



DATE: August 9, 2022

TO: Mayor and City Council

FROM: City Manager

SUBJECT: Adopt Resolutions 1) Appropriating a \$627,554 Community Development Block Grant Award to Bay Area Community Services (BACS) to acquire the St. Regis Retirement Center; and 2) Authorizing the City Manager to Negotiate and Approve a \$2 Million Loan to BACS for Down Payment Assistance to Acquire the St. Regis Retirement Center and Authorizing an Amendment to the FY 2023 Operating Budget by \$2 Million in the General Fund

RECOMMENDATION

That the Council:

- 1) Adopts a resolution (Attachment II) appropriating a \$627,554 Community Development Block Grant (CDBG) award to BACS for the acquisition of the St. Regis retirement center; and
- 2) Adopts a resolution (Attachment III):
 - a. Authorizing the City Manager to negotiate and approve a \$2 Million loan to BACS for down payment assistance to acquire St. Regis Retirement Center; and
 - b. Authorizing an amendment to the FY 2023 Operating Budget by \$2 million in the General Fund.

SUMMARY

In January 2022, the California Department of Health Care Services (DHCS) and the California Department of Social Services (CDSS) announced a joint Request for Applications (RFA) to expand the State's behavioral health infrastructure and address historic gaps in the long-term care continuum serving seniors, people with disabilities, and people with behavioral health needs. Under this joint RFA, the State made available \$518.5 million for launch ready behavioral health infrastructure projects through the Behavioral Health Continuum Infrastructure Program (BHCIP) and \$570 million to preserve and expand adult and senior care facilities through the Community Care Expansion (CCE) program. Three Hayward serving nonprofits applied for funding through the joint RFA; the City submitted letters of support for each of these projects.

Bay Area Community Services (BACS) applied for BHCIP and CCE funding to acquire the St. Regis retirement center and develop a holistic campus of behavioral health treatment and crisis services and supportive housing. BACS was not awarded BHCIP funding for this program, leaving a \$7.9 million funding gap for the project. To fund this closing gap, the County of Alameda has committed to funding approximately \$7.1 million and Eden Township Healthcare District has verbally committed to \$250,000. Staff have identified \$627,000 in available Community Development Block Grant (CDBG) funds to contribute to the closing gap. Allocating these grant funds to the project aligns with the City's current and past Annual Action Plans under the "Acquisition" and "Housing" project categories, and Council has previously authorized the use of CDBG funds for acquisition activities to support community development and production of affordable housing. Staff recommends Council approve the appropriation of these grant funds to BACS for the acquisition of the property (Attachment II).

At the time of this staff report writing, CCE funding has not been formally announced. Through discussions with the County, BACS, and the State, staff anticipates that the project will meet the funding threshold requirements and receive CCE funding.

Due to State delays announcing funding, it was necessary for BACS to request a closing extension from the property owner, changing the closing date from July 18 to August 29, 2022. As part of the extended closing date, BACS agreed to pay a \$5 million down payment to the property owner. BACS has already paid \$500,000 to the property owner and will pay \$2.5 million at closing on August 29, 2022.

BACS has requested a \$2 million loan from the City of Hayward for the remainder of the down payment, which will be repaid to the City by December 31, 2022. Staff recommends City Council adopt a resolution authorizing the City Manager to negotiate and execute a \$2 million loan agreement with BACS for the acquisition of the St. Regis retirement center (Attachment III).

BACKGROUND

Joint Request for Applications

In January 2022, the California Department of Health Care Services (DHCS) and the California Department of Social Services (CDSS) announced a joint Request for Applications (RFA) to expand the State's behavioral health infrastructure and address historic gaps in the long-term care continuum serving seniors, people with disabilities, and people with behavioral health needs. Under this joint RFA, the State made available just over \$1 billion through the Behavioral Health Continuum Infrastructure Program and the Community Care Expansion Program.

Behavioral Health Continuum Infrastructure Program (BHCIP)

DHCS was authorized through 2021 legislation to establish BHCIP and award \$2.2 billion to construct, acquire, and expand properties and invest in mobile crisis infrastructure related to behavioral health. DHCS is releasing these funds through six grant rounds targeting various gaps in the state's behavioral health facility infrastructure. Through this joint RFA,

DHCS made available \$518.5 million for launch ready behavioral health infrastructure projects. This funding was announced January 31, 2022, and applications were due on April 8, 2022. In the published RFA, awards were supposed to be announced as early as May 2022; however, BHCIP awards were not announced until late June 2022.

Community Care Expansion (CCE)

The CCE program was established by Assembly Bill No. 172 (Chapter 20, Statutes of 2021) to provide \$805 million in funding for acquisition, construction, and rehabilitation to preserve and expand adult and senior care facilities that serve low-income individuals, including those who are experiencing homelessness or at risk of homelessness.

Through this joint RFA, CDSS made available \$570 million to preserve and expand adult and senior care facilities. This funding was announced January 31, 2022, and applications were due on a rolling basis starting February 15, 2022. In the published RFA, awards were supposed to be announced beginning March 2022; however, at the time of this staff report writing, formal awards were yet to be announced.

A complete list of eligible services under BHCIP and CCE can be found in Attachment IV.

Locally supported projects

Under the joint RFA, three Hayward serving nonprofits applied for funding. The City submitted letters of support for each of these projects.

St. Rose Hospital Crisis Stabilization Unit: Saint Rose Medical Building, Inc., a nonprofit subsidiary of St. Rose Hospital, applied for BHCIP funding to develop a Crisis Stabilization Unit adjacent to the St. Rose hospital campus. St. Rose Hospital was not awarded funding for this program.

