



DATE: January 25, 2022

TO: Mayor and City Council

FROM: Assistant City Manager

SUBJECT: Homekey 2.0 Application: Adopt a Resolution Approving the City of Hayward's Homekey Projects and Authorizing the City Manager and Assigned Staff to Submit Applications to the State of California Department of Housing Community Development for Homekey Funds for Housing for Persons Experiencing Homelessness

RECOMMENDATION

That the Council adopts two (2) resolutions to submit Homekey program applications to the State of California Department of Housing Community Development (HCD):

- 1) Authorizing the City of Hayward's Joint Application with Bay Area Community Services (BACS), the City of Livermore, the City of Union City, and the City of Piedmont to HCD for Homekey Funding for Project Reclamation Regional Scattered Site Program (Attachment II); and
- 2) Authorizing the City of Hayward's Joint Application with Firm Foundation Community Housing to HCD for Homekey Funding for the Tiny Homes Village at South Hayward Parish (Attachment III).

SUMMARY

On September 9, 2021, HCD announced approximately \$1.45 billion in Homekey Round 2 available funds. Homekey Round 2 continues the statewide effort to sustain and rapidly expand housing for persons experiencing homelessness or at risk of homelessness, and who are, thereby, inherently impacted by or at increased risk for medical diseases or conditions due to the COVID-19 pandemic. This is the second round of Homekey funding made available through HCD. The priority application deadline is January 31, 2022.

On July 13, 2021, the Council approved the Let's House Hayward (LHH) homelessness reduction strategic plan.¹ It creates a strategic framework that better positions the City to address homelessness and seek funding for projects identified and prioritized through this process. The LHH plan outlines several strategies and projects that directly align with the City's applying for Homekey funding.

On October 20, 2021, the City released a Request for Information (RFI) seeking potential partners and projects for the possible submittal of future funding applications for the State HCD Homekey program. Staff conducted an in-depth assessment of all responses received and identified a suite of preliminary projects for review and discussion by the Homelessness-Housing Task Force (HHTF). On December 16, 2021, staff presented three projects to the HHTF.² Members of the HHTF unanimously recommended these projects be presented to the full Council for approval and inclusion in the City of Hayward's Homekey Grant Application, due by January 31, 2022.

Since the December 16th HHTF meeting, staff have continued to meet with development partners and the State to discuss project feasibility and one of the three previously recommended projects was withdrawn to allow more time to identify sufficient operating funds for a future round of Homekey. As a result, staff recommends the following two remaining projects for Council approval and inclusion in the City of Hayward's Homekey Grant Application:

1. Project Reclamation Regional Scattered Site Program, in partnership with BACS and the Cities of Livermore and Union City; and
2. Tiny Homes Village at South Hayward Parish, in partnership with Firm Foundation Community Housing (FFCH).

BACKGROUND

Homekey Program

HCD created the Homekey program as an opportunity for local public agencies to purchase motels and other housing types to increase their communities' capacity to respond to the COVID-19 pandemic. The program's purpose was to expand and diversify housing options for homeless persons at high-risk for serious illness and impacted by COVID-19. Cities, counties, or other local public entities, including housing authorities or federally recognized tribal governments within California, were eligible to apply independently or jointly as the lead applicant with a non-profit or a for-profit corporation. Since the onset of the COVID-19 pandemic, there have been two rounds of Homekey funding; Homekey Round 1 and Homekey Round 2.

¹ July 13, 2021 meeting of the Hayward City Council:
<https://hayward.legistar.com/LegislationDetail.aspx?ID=5028014&GUID=E5369F11-C504-413E-B317-E2797DF45328&Options=&Search=>

² December 16, 2021 meeting of the Homelessness-Housing Task Force:
<https://hayward.legistar.com/LegislationDetail.aspx?ID=5360310&GUID=71CA4C4F-CC27-410E-AEDE-27F03B400C19&Options=&Search=>

On September 9, 2021, HCD announced approximately \$1.45 billion in Homekey Round 2 available funds. Homekey Round 2 continues the statewide effort to sustain and rapidly expand housing for persons experiencing homelessness or at risk of homelessness, and who are, thereby, inherently impacted by or at increased risk for medical diseases or conditions due to the COVID-19 pandemic.

