 - Requires all funds to be expended on evidence-based homeless interventions and in compliance with Housing First.
 - Provides that all Round 3 program funds, including bonus funds, shall be expended by **June 30, 2026**.
 - Requires that no later than **June 30, 2024**, recipients shall demonstrate whether they have successfully met their outcome goals.
 - Jurisdictions that meet their outcome goals shall be eligible for bonus funds. The HCFC shall allocate bonus awards in a reasonable and equitable manner, based on homeless population, to all jurisdictions who have qualified for bonus funds no later than **November 1, 2024**.
 - Jurisdictions that have not met their outcome goals shall not be eligible for bonus funding and shall accept technical assistance from HCFC staff and may also be required to limit the allowable uses of these program funds, as determined by the HCFC.



- Allocates **\$1 billion** for Round 4 HHAPP funding in the 2022-23 fiscal year, in amounts and to eligible applicants identical to Round 3 HHAPP.
- Provides for the allocation of Round 4 funding via the following process:
 - Requires the HCFC to make an application for Round 4 program allocations available no later than **September 30, 2022**. Applications shall be due to the HCFC no later than 60 days from the date the HCFC makes those applications available.
 - Requires an applicant to submit an application with the following information to receive a Round 4 allocation:
 - A local homelessness action plan that provides an update on the local homelessness action plan included in an application for a Round 3 program allocation.
 - New outcome goals that build upon prior years outcome goals.
 - Requires that each applicant determine its outcome goals that build upon prior year goals in consultation with the HCFC, and requires consultation with the HCFC before submitting final outcome goals.
 - A narrative describing how the requested funding will be used and how it will support the specified outcome goals.
 - Requires a city, county, and CoC application to be agendized at a regular meeting by the applicant's governing body, including receiving public comment, before submitting to the HCFC.
 - Requires the HCFC to approve the application and issue the notice to award to disburse 50 percent of an applicant's funding within 30 days, or return it to the applicant with written, detailed comments and request one or more amendments.
- Requires funding allocated in Round 4 of the program to be spent in the following manner:
 - Prohibits a program recipient from using funding from the program to supplant existing local funds for homelessness services under penalty of disallowance or reduction, or both, of future program funds, as determined by the HCFC.
 - Provides that no more than five percent or \$50 million of the funds shall be used to cover the HCFC's costs of administration of this section. The HCFC may expend administrative funds until December 31, 2027, to complete grant close-out activities.
 - Provides that a program recipient use at least 10 percent of the funds allocated for homeless youth populations.
 - Requires all funds to be expended on evidence-based interventions and in compliance with Housing First.
 - Requires a recipient to contractually obligate not less than 75 percent and expend not less than 50 percent of the initial Round 4 program allocations no later than



May 31, 2025. If the jurisdiction has met this requirement, and can demonstrate that they are on track to meet their outcome goals, the HCFC shall distribute the balance of the jurisdiction's allocated funding.

- If a jurisdiction cannot meet this requirement, they must submit an alternative disbursement plan that includes an explanation for the delay on or before **June 30, 2025**. Requires the HCFC to approve the alternative disbursement plan prior to distributing additional funding.
 - Provides that the HCFC shall determine whether a recipient has met its outcome goals through **July 1, 2025**, and shall award bonus funding as soon as data becomes available, but no later than **November 1, 2025**.
 - Allows the HCFC to provide exceptions to meeting outcome goals if the recipient demonstrates hardship by a disaster for which a state of emergency is proclaimed by the Governor.
 - Requires that all Round 4 program funds, including bonus funds, shall be expended by **June 30, 2027**.
- Requires applicants to report specific information for all rounds of program allocations through a data collection, reporting, performance monitoring and accountability framework established by the HCFC. This includes:
 - Data on the applicant's progress towards meeting their outcome goals submitted annually on December 31 of each year through the duration of the program.
 - If an applicant has not made significant progress toward meeting outcome goals, they must submit a description of barriers and possible solutions and accept technical assistance from the HCFC.
 - Requires applicants to provide quarterly fiscal reports to the HCFC. If applicants are not on-track to meet their performance goals, these quarterly reports shall include an update on meeting those goals.
 - Applicants must provide a final report on Round 3 funding by **October 1, 2026**, and on Round 4 funding by **October 1, 2027**.

Encampment Resolution Grants

The State Budget appropriates **\$50 million** and establishes the Encampment Resolution Funding Program to assist cities, counties, and CoCs in ensuring the safety and wellness of people experiencing homelessness in encampments to do the following:

- Provide competitive encampment resolution grants to resolve encampment concerns.
- Transition individuals into safe and stable housing.
- Encourage a data-informed, coordinated approach to address encampment concerns.
- Requires the HCFC to award initial grants by **March 1, 2022**.



