



DATE: December 18, 2025

TO: Housing Policy & Resource Committee

FROM: Deputy Director of Development Services

SUBJECT: Prohousing Incentive Program (PIP) - Informational Report and Recommendations on Eligible Projects and Programs

RECOMMENDATION

That the Housing Policy & Resource Committee (HPRC):

1. Receive an informational report on the California Department of Housing and Community Development (HCD) Prohousing Incentive Program (PIP); and
2. Provide feedback on staff's recommended funding priorities for the City's PIP application, including the recommendation to prioritize Option #3 (Support Ongoing Operations of the South Hayward Parish Emergency Shelter) as the preferred use of funds.

SUMMARY

The California Department of Housing and Community Development (HCD) released the Round 4 Notice of Funding Availability (NOFA) for the Prohousing Incentive Program (PIP), which makes approximately \$8 million available statewide.¹ Based on the City of Hayward's population size and its Prohousing Designation Score of 45, the City is eligible for an estimated \$1,200,000 award (base award \$750,000 + bonus award \$450,000).

PIP funds are one-time resources that can support a broad range of housing and community development activities, including affordable housing development, homelessness response services, homeownership assistance, and housing trust fund matching. Staff identified several funding options for HPRC consideration based on eligible uses under the PIP NOFA and intended to address the City's housing and homelessness needs. Options were selected because they support entitled affordable housing projects seeking gap financing, sustain existing

¹ California Department of Housing and Community Development Prohousing Incentive Program (PIP): <https://www.hcd.ca.gov/grants-and-funding/programs-active/prohousing-incentive-program>

programs with insufficient ongoing funding, and/or offset General Fund contributions to ongoing housing or homelessness programs.

While staff is seeking HPRC guidance on which options to prioritize in the City's PIP application, staff recommends prioritizing Option #3 (Support Ongoing Operations of the South Hayward Parish Emergency Shelter) due to the program's demonstrated need, significant community impact, and lack of identified ongoing funding. Should the HPRC recommend more than one option for funding, staff further advises limiting the recommendation to no more than two to maximize the impact of the limited \$1,200,000 award.

BACKGROUND

On September 30, 2025, HCD issued Round 4 NOFA for the Prohousing Incentive Program. To be eligible for a PIP award, jurisdictions must:

- Maintain a Housing Element in substantial compliance;
- Submit the most recent Housing Element Annual Progress Report;
- Hold a valid Prohousing Designation by March 31, 2026;
- Submit a complete PIP application and adopt HCD's required resolution; and
- Maintain compliance with state and federal housing laws, as determined by HCD.

On November 14, 2023², City Council authorized the application to the Prohousing Designation Program (PDP) and staff submitted its first application on December 22, 2023. Although that initial application was not approved by HCD, City Council authorized reapplication to the PDP on March 5, 2024³ and an updated application was submitted on March 8, 2024. Hayward was formally awarded its Prohousing Designation on May 27, 2025, receiving a score of 45.

As a Prohousing-designated jurisdiction with a compliant Housing Element, the City is eligible to apply for PIP grant funds. All applications must be submitted by March 31, 2026.

Eligible Uses of PIP Funding

PIP funds must be used for planning or implementation activities related to housing and community development and are limited to eligible uses defined in Health and Safety Code Section 50470(b)(2)(D). These uses include:

- Predevelopment, development, acquisition, rehabilitation, and preservation of multifamily, residential live-work, rental housing affordable to extremely low- to moderate-income households, including operating subsidies;

² November 14, 2023, City Council Staff Report and Attachments:

<https://hayward.legistar.com/LegislationDetail.aspx?ID=6414028&GUID=5A63D923-F7AE-4411-9326-7097461B74B3>

³ March 5, 2024, City Council Staff Report and Attachments:

<https://hayward.legistar.com/LegislationDetail.aspx?ID=6561055&GUID=9713977D-0817-407D-B833-172E058032C2>

- Affordable workforce housing serving households earning up to 120% AMI or 150% AMI in high-cost areas;
- Homeownership assistance and opportunities;
- Homelessness response activities, including emergency shelters, rental assistance, rapid rehousing, navigation centers, and supportive housing services;
- Accessibility modifications;
- Acquisition and rehabilitation of foreclosed or vacant homes;
- Capitalized service reserves for permanent supporting housing;
- Matching contributions to local and regional housing trust funds;
- Fiscal incentives or matching funds for agencies approving new affordable housing.