Homekey Round 2 presents significant funding and programmatic changes from Homekey Round 1. The complete Notice of Funding Availability (NOFA) can be found online on the HCD website.³ Key elements of the Homekey Round 2 funding available include:

- **Capital Award and Required Local Match:** HCD will award up to \$200,000 per unit with no required capital match, unless capital costs exceed the maximum award.
- **Operating Subsidy:** HCD will award up to three (3) years of operating subsidy of no more than \$1,400/unit/month with a local commitment of four (4) years of operating subsidy, or HCD will award up to two (2) years of operating subsidy of up to \$1,400/unit/month with a local commitment of three (3) years of operating subsidy.
- **Timely Submission Bonus:** HCD will award an additional \$10,000 per unit as a bonus award for each Project with a timely submission of a complete application to the Department by January 31, 2022.
- **Expedited Occupancy Bonus:** HCD will award \$10,000 per unit as a conditional bonus amount for projects able to reach full occupancy within eight (8) months of acquisition.
- **Geographic Funding Allocation:** The San Francisco Bay Area (comprised of the counties of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma) has a reserved allocation of approximately \$199 million.

HCD has established a four-month priority application period from the release date of the Homekey application in late September through January 31, 2022. All applications must be submitted by May 2, 2022. In order to receive the timely submission bonus, staff intends to submit any approved Homekey projects by the January 31, 2022, submission deadline. Homekey projects must be submitted by the local jurisdiction in which projects are located; it is not possible for nonprofits, hotels, development partners, or others to directly submit projects for Homekey funding.

Let's House Hayward Strategic Plan for Reducing Homelessness

On July 13, 2021, the Council approved the LHH strategic plan.⁴ The LHH plan synthesizes community, Council, and staff input collected through listening sessions, community forums, focus groups, and interviews conducted from October 2020 through June 2021. The LHH plan begins with a comprehensive system and needs assessment that looks at the scope of homelessness and who experiences homelessness in Hayward, resources and services that are currently available in Hayward, and current gaps in resources and services. It then details

³ https://homekey.hcd.ca.gov/sites/default/files/2021-09/NOFA_Homekey_0.pdf

⁴ July 13, 2021 meeting of the Hayward City Council:

<https://hayward.legistar.com/LegislationDetail.aspx?ID=5028014&GUID=E5369F11-C504-413E-B317-E2797DF45328&Options=&Search=>

the overarching goals for reducing homelessness in Hayward and the strategies and action steps required to achieve those goals.

The LHH plan was developed through best-practices research and community engagement with a lens for racial equity and empowering individuals and families experiencing homelessness. It creates a strategic framework that better positions the City to address homelessness and seek funding for projects identified and prioritized through this process. Applying for and being awarded Homekey funds will help the City accomplish the several strategies and projects in the LHH plan including:

Strategy 1.2: Develop Funding and Evaluation Strategy Reflecting Community Priorities Identified in this Strategic Plan

- Program 1.2a: Conduct further research on different revenue options, including state and federal funding and private philanthropy and apply for funding that aligns with Strategic Plan action steps.

Strategy 3.2: Prioritize the Development of Housing Targeted to People Experiencing Homelessness

- Activity 3.2c: Continue leveraging partnerships between non-profit housing developers, County, and regional jurisdictions to support the creation of hotel conversion projects by community-based entities.
- Activity 3.2d: Continue to support affordable housing projects that utilize innovative affordable housing strategies (i.e. tiny homes, factory built housing, and other models) and encourage developers to incorporate individuals with lived experience in the process.

Alameda County HOME-ARP funding

On August 25, 2021, ahead of the release of the Homekey Round 2 NOFA, the County released a Request for Proposals (RFP) seeking to identify City-sponsored homeless housing projects that would be eligible to submit to HCD for Homekey funding. Through this RFP, the County has made available approximately \$12 million in HOME Investment Partnership funding to act as match for City-sponsored Homekey eligible projects. All cities within the Alameda County HOME Consortium (except for Berkeley and Oakland, which receive their own allocation of federal HOME Investment Partnership funding and are not part of the Consortium) were eligible to apply for these County matching funds.

