



DATE: March 2, 2023

TO: Homelessness-Housing Task Force

FROM: Assistant City Manager

SUBJECT: Social Impact Bonds Program and Proposal to Reallocate \$3 Million of American Rescue Plan Act of 2021 (ARPA) Funding from the Wealth Building and Tax-Defaulted Property Acquisition Assistance Programs to the Social Impact Bonds Program for Down Payment Assistance

RECOMMENDATION

That the Homelessness-Housing Task Force (HHTF):

1. Receive and provide comments on a presentation from the Richmond Community Foundation (RCF) on a proposed Social Impact Bonds Program; and
2. Provide comments on a proposal to reallocate \$3 million American Rescue Plan Act of 2021 (ARPA) funding from the Wealth Building and Tax-Defaulted Property Acquisition Assistance Programs to a Social Impact Bonds Program for down payment assistance.

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 Program and the Emergency Relocation Assistance Program but have yet to implement the Wealth Building Program and Tax Defaulted Property Acquisition Program. All funds awarded through ARPA must be obligated no later than December 31, 2024.

In May 2022, representatives from Richmond Community Foundation (RCF) and Neighborhood Housing Services of the East Bay (East Bay NHS), both non-profit community development organizations, reached out to staff to present the idea of a Social Impact Bonds Program (the "SIB Program"), which has already been successfully implemented in the City of Richmond. The SIB Program is funded through the issuance of municipal bonds. The bond proceeds are used to acquire vacant or blighted properties, transforming them into clean, affordable, for-sale units that would be sold to buyers who intend to owner-occupy the

properties. Staff proposes reallocating the \$3 million allocated to the Wealth Building and Tax-Defaulted Property Acquisition Programs for a down payment assistance program that could be used in conjunction with a Social Impact Bonds Program to provide deeper levels of affordability. The SIB Program would accomplish the same objectives as the Wealth Building and Tax-Defaulted Property Acquisition programs by providing opportunities for wealth building through homeownership and conversion of blighted properties into housing opportunities for low- and moderate-income households.

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). 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 Program and the Emergency Relocation Assistance Program and have yet to implement the Wealth Building Program and Tax-Defaulted Property Acquisition Program. 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.

All funds awarded through ARPA must be obligated no later than December 31, 2024. Staff have identified a program that could potentially meet the objectives of both of the programs yet to be implemented.

DISCUSSION

In May 2022, representatives from Richmond Community Foundation (RCF) 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”). This program has already been successfully implemented in the City of Richmond. The SIB Program is funded through the issuance of municipal bonds and uses the bond proceeds to acquire and rehabilitate foreclosed, vacant, and/or derelict properties, providing relief to neighborhoods affected by these properties by transforming them into clean, affordable, for-sale units. Bonds are paid back through the sale proceeds of the homes. Staff proposes using the remaining housing ARPA funds as down payment assistance loans to help eligible households close funding gaps needed to acquire a property through the SIB Program.

Conversion of Distressed Properties to Affordable Housing Resources

The Social Impact Bonds Program presented by RCF is a strategy to create housing opportunities from underutilized properties. 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. RCF 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 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. The above is a general proposed concept for the program for feedback and more information will be provided by RCF at the March 2, 2023 HHTF meeting.

Wealth Building

This program promotes wealth building in multiple ways.

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 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.

Wealth Building through Home Equity. The ownership model proposed by RCF 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.

Limited Wealth Building with Housing Stability. Based on a preliminary review of the ARPA guidelines, the City may be required to impose recapture requirements or resale restrictions if we use federal ARPA funds for down payment assistance to create ownership opportunities for low-income households. Staff is still researching ARPA requirements to ensure compliance with ARPA guidelines, but staff is proposing applying the remaining \$3 million in housing ARPA funding from the Wealth Building and Tax-Defaulted Property Acquisition Programs. This will likely reduce the amount of wealth building but would start buyers on the pathway of homeownership and stabilize housing costs for buyers making the transition from rental to ownership.

Regardless of the approach, rehabilitating distressed properties for the purposes of affordable homeownership reduces the number of vacant and blighted properties in the community,

which will translate to positive impacts and creates wealth building opportunities for community members consistent with the intent of the proposed Wealth Building and Tax-Defaulted Property Acquisition Programs. Consolidation of these two programs will help staff to meet the upcoming expenditure deadline. Staff is seeking HHTF feedback on the proposed Social Impact Bond Program and the use of \$3 million in housing ARPA funding for down payment assistance to be used with the SIB Program.

ECONOMIC IMPACT

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

STRATEGIC ROADMAP

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

FISCAL IMPACT

Implementing this type of 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 to mitigate distressed properties.

NEXT STEPS

If supported by the HHTF, staff would review program requirements with the City Attorney's Office, further review the ARPA guidelines to ensure compliance with funding requirements, further develop the proposed program, and bring the item to City Council for consideration.

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Approved by:



Kelly McAdoo, City Manager