PIP awards are expected to be announced in June 2026. These are competitive grants and are awarded to jurisdictions based on their Prohousing Designation score and their geographic area. Within those categories, priority will be given to jurisdictions that have not yet received PIP funding. Grantees must expend funds by June 30, 2029, although deposits into a housing trust fund would extend the expenditure deadline through June 30, 2032.

DISCUSSION

The PIP offers the City a valuable opportunity to make strategic one-time investments that advance housing production, preservation, homelessness response, and homeownership goals. Based on the City's Prohousing score and population size, Hayward is eligible for an estimated \$1,200,000 in PIP funding.

Staff identified the following funding options for HPRC consideration, guided by three primary criteria:

- a. Supporting entitled affordable housing developments that require gap financing to remain competitive;
- b. Prioritizing existing programs that have insufficient ongoing funding; and/or
- c. Identifying opportunities to offset General Fund obligations for key housing and homelessness services.

Together, these funding options represent targeted, feasible investments that address community needs. Staff requests HPRC guidance on which funding options to prioritize in the City's PIP application; however, staff recommends prioritizing Option #3 (Support Ongoing Operations of the South Hayward Parish Emergency Shelter) given its critical service role, demonstrated community value, and the absence of ongoing funding. Moreover, if the HPRC chooses to recommend more than a single option, staff advises limiting the recommendation to no more than two to maximize the impact of the \$1,200,000 one-time award.

With this context, the following are presented for HPRC consideration and prioritization:

1. Provide Gap Financing for Affordable Housing Projects

Gap financing could support development of a 100% affordable housing development, such as the Parcel Group 8 Affordable Housing (PG8AH) project proposed by Resources for Community Development (RCD). The project was entitled on March 5, 2024, and would result in the development of 82 rental units for low-income households.

Consideration:

RCD is still securing financing. Given the competitive environment for funding affordable housing, there is uncertainty whether PG8AH—or another project—would be shovel-ready in time to meet PIP expenditure deadlines. However, additional financing such as the PIP grant would make the development more competitive for additional funding sources such as tax credit financing, which will be awarded in the second quarter of 2026.

2. Establish a Revolving Loan Fund for Down Payment Assistance (DPA)

Funding for the DPA program was originally proposed to be provided through American Rescue Plan Act (ARPA); however, funding was discontinued and reallocated to the General Fund on December 3, 2025, due to City budget constraints.⁴ PIP funds could serve as seed funding to re-launch the program.

Consideration:

A DPA program would expand homeownership opportunities for low-income households and establish a program previously approved by City Council.⁵ The number of households that could be helped by this program would depend on the allowable amounts of down payments.

3. Support Ongoing Operations of the South Hayward Parish (SHP) Emergency Shelter

Operated by the First Presbyterian Church of Hayward since 2018, SHP was originally a winter warming shelter which expanded to year-round operations in October 2021 through an infusion of \$2,050,000 in ARPA funding from the City. It is Hayward's only year-round adult emergency shelter and a key partner supporting the Hayward Evaluation and Response Teams (HEART), which bring unhoused residents to the site for meals, showers, and supportive services.

Consideration:

With the ending of ARPA funding and the City's budgetary constraints, the City has only partially funded the program for FY26 (\$328,880 out of \$1,315,922 requested) using a mix of General Funds (\$264,690) and Opioid Settlement funds (\$64,190). Future funding capacity to support the program beyond FY26 is uncertain. For FY26, the City contributed \$328,880, which includes \$250,000 to reserve four beds at a cost of \$62,500

⁴ December 3, 2024, City Council Staff Report and Attachments:

<https://hayward.legistar.com/LegislationDetail.aspx?ID=7032917&GUID=7CA68A40-5177-4AF1-93E4-AB9BA1AADE9D>

⁵ June 6, 2023, City Council Staff Report and Attachments:

<https://hayward.legistar.com/LegislationDetail.aspx?ID=6247761&GUID=2860D9DD-94D3-4CE6-94D4-551B137106B4>

per bed. Allocating the entire PIP award could support approximately 4-5 beds for four years and offset the General Fund contribution to this program. Staff recommends this option for priority funding.

