



DATE: June 23, 2020

TO: Mayor and City Council

FROM: Deputy City Manager

SUBJECT: Approve the City of Hayward’s Five-Year Permanent Local Housing Allocation Plan and Authorization for the City Manager and Assigned Staff to Submit an Application to the State of California Department of Housing and Community Development for Permanent Local Housing Allocation Funds for the Hayward Navigation Center

RECOMMENDATION

That the City Council:

1. Receives and approves the Draft Permanent Local Housing Allocation Plan (Attachment II);
2. Adopts a Resolution Approving the City of Hayward’s Five-Year PLHA Plan (Attachment III); and
3. Adopts a Resolution Authorizing the City Manager and Assigned Staff to Submit an Application to the State of California Department of Housing Community (Attachment IV).

SUMMARY

Senate Bill 2 (the Building Homes and Jobs Act) has created the Permanent Location Housing Allocation (PLHA) program, which provides formula grants to entitlement jurisdictions based upon the formula prescribed under federal law for the Community Development Block Grant (CDBG) program.

The table below sets forth the PLHA amount of funding allocated to the City of Hayward in year 1 (actual) and an estimate of the amount of funding to be received during the initial five years of the PLHA Plan. Annual amounts will vary year to year based upon revenue realized under SB2.

	Year 1 Allocation	5 Year Estimate
City of Hayward Allocation	\$651,735	\$3,910,410

The primary goal of the PLHA program is to create a permanent source of funding available to eligible local governments in California for housing-related projects and programs to address unmet housing needs in their local communities. Staff proposes to allocate all PLHA funding to the Hayward Navigation Center to be able to continue operating this successful program. Since opening, the Navigation Center has placed 18 Extremely Low-Income individuals into permanent housing, which would have been even greater, if the COVID-19 pandemic had not occurred.

The City used one-time Homeless Emergency Aid Program (HEAP) funds in the amount of approximately \$1.7M, along with proceeds from the sale of Parcels 1 and 10 of the former 238 properties, to build and operate the first year of the Hayward Navigation Center. While the City had anticipated seeing a similar revenue stream with the State’s upcoming Homeless Housing, Assistance and Prevention (HHAP) funding, the anticipated revenue to be realized is estimated to be significantly lower and final awards from the County are uncertain and have not been finalized. Further, the COVID-19 pandemic has resulted and is expected to continue to result in significant reductions in revenues to the City’s General Fund and other relevant revenues that are the primary source of local funds for the Hayward Navigation Center. Due to the Hayward Navigation Center’s initial success, lower-than-anticipated homeless funding from the State, and the City’s current fiscal challenges, staff recommends allocating all of the PLHA funds to the Hayward Navigation Center to help sustain the ongoing operations of this program that is critically important to the community at the same time minimizing its fiscal impact to the City’s General Fund.

The PLHA Plan must be consistent with the programs set forth in the City of Hayward’s Housing Element. The Draft Plan is consistent with the following City of Hayward Housing Element, Goal 6: Housing for Persons with Special Needs, under the following objectives:

- Objectives H-6.1: Address Special Housing Needs
- Objective H-6.2: Housing and Supportive Services
- Objective H-6.6: Support Organizations Servicing the Homeless Community

BACKGROUND

In 2017, Senate Bill 2 (the Building Homes and Jobs Act) created the Permanent Location Housing Allocation (PLHA) program. The primary goal of the PLHA program is to create a permanent source of funding available to eligible local governments in California for housing-related projects and programs to address unmet housing needs in their local communities. The PLHA program provides formula grants to entitlement jurisdictions based upon the formula prescribed under federal law for the Community Development Block Grant (CDBG) program. The table below sets forth the amount of funding allocated to the City of Hayward in year 1 (actual) and an estimate of the amount of funding to be received during the initial five years of the PLHA Plan. Annual amounts will vary year to year based upon revenue realized under SB2.

	Year 1 Allocation	5 Year Estimate
City of Hayward Allocation	\$651,735	\$3,910,410

PLHA funds may be used for increasing the City's affordable housing stock as well as addressing homelessness. Eligible activities include but are not limited to predevelopment, development, acquisition, rehabilitation, and preservation of affordable rental housing, workforce housing, accessory dwelling units (ADUs), matching funds for the Local or Regional Housing Trust Funds, operating costs for navigation centers, accessibility modifications, and down payment assistance.

Additionally, PLHA funds should be used to prioritize investments to increase the supply of housing for households with incomes at or below 60% of Area Media Income (AMI) and should be consistent with the programs set forth in the City of Hayward's Housing Element.