The City submitted two projects for Alameda County match funding: hotel acquisition and conversion to permanent housing and scattered-site deeply affordable housing. Following submission and results from the City's RFI for eligible projects, staff determined that only the scattered site project would be appropriate for HOME-ARP funding. During a January 14th, 2021 meeting with City and County staff, the County identified four projects that would be receiving HOME-ARP funds, including the City of Hayward's scattered site program, discussed in detail below. On January 19, 2021, County HCD staff notified the City that they will be providing a letter of conditional commitment for up to \$1,500,000 to provide operating funds at the scattered site locations.

City of Hayward Request for Information (RFI)

On October 20, 2021, the City released a RFI for projects and properties to house people experiencing homelessness through the Homekey program. The City received eleven (11) responses to the RFI: six submissions from hotel owners to sell their properties for the purpose of creating permanent housing, six submissions from potential sponsors proposing acquisition or construction of eight different projects, and one submission from a potential sponsor for development partnership.

After the RFI period closed on November 5, 2021, staff reviewed and evaluated all responses received. Through this initial review, staff determined that applicants with both a developer and property identified were the most competitive for Homekey funding given the accelerated nature of the Homekey 2.0 funding timeline and staff's limited capacity to manage an acquisition and development project. A complete discussion of the RFI and staff review criteria can be found in the December 16, 2021 Homelessness-Housing Task Force (HHTF) staff report.⁵

Homelessness-Housing Task Force

Following extensive review and analysis of RFI responses received, staff initially identified four projects for HHTF review and recommendation for Council approval and inclusion in the City of Hayward's Homekey Grant Application:

1. Apartment complex acquisition project, in partnership with BACS;
2. Project Reclamation Regional Scattered Site Program, in partnership with BACS and the Cities of Livermore and Union City; and
3. Tiny Homes Village at South Hayward Parish, in partnership with Firm Foundation Community Housing (FFCH).
4. Hotel conversion project with re-entry services, in partnership with Creating Restorative Opportunities & Programs (CROP) and BACS.

CROP withdrew the hotel conversion project with re-entry services just prior to the HHTF meeting due to a lack of capital funding required for building improvements on potential Hayward sites.

The HHTF supported moving forward with the other three projects presented on December 16, 2021. Additionally, members of the HHTF directed staff to explore another project for consideration, a Tiny Home Village in partnership with FFCH and California State University East Bay (CSUEB) to build 12 tiny home units at Hayward First Church for CSUEB students at risk of or experiencing homelessness. For a full summary of the HHTF's feedback, please see Attachment IV.

DISCUSSION

⁵ December 16, 2021 meeting of the Homelessness Housing Task Force:
<https://hayward.legistar.com/LegislationDetail.aspx?ID=5360310&GUID=71CA4C4F-CC27-410E-AEDE-27F03B400C19&Options=&Search=>

Since meeting with the HHTF on December 16, 2021, staff have continued to work with development partners to prepare applications in anticipation of Council approval. One project that received HHTF approval will not be presented to Council and another that was proposed by the HHTF is not being recommended for submission to the current round of Homekey funding as explained further below:

- ***Apartment Complex Acquisition Project in partnership with Bay Area Community Services:*** Since meeting with the HHTF, BACS has determined that identifying the required operating subsidy was infeasible by the Homekey Round 2 priority deadline. Staff will continue working with BACS to prepare for potential submission for Homekey Round 3 funds.
- ***Tiny Home Village in partnership with FFCH and CSUEB:*** Staff held several meetings with FFCH, CSUEB, and the State to explore the Tiny Home Village project for CSUEB students experiencing homelessness. Staff recommend applying for Homekey Round 3 funds for this project, as this will provide more time to align the project with Homekey requirements, formalize the partnership with CSUEB, and identify and secure reliable long-term funding sources.

Projects for Homekey Application Submission

The following section provides a detailed analysis of the two remaining projects that staff recommend for Homekey submission. Each project was supported by the HHTF and staff recommend that the Council vote to adopt resolutions authorizing the City Manager to apply for Homekey funding for each project.⁶

Project 1: Project Reclamation Regional Scattered Site Program

Development Partner: BACS

Population Served: Up to 30 chronically homeless individuals

Project Description: BACS proposes to purchase and remodel up to five single-family homes to function as deeply subsidized co-living environments where each resident gets their own bedroom, shared community living spaces, and access to supportive services to meet their unique needs. The BACS Project Reclamation program has been in place since 1973 and received Homekey funding for its Oakland program in Round 1. The program was recognized by the State for its innovative use of Homekey funding. For this project, the City of Hayward would be the lead applicant in a regional application, partnering with the Cities of Livermore, Union City, and Piedmont, to increase the competitiveness of the project by broadening the regional impact and scope of acquisitions.