4. Continue Funding for the Shallow Subsidy Program

This rental assistance program, administered through a contract with Bay Area Community Services (BACS), is currently funded with ARPA and sunsets in December 2026. The program is funded to serve a total of 75 households, providing rental subsidies up to \$800 per month for 18 months. The program is designed using best practices to prioritize individuals and households most at risk of becoming homeless. Through participation in the program, households receive a monthly stipend that brings their rental cost burden (i.e., the percentage of their monthly income spent on rent) to below 50% with a cap of \$800 per month. They also have access to supportive services from BACS, whose case managers provide additional resources to help individuals stay housed.^{6,7}

Consideration:

Under the current contract, approximately 40% of program funding covers BACS' administrative and staffing costs, with the remaining 60% allocated directly to rental subsidies. Using a similar cost structure, a \$1,200,000 allocation would provide roughly \$720,000 for rental assistance, which would serve about 50 unduplicated households at the maximum subsidy level over three years. Without new funding, the program will end when ARPA funds expire in December 2026.

5. Offset General Fund Costs for the Hayward Navigation Center (HNC)

The HNC costs the City \$2,500,894 annually to operate, with \$2,185,440 coming from the City's General Fund and the balance from other sources in FY26. Since opening in November 2019, the HNC has provided transitional housing and supportive services to 648 individuals experiencing homelessness. As of November 24, 2025, 591 participants have exited the program. The majority of those exits, 380 individuals or 64%, resulted in placements into permanent housing.

Consideration:

The HNC has historically relied on multiple funding sources, including Measure C, the General Fund, ARPA, Community Development Block Grant (CDBG), and various state and county grants, several of which require the City to meet matching or leveraged funding requirements. With ongoing budget constraints and the conclusion of major one-time sources such as ARPA, funding options are increasingly limited, and future sources to meet required match obligations are uncertain. Given these constraints, the General Fund currently provides most of the required leverage for HNC grants.

⁶ June 28, 2022, City Council Staff Report and Attachments:

<https://hayward.legistar.com/LegislationDetail.aspx?ID=5709689&GUID=CE713D6D-7CBC-4C37-9654-8DD4943CB683&Options=&Search=>

⁷ May 23, 2023, City Council Staff Report and Attachments:

<https://hayward.legistar.com/LegislationDetail.aspx?ID=6230208&GUID=FC88201B-DD00-4DAA-93A8-8724EDF53377&Options=&Search=>

Reducing this contribution would require securing replacement funding to maintain grant compliance. For context, allocating \$1,200,000 in PIP funds would offset approximately 55% of the City's FY26 General Fund contribution.

6. Provide Matching Funds to the City's Inclusionary Housing Trust Fund

Depositing PIP funds into the City's Inclusionary Housing Trust Fund would increase the City's capacity to support affordable housing development. The City currently has an estimated \$4,000,000 in available affordable housing in-lieu fees, which could be combined with PIP funds to support a future NOFA. Staff anticipates that a NOFA could be issued when \$5,000,000 or more is available.

Consideration:

Depositing PIP funds into the trust fund would extend the expenditure deadline to June 30, 2032 (an additional three years), providing added flexibility. However, given the competitive financing environment for affordable housing, it is uncertain whether a shovel-ready project requiring financing assistance will be available even with this extended expenditure timeframe. Directing funds to Options 1 through 5 identified above—where there is a clear and immediate need—may offer a greater and more timely community impact.

ECONOMIC IMPACT

If awarded, the City will receive approximately \$1,200,000 in one-time funding. Depending on the selected priorities, these funds could subsidize affordable housing development, continue homelessness response, support homeownership, or reduce General Fund obligations.

STRATEGIC ROADMAP

This item supports the Strategic Priority of Preserve, Protect & Produce Housing.

FISCAL IMPACT

There is no immediate fiscal impact associated with receiving this report. Council approval will be required to accept PIP funds and execute the Standard Agreement if awarded. Depending on the selected priorities, PIP funds may provide a one-time offset of General Fund expenditures. There are no matching funds required.

PUBLIC CONTACT

This staff report was posted as part of the regular HPRC meeting agenda. All of the proposed programs have been included in other community engagement processes such as the Let's Housing Hayward! Plan to Reduce Homelessness, Housing Element, ARPA funding allocations, or other publicly discussed funding allocations.

NEXT STEPS

Staff will incorporate HPRC feedback and bring a recommendation to the City Council's consent calendar. If approved, staff will prepare and submit the City's PIP application by March 31, 2026.

Prepared by: Doris Tang, Management Analyst

Recommended by: Sara Buizer, Director of Development Services
Christina Morales, Deputy Director of Development Services
Leigha Schmidt, Principal Planner
Amy Cole-Bloom, Community Services Manager

Approved by:

Jennifer Ott, City Manager