DISCUSSION

Proposed Use of Funds

Staff proposes to use the PLHA allocation for operational expenses at the Hayward Navigation Center. Opened in November of 2019, the Hayward Navigation Center provides immediate shelter, intensive case management, and housing navigation services to up to 45 literally homeless individuals at a time. Residents of the Hayward Navigation Center are provided up to six months of transitional case management, including but not limited to reviewing key elements of a rental agreement and expectations with clients to ensure understanding; establishing utilities for the housing unit/applying for low-income assistance utility programs; working with clients to ensure rents are paid on time; developing a housing crisis response plan outlining plans if challenges arise that may jeopardize housing stability; and planning for self-sufficiency after assistance ends. Clients who have been housed are eligible to receive subsidy assistance through Flexible Funds for up to nine months after housing placement.

The City of Hayward is experiencing a homeless shelter emergency. Between 2017 and 2019, there was a 23% increase in homelessness in Hayward, with 397 total homeless in 2017 to 487 total homeless in 2019. The Hayward Navigation Center is the City's only homeless shelter and service program for individuals and is operated in partnership with Bay Area Community Services (BACS). Since opening, the Hayward Navigation Center has placed 18 Extremely Low-Income individuals into permanent housing, which would have been even greater if the COVID-19 pandemic had not occurred. Additionally, placement at the Hayward Navigation Center prioritizes minority populations disproportionately affected by homelessness, including Black/African American (11% of Hayward's overall population, 24% of Hayward's homeless population) and American Indian (0.3% of Hayward's overall population, 7% of Hayward's homeless population).

The City used one-time Homeless Emergency Aid Program (HEAP) funds in the amount of approximately \$1.7 million, along with proceeds from the sale of Parcels 1 and 10 of the former 238 properties, to build and operate the first year of the Hayward Navigation Center. While the City had anticipated seeing a similar revenue stream with the State's upcoming HHAP funding, the anticipated revenue to be realized is estimated significantly lower and final awards from the County are uncertain and have not been announced. As a result, the Hayward

Navigation Center faces a \$1.13M revenue gap; use of PLHA funds would help offset the General Fund contribution annually over the next five years. Additionally, staff continue to seek other sustainable funding opportunities for the Hayward Navigation Center.

The impacts of the COVID-19 pandemic have resulted and are expected to continue to result in significant reductions in the City's General Fund that are the primary source of local funds for the Hayward Navigation Center. Due to the program's success, lower-than-anticipated homeless funding from the State, and the City's current fiscal challenges, staff recommends allocating all of the PLHA funds to the Hayward Navigation Center to allow for ongoing operations. All PLHA funds would be used to support households with Extremely Low Income (30% of AMI and under).

Other Eligible Uses of Funds

PLHA funds may be used for increasing the City's affordable housing stock as well as addressing homelessness. Eligible activities include but are not limited to predevelopment, development, acquisition, rehabilitation, and preservation of affordable rental housing, workforce housing, accessory dwelling units (ADUs), matching funds for the Local or Regional Housing Trust Funds, operating costs for navigation centers, accessibility modifications, and down payment assistance. A full list of eligible activities can be found in Attachment V.

Staff is recommending utilizing the PLHA funds to sustain the Hayward Navigation Center over other affordable housing priorities because the Hayward Navigation Center presents the most urgent need for the funds. Additionally, the affordable housing in-lieu fee generates an alternate revenue to support the development of affordable housing, and it cannot be used to fund the Hayward Navigation Center. Additionally, there are a number of state resources available to fund affordable housing development. For example, Low-income Housing Tax Credits, Affordable Housing Sustainable Communities Program, Infill Infrastructure Grants, Multifamily Housing Program and Transit Oriented Development Housing Program.

Consistency with City of Hayward Housing Element

The proposed PLHA plan is consistent with the City of Hayward Housing Element, Goal 6: Housing for Persons with Special Needs, Objectives H-6.1, Address Special Housing Needs; H-6.2, Housing and Supportive Services, and H-6.6, Support Organizations Service the Homeless Community.

ECONOMIC IMPACT

There is no associated economic impact with this item. Should the PLHA funds be awarded, there will be positive economic impact from reducing homelessness and poverty and moving individuals into permanent housing as part of Hayward Navigation Center programming.

FISCAL IMPACT

This item has a positive fiscal impact and is estimated to save the City approximately \$3,910,410 over five years in General Funds towards the Hayward Navigation Center.

STRATEGIC ROADMAP

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

Specifically, this item relates to the implementation of the following project(s):
Project 1, Sustain the Navigation Center to house and support the homeless, 1a. identify sustainable funding.

PUBLIC CONTACT

A public comment period Draft Plan was held from Wednesday June 10th through Wednesday, June 24th. Staff presented the Draft Plan to the Community Services Commission on Wednesday, June 24th. The Community Services Commission provided supportive comments on the plan and expressed support of continuing operations at the Navigation Center. At the time of this staff report no public comments had been received.

NEXT STEPS

Upon authorization from the City Council, staff will submit an application to the State of California Department of Housing and Community Development for PLHA funds for the Hayward Navigation Center. Upon award, staff will return to Council for authorization and appropriation of funds.

Prepared by: Jessica Lobedan, Management Analyst II

Recommended by: Jennifer Ott, Deputy City Manager

Approved by:



Kelly McAdoo, City Manager