Family Homelessness Challenge Grants

The State Budget establishes the Family Homelessness Challenge Grants and Technical Assistance and appropriates **\$40 million** to fund one-time grants and technical assistance to local jurisdictions in order to address and end family homelessness.

- 75 percent or **\$30 million** in funding appropriated for this purpose available for competitive grants, to be allocated in two competitive solicitations.
- 20 percent or **\$8 million** in funding available for technical assistance for local jurisdictions.
- 5 percent or **\$2 million** in funding available for administration of the program.
- Requires that funding be made available no later than **March 1, 2022**, and that funds be expended by **June 30, 2026**.

Regional Early Action Planning Grant Program

The State Budget establishes the Regional Early Action Planning (REAP) Grants Program of 2021 (funding amount to be determined). Specifically, the State Budget:

- Requires that the program be developed and administered by the Department of Housing and Community Development (HCD) in collaboration with the Office of Planning and Research (OPR), the Strategic Growth Council (SGC) and the State Air Resources Board (ARB) to provide regions with funding for transformative planning and implementation activities.
- Allocates funding as follows:
 - 85 percent to Metropolitan Planning Organizations based on projected population.
 - 5 percent to rural jurisdictions.
 - 5 percent for “exemplary” projects that exceed the requirements of the program.
 - 5 percent for program administration.
- Requires that funds be spent on planning and implementation projects that improve housing and reduce per capita vehicle miles travel in furtherance of applicants’ Sustainable Community Strategies.



Project Homekey

Building on the success of Project Roomkey, Project Homekey is the second phase in the State's response to protecting Californians experiencing homelessness who are at high risk for serious illness and are impacted by COVID-19.

Administered by HCD, grant funding is made available to local public entities, including cities, counties, or other local public entities, including housing authorities or federally recognized tribal governments within California to purchase and rehabilitate housing, including hotels, motels, vacant apartment buildings, and other buildings and convert them into interim or permanent, long-term housing.

Under the Homekey program, local entities partner with the State to acquire and rehabilitate a variety of housing types, including (but not limited to) hotels, motels, vacant apartment buildings, and residential care facilities in order to serve people experiencing homelessness or who are also at risk of serious illness from COVID-19.

Eligible applicants include local entities including housing authorities and federally recognized tribal governments within California. Cities, counties, or other local public entities, including housing authorities or federally recognized tribal governments within California, may apply independently as a Development Sponsor or jointly with a non-profit or a for-profit corporation.

Awarded funds must be used to provide housing for individuals and families experiencing homelessness or at risk of experiencing homelessness and who are impacted by the COVID-19 pandemic.

The 2021-22 State Budget continues to provide for the use of additional State and federal funds for the acquisition, rehabilitation, and conversion of hotels, motels, commercial properties, and other non-housing properties for noncongregate housing for homeless individuals. Funding in the State Budget is appropriated over the next two years:

- 2021-22—**\$1.45 billion** (\$1.2 billion federal American Rescue Plan Act, or ARPA, funds and \$250 million General Fund)
- 2022-23—**\$1.3 billion** (\$1 billion ARPA funds and \$300 million General Fund)

In addition to the 2-year funding distribution, the State Budget makes other statutory changes, including:

- Providing that the deferred payment loan requirement under the program would not apply to assistance provided pursuant to these provisions.
- Authorizing HCD to adopt guidelines for the expenditure of funds appropriated to HCD under these provisions and requires HCD to report to the Legislature on the use of the funds in its annual report, including, among other things, an explanation of how funding decisions were made and the number of individuals housed, or likely to be housed, using the funds.



- Exempting from CEQA, until July 1, 2024, a project described above and funded pursuant to these provisions if certain requirements are met, including that the project proponent submits to the lead agency a letter of support from a county, city, or other local public entity for any proposed rehabilitation, construction, or major alteration work. If the lead agency determines that a project is not subject to CEQA and the lead agency determines it will approve or carry out the project, the bill would require the lead agency to file a notice of exemption.

The State Budget also requires the Director of the Department of Industrial Relations to establish and maintain a strategic enforcement unit focused on construction, alteration, and repair projects. Requires the unit to enhance the department's enforcement of the Labor Code in construction, alteration, and repair projects related to Project Homekey.

Infill Infrastructure Grant Program of 2019

The purpose of the Infill Infrastructure Grant (IIG) Program is to promote infill housing development by providing financial assistance for Capital Improvement Projects that are an integral part of, or necessary to facilitate the development of, a Qualifying Infill Project or a Qualifying Infill Area.

The IIG is grant assistance, available as gap funding for infrastructure improvements necessary for specific residential or mixed-use infill development projects or areas. Funds will be allocated through a competitive process, based on the merits of the individual Infill Projects and Areas. Application selection criteria includes project readiness, affordability, density, access to transit, proximity to amenities, and consistency with regional plans.