Location and Outreach: BACS has begun identifying homes that meet program criteria throughout Hayward. Given the target price point of the homes (approximately \$900,000), the majority of prospective homes are located between Interstate 880 and Mission Boulevard. As BACS has been operating this program for several years, they have well-established outreach

⁶ Based on guidance from the State, the resolutions authorizing the City Manager to apply include a not-to-exceed amount that is double the actual estimated cost of the project.

strategies that they will apply to this project and will implement community-specific outreach as properties are identified. In their previous experience, BACS has not encountered opposition from community members as the projects do not include density changes or substantial construction.

Funding: For Project Reclamation, staff anticipates that the Homekey award of \$200,000/unit would cover the total cost of acquisition and rehabilitation for up to five homes with no capital funding gap. County HCD has notified staff that the regional scattered-site program will receive a commitment letter for funding of up to \$1,500,000 for operating costs. Staff anticipates this amount will cover the costs of operating the program; however, should the County subsidy be less than the up-to amount, the City, BACS, and partner jurisdictions will work together to adjust the number of properties being pursued to match the amount of available operating funds.

Project Strengths: Staff anticipates that the baseline Homekey award will cover the cost of acquisition and rehabilitation of five single-family homes. Therefore, there is no required capital match. Additionally, combining jurisdictions demonstrates a collaborative regional approach to providing housing opportunities and increases the number of individuals who will be served while accounting for fluctuations in the private housing market. Increasing the number of properties acquired allows for some streamlining of operational expenses, creating long-term savings for each city to re-invest in the program.

The project aligns with the City's LHH Strategic Plan. In addition to aligning with the goals described in the Background section of this report, this project aligns with the LHH Plan's emphasis on understanding homelessness as both a regional and local issue, providing the option for regional partnership to leverage State and County funding. Additionally, this model may be a successful tool for preventing large corporate purchases of foreclosed homes, which are then rented at market rate and preventing preservation of naturally occurring affordable housing.

Ongoing Pre-Application Items: While the Homekey NOFA includes the scattered site model as an eligible project, there are several requirements that make such projects difficult to apply for. Primarily, the NOFA requires that the applicant be able to demonstrate site control at the time of submission. It also requires that the applicant submit appraisals and physical needs assessments for each property. To meet these requirements, BACS would need to take the significant risk of purchasing the homes in advance before January 31, on the assumption of reimbursement from the State. This is a substantial barrier, both in terms of the costs to the non-profit agency and the timeline of the project. Staff and BACS have worked closely with the State to call attention to this inherent disadvantage to scattered site applications and have submitted an alternative proposal. At the time of this report writing, the State has indicated a willingness to work with BACS and staff are optimistic that a solution will be reached. Staff will not enter into an agreement with the State that requires up front purchasing of homes without a guarantee of reimbursement.

Analysis and Recommendation: The Homekey award would cover estimated capital expenses to purchase up to five single family homes in Hayward. The conditional allocation of

\$1,500,000 in HOME-ARP funding from the County will cover operating costs, and staff has contingency plans in place should the County award be lower than anticipated. Staff recommends submitting the multi-jurisdictional Project Reclamation application, using vetted estimates for capital expenses and committing to identify and purchase eligible properties within a timeframe negotiated with the State.

Project 2: Tiny Homes Village at South Hayward Parish

Development Partner: Firm Foundation Community Housing (FFCH)

Population Served: 10 chronically homeless individuals

Project Description: FFCH proposes to build a Tiny Homes Village with ten units on leased property at South Hayward Parish (SHP) on Patrick Avenue. The units will be constructed off site and placed on permanent foundations in currently vacant space at SHP.

Location and Outreach: SHP currently serves as a food distribution site and as a shelter for individuals experiencing homelessness. The site is within a census tract that according to the 2019 PIT count have a medium incidence of homelessness (between 10 and 20 counted individuals). Locating permanent housing at the SHP site would be an extension of current programmatic efforts. SHP is well-established in the community and in the neighborhood and staff do not anticipate community opposition to this project. FFCH will begin preliminary outreach ahead of the January 25, 2022, City Council meeting.

