



DATE: May 21, 2024

TO: Mayor and City Council

FROM: Assistant City Manager

SUBJECT: Approve the State Department of Housing and Community Development's Requested Modifications and Adopt a Resolution Authorizing Joint Application to and Participation in The State Homekey Program for The Project Reclamation Scattered Site Program in a Total Not-To-Exceed Amount of \$10 Million

RECOMMENDATION

That the City Council will approve the State Department of Housing and Community Development's requested modifications and adopt a resolution authorizing joint application to and participation in the State Homekey Program for the Project Reclamation Scattered Site Program in a total not-to-exceed amount of \$10 million.

SUMMARY

On June 20, 2023¹, Council adopted Resolution 23-154 authorizing a joint application with Bay Area Community Services (BACS) and the Cities of Livermore, Piedmont, and Union City for the State Homekey Program to fund the City's Scattered Site Housing program, called Project Reclamation. As a scattered site program, Project Reclamation involves acquiring multiple single-family homes and converting them to supportive shared housing, bringing housing for those experiencing chronic homelessness into existing residential communities with proximity to services, transport, and social connections.

In addition to applying for State Homekey funding to support Project Reclamation, the City received a State earmark of \$5.4 million for the program as part of the most recent State budget, Assembly Bill 179. Council adopted Resolution 22-299 on December 6, 2022, authorizing the City Manager to negotiate and execute a loan agreement with Bay Area Community Services for acquisition, rehabilitation, and operations associated with the scattered site program, using the AB 179 funding.

¹ June 20, 2023, meeting of the Hayward City Council:
<https://hayward.legistar.com/LegislationDetail.aspx?ID=6264024&GUID=7153A3FF-D8D5-4396-9076-DD5BE189FC60&Options=&Search=>

In November 2023, the City and its co-applicants received notice from the State Department of Housing and Community Development (HCD) that Project Reclamation received a conditional Homekey award. HCD laid out specific threshold requirements the City and its co-applicants had to meet by February 2, 2024, to be considered for a final award. After submitting these subsequent materials, HCD staff identified an inconsistency in language used across the application to refer to BACS and directed city applicants to amend applicable resolutions, changing references from “Bay Area Community Services” to “Bay Area Community Services Housing Corporation,” as the Bay Area Community Services Housing Corporation is the entity that will be making the capital transactions and managing the properties for Project Reclamation.

On March 5, 2024², Council adopted Resolution 24-035 amending Resolution numbers 22-299 and 23-154 to address HCD’s feedback and clarify that the loan and Homekey partnership is with Bay Area Community Services Housing Corporation. Furthermore, the resolutions were amended to reflect that Council authorizes the City Manager or her designee to negotiate and execute all documents related to the Homekey program.

On May 8, 2024, HCD staff notified the City that the associated resolutions do not properly name all co-applicants and has requested a new resolution to clarify all applicants participating in the joint application to and the participation in the State Homekey Program. This report provides staff’s recommendations in response to the State’s request.

BACKGROUND AND DISCUSSION

The City of Hayward is leveraging multiple State and County funding sources to implement a scattered site housing program in partnership with Bay Area Community Services (BACS) Housing Corporation and the City of Union City. Known as Project Reclamation, the program converts single family homes to supportive shared housing, bringing housing for those experiencing chronic homelessness into existing residential communities with proximity to services, transport, and social connections.

The City will leverage the following funding sources for this project:

- **Assembly Bill 179 Scattered Site Earmark:** On June 30, 2022, the Governor approved AB 179, the Budget Act of 2022. The bill included an award to the City of Hayward in the amount of \$5.4 million for the Scattered Site Housing program. Council adopted Resolution 22-299 on December 6, 2022, authorizing the City Manager to negotiate and execute a loan agreement with Bay Area Community Services for acquisition, rehabilitation, and operations associated with the scattered site program using the AB 179 funding.

² March 5, 2024, meeting of the City Council:

<https://hayward.legistar.com/LegislationDetail.aspx?ID=6561049&GUID=4727FAB5-CF2D-4336-8A6B-4663CFE7F4AD&Options=&Search=>

- **Homekey Round 3 Funding:** On June 20, 2023, Council adopted Resolution 23-154 authorizing a joint application with BACS and Union City for the State Homekey Program to fund the City's Scattered Site Housing program. Homekey funding would provide an award of up to \$150,000 per door for capital expenses (i.e., application and rehabilitation) associated with Project Reclamation, as well as operating subsidy for up to three years.
- **County of Alameda HOME Investment Partnership Program American Rescue Plan (ARP) Allocation:** Along with the City of Union City and BACS, the City responded to a Request for Funding Proposals from the County of Alameda for projects that comply with HOME-ARP requirements from the Department of Housing and Urban Development. The project received \$1.5M for operating expenses, conditional on receipt of Homekey funding and Board of Supervisors approval.

Council supported using the \$5.4M approved under AB 179 primarily as down payment or acquisition loans to BACS to help them acquire a minimum of four single family homes, which would enable the Project Reclamation Homekey application to meet threshold requirements. The City applied for Homekey funding in June 2023, using the AB 179 funding along with the HOME-ARP operating award from the County to provide enforceable funding commitments for the City's local match as required in the Round 3 Homekey Notice of Funding Availability.

As previously stated, as part of the process to meet the conditional Homekey award requirements, HCD staff directed the City to amend applicable resolutions changing references from "Bay Area Community Services" to "Bay Area Community Services Housing Corporation", BACS' housing development entity. In March 2024, Council adopted Resolution 24-035 to address these inconsistencies.

On May 8, 2024, HCD staff notified the City that Resolution 23-154 does not properly name all co-applicants and that Resolution 24-035 does not clearly address the matter, and therefore request a new resolution that names both Bay Area Community Services Housing Corporation and Union City as co-applicants and remove cities that are no longer co-applicants.

Staff recommends that Council adopt a new resolution (Attachment II) to address HCD's feedback and clarify that the loan and Homekey partnership is with Bay Area Community Services Housing Corporation and Union City.

ECONOMIC IMPACT

There is a positive economic impact from reducing homelessness and severe housing cost burden, which would be achieved through development of the recommended Homekey project.

FISCAL IMPACT

This item has no General Fund impact. The local capital match required for applying for the program will come from AB 179 funds dedicated to the scattered site project and the local operating match will come from Alameda County's HOME-ARPA contribution.

STRATEGIC ROADMAP

This agenda item supports the Strategic Priority of Preserve, Protect & Produce Housing. Specifically, this item relates to the implementation of the following projects:

2b. Implement the Homelessness Reduction Strategic Plan

8b. Apply for state housing funding to support strategic partnerships and Council priorities

PUBLIC CONTACT

BACS will conduct targeted community outreach once properties are identified for Project Reclamation.

NEXT STEPS

If Council approves, staff will submit any outstanding Homekey application-related documents to HCD.

Prepared by: Carol Lee, Acting Community Services Manager

Recommended by: Regina Youngblood, Assistant City Manager

Approved by:



Dustin Claussen, Interim City Manager