To be eligible for funding, a Capital Improvement Project must be an integral part of, or necessary for the development of either a Qualifying Infill Project or housing designated within a Qualifying Infill Area. Eligible costs include the construction, rehabilitation, demolition, relocation, preservation, and acquisition of infrastructure.

Eligible Applicants means one of, or any combination of, the following:

- A nonprofit or for-profit Developer of a Qualifying Infill Project;
- A city, county, city and county, or public housing authority, or redevelopment agency that has jurisdiction over a Qualifying Infill Area;
- A city, county, city and county, public housing authority, or redevelopment agency that has jurisdiction over a Qualifying Infill Area applying jointly with an "owners' association," as defined in the Street and Highways Code section 36612 for a business or property improvement district that includes the Qualifying Infill Area;
- The duly constituted governing body of an Indian reservation or rancheria that has jurisdiction over a Qualifying Infill Area or a Tribally Designated Housing Entity that is the Developer of a Qualifying Infill Project.



The State Budget makes provisions for the allocation of additional State funds through the IIG Program of 2019. Specifically, the State Budget:

- Extends the operation of the IIG Program from January 1, 2023, to January 1, 2026.
- Authorizes HCD to expend **\$250 million** pursuant to the IIG Program of 2019 as follows:
 - **\$160 million** for selected capital improvements for large jurisdictions under the program.
 - **\$90 million** for over-the-counter grants for capital improvements for projects for small jurisdictions under the program.
- Authorizes up to 5 percent of the funds to be set aside for program administration.

Affordable Housing Backlog and Preservation

The State Budget includes significant funding for developing, constructing, and preserving affordable and livable housing, including:

- *Multifamily Housing Program*—**\$1.75 billion** to alleviate the backlog in affordable housing construction.
- *Housing and Community Development*—**\$300 million** for the preservation of existing affordable housing.
- *Joe Serna Jr., Farmworker Housing Grant Program*—**\$130 million** for the development, maintenance, and preservation of farmworker housing.
- *Strategic Growth Council*—**\$600 million** for planning and implementation grants to help local governments plan for and meet their goals under their Sustainable Community Strategies.

The State Budget provides for the allocation of funds for the preservation of State-funded affordable housing properties that are in danger of losing their affordability protections. Specifically, the State Budget also:

- Authorizes HCD, upon appropriation, to make loans or grants, or both loans and grants, to rehabilitate, capitalize operating subsidy reserves for, and extend the long-term affordability of department-funded housing projects that have affordability restrictions that have expired, that have an affordability restriction with a remaining term of less than five years, or are otherwise at risk for conversion from affordable to market rate.
- Requires HCD to establish loan processing or transaction fees for loans or grants authorized under these provisions and requires that funds received by HCD in repayment of loans under these provisions be deposited in the Housing Rehabilitation Loan Fund, to be used for the Multifamily Housing Program.
- Authorizes HCD to adopt guidelines to implement this program and exempt those guidelines from the rulemaking provisions of the Administrative Procedure Act.



Foreclosure Intervention and Housing Preservation Program

The State Budget appropriates **\$500 million** and establishes the Foreclosure Intervention Housing Preservation Program which specifically:

- Allows HCD to contract with program administrators to offer grants or loans to qualifying nonprofits, community land trusts, or qualifying LLCs to purchase housing properties (one to 25 units) either out of foreclosure or after the property has defaulted on its loans but before it enters foreclosure.
- Requires HCD to consider geographic equity in allocating funds, among other guideline requirements.
- Requires grantees/borrowers to keep the units affordable for 55 years. Allows a temporary exemption if some of the units are market rate when acquired, but requires them to convert to affordable once existing tenants move out.
- Allows HCD to contract with fund administrators through June 30, 2026, or longer if funding is available. Funds not committed to an administrator by December 31, 2025, would be reallocated to the Housing Preservation Program for state or local funded projects.
- Requires HCD to report to the legislature by May 2023 on the status of the program.

Excess Sites

The State Budget establishes the Excess Site Local Government Matching Grant Program administered by HCD to provide selected developers with one-time grants for development activities to enable development on excess State-owned property.

- Requires HCD to allocate grants of up to **\$10 million** to development partners selected under Executive Order No. N-06-19 program to enter a ground lease with the State to create affordable housing on excess State-owned property and that will receive contributions from a local government in support of that affordable housing.
- Requires HCD to award grant funds based on several factors, including value of the local government contribution and the creation of new permanent housing options.
- Authorizes a selected developer and a local government to submit a joint application that includes, among other things, a budget demonstrating the amount of the local government's contribution and a commitment and strategy from the local government to support the selected developer.
- Limits the total amount of funding awarded under the program to \$30 million and requires HCD to set aside up to 5 percent of appropriated funding for program administration.