Funding: Staff anticipates that the Homekey award of \$200,000 per unit would cover the construction costs at the SHP site. No additional funds would be required for capital costs. The HHTF supported staff's recommendation to use a portion of the City's HOME Investment Partnership Program allocation as Tenant Based Rental Assistance (TBRA) from the Department of Housing and Urban Development (HUD) to provide rental housing subsidies. With that allocation, the project has an anticipated annual operating gap of approximately \$20,000, which SHP has committed to fund.

It is important to note that, by using HOME funds for this project, the City will not be able to support other affordable development projects with HOME funds while providing rental subsidies to the SHP Tiny Home Village.

Project Strengths: Staff anticipates that the baseline Homekey award will cover the cost of construction of the tiny home units at SHP. Therefore, there is no required capital match from the City. FFCH would maintain ownership of the tiny homes while paying to lease the land on each site. Additionally, the project aligns with the City's LHH plan strategy of supporting affordable housing projects that utilize innovative affordable housing strategies. It also promotes collaboration with the City's faith-based partners and community service organizations.

Ongoing Pre-Application Items: Staff is working closely with FFCH to finalize the development timeline to ensure it meets the Homekey standards but does not anticipate it

impacting the application submission. Staff are also working on a National Environmental Policy Review (NEPA) that also will not impact application submission. Finally, staff is working with FFCH to establish a memorandum of understanding between the City and FFCH to outline financial obligations, indemnity, and other key implementation components, which will not impact application submission.

Analysis and Recommendation: Staff recommend applying for Homekey funding for the Tiny Home Village at SHP for individuals experiencing chronic homelessness. It is a viable Homekey project with the City's HOME funds contributed for rental subsidies, SHP providing additional operating funds, and the Homekey award covering all capital costs. The SHP location is well-established within the community as a homeless services location and would act as an extension of existing programs.

ECONOMIC IMPACT

The City and local community have experienced adverse economic impacts related to the COVID-19 crisis, particularly as it relates to homelessness and housing instability. National data indicates increases in risk factors that lead to homelessness, including increased food insecurity and the inability to pay rent or mortgage. There is a positive economic impact from reducing homelessness and severe housing cost burden, which would be achieved through development of the recommended Homekey projects.

FISCAL IMPACT

This item has no General Fund impact. All projects that are being recommended for full Council consideration would not impact the General Fund. The SHP Tiny Home Village site would leverage the HOME special revenue fund from HUD by allocating the majority of the City's allocation every other year to the Homekey-funded project.

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

Pursuing Homekey funding to support innovative, dedicated homeless housing projects was identified as a priority project in the LHH plan. The LHH plan was developed through best-practices research and community engagement with a lens for racial equity and empowering individuals and families experiencing homelessness. It creates a strategic framework that better positions the City to address homelessness and seek funding for projects identified and prioritized through this process. The LHH plan was intentionally created to identify a pipeline

of community-informed policies and programs for the City to embark upon, particularly those with expedited timelines.⁷

Staff are working with both BACS and FFCH to conduct project-specific outreach to the communities that will be impacted by these projects. FFCH is conducting virtual community outreach meetings in January with the SHP neighborhood and BACS will conduct targeted community outreach once properties are identified for Project Reclamation.

Staff presented to the HHTF on December 16th, 2021. During this meeting, two public comments were received. One of the comments was made on behalf of Jake Medcalf, Founder and Principal of FFCH and described FFCH's qualifications and experience and requesting HHTF support of the Tiny Home Village at SHP project. Another comment was made by Community Services Commissioner Corina Vasaure, asking about dedicated housing for families experiencing homelessness. Neither project moving forward for Council approval this evening are suitable as options for families experiencing homelessness and more suitable for single or coupled adults. Staff will continue to explore housing options for the entire homeless community in Hayward. As part of the award of HOME-ARP funds, there will be as associated public hearing through the County. At the time of this staff report writing, the meeting details have not yet been published.

NEXT STEPS

Upon approval by the Council, staff will submit any approved Homekey applications to HCD by January 31, 2022.

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