La Familia Crisis Stabilization Unit and Crisis Rehabilitation Treatment: La Familia applied for BHCIP funding to develop a co-located crisis stabilization unit and crisis rehabilitation treatment program on Mocine Avenue. La Familia was awarded funding for this program.

BACS Behavioral Health Campus at St. Regis: BACS applied for BHCIP and CCE funding to acquire the St. Regis retirement center and develop a holistic campus of behavioral health treatment, crisis services, and supportive housing. BACS was not awarded BHCIP funding for this program. At the time of this staff report writing, CCE funding has not been formally announced.

Due to State delays announcing funding, it was necessary for BACS to request a closing extension from the property owner, changing the closing date from July 18 to August 29, 2022. As part of the extended closing date, BACS agreed to pay a \$5 million down payment to the property owner. BACS has already paid \$500,000 to the property owner and will pay an additional \$2.5 million at closing on August 29, 2022.

As BACS did not receive BHCIP funding for this project, there was a funding gap of \$7.9 million needed to acquire the St. Regis property. The County of Alameda has committed to funding the majority of the gap (approximately \$7.1 million), and Eden Township Healthcare District has verbally committed to allocating a \$250,000 towards the closing gap.

Staff have identified \$627,000 in available Community Development Block Grant (CDBG) funds to contribute to the closing gap. Allocating these grant funds to the project aligns with the City's current and past Annual Action Plans under the "Acquisition" and "Housing" project categories. Council has previously authorized the use of CDBG funds for acquisition activities to support community development and production of affordable housing. Staff recommend Council approve the appropriation of these grant funds to BACS for the acquisition of the property (Attachment II).

BACS has requested a \$2 million loan from the City of Hayward for the remainder of the down payment. Should BACS receive CCE funding, the loan will be repaid to the City by December 31, 2022. Staff will work with BACS to identify a reasonable repayment plan should there be a delay in CCE funding for the St. Regis project.

DISCUSSION

Staff recommends the City Council authorize the City Manager to negotiate and execute a \$2 million loan to BACS for the acquisition of the St. Regis retirement center (Attachment III). Outlined below are additional details on the property and existing residents, proposed service model, and benefits to Hayward and Alameda County.

Property details: The St. Regis retirement center is located at 23950 Mission Boulevard and currently serves as a 158 (194 bed) senior independent living, assisted living, and memory care facility. The current site is less than 50% occupied. BACS has budgeted \$500,000 for transitional financial support and will work with existing residents and neighboring Hayward facilities on transition planning for the current residents and has 6-8 months from close of escrow to transition all residents.

Proposed Service Model: Pending award of CCE funding, the St. Regis behavioral health campus will include 46-units of interim housing for individuals experiencing homelessness, ~70 units of permanent supportive housing for residents with high medical and clinical support needs, and a 40-bed Board and Care facility for individuals with acute needs.

BACS intends to reapply for the next round of BHCIP funding to additionally develop a Mental Health Rehabilitation Center, Adult Residential Transitional Housing, and potentially a crisis stabilization unit in a separate facility on the property. The anticipated CCE funding will allow for site control and likely make BACS more competitive for BHCIP funding for the St. Regis site.

Benefits to Hayward and Alameda County: This project aligns with and supports existing programs and infrastructure in Hayward. The St. Regis project will increase the Countywide inventory of behavioral health services, including potentially drop-off crisis services for the

Hayward Police Department and Hayward Fire Department. Additionally, the St. Regis project will increase the inventory of Permanent Supportive Housing (PSH) beds in Alameda County for medically fragile and aging individuals. According to the County's Home Together 2026 plan, Alameda County needs approximately 3,190 targeted PSH beds over the next five years to meet system needs, including 767 in Mid-County.

ECONOMIC IMPACT

There is a positive economic impact with providing services for low-income individuals with complex behavioral, medical, and social needs. Creating long-term housing options with targeted supportive services can reduce the prevalence of "high utilizers" of emergency services, ultimately reducing local crisis response costs. Furthermore, upgrading and expanding the use of the current facility will create additional job opportunities for individuals with a wide range of certifications and experience.

FISCAL IMPACT

This item has a short-term, \$2 million impact on the General Fund. There is insufficient budget appropriation in FY 2023 to cover the \$2 million short-term loan. Staff recommends that Council approve an additional appropriation in the General Fund in the amount of \$2 million. BACS intends to pay the City back by or before December 31, 2022, at which time the General Fund will be reimbursed for the issuance of the short-term loan. Staff will work with BACS to create an agreement and identify a reasonable repayment plan should there be a delay in CCE funding for the St. Regis project.

Staff identified \$627,000 in available CDBG funds for this project. Allocating these funds aligns with the City's current and past Annual Action Plans under the "Acquisition" and "Housing" project categories and will support the City in meeting HUD's timely expenditure requirements.

STRATEGIC ROADMAP

This item supports Strategic Roadmap item H2, to implement the Let's House Hayward! homelessness reduction strategic plan. Within the Let's House Hayward! plan, this item supports:

- **Strategy 2.4:** Increase Diversity and Availability of Holistic Supportive Services
- **Strategy 3.2:** Prioritize the Development of Housing Targeted to People Experiencing Homelessness

PUBLIC CONTACT

This item is related to the Let's House Hayward (LHH) Strategic Plan, under Strategy 2.1, to Expand Housing-Focused Shelter Capacity through continued oversight and management of the Hayward Navigation Center. Through the LHH process, Homepage, City staff, and partners throughout the Hayward community worked together to engage a diverse set of

stakeholders to inform the plan's goals, strategies, and specific activities for achieving its goals.¹

Prepared by: Jessica Lobedan, Management Analyst

Recommended by: Jennifer Ott, Assistant City Manager
Dustin Claussen, Director of Finance

Approved by:

A handwritten signature in black ink, appearing to read 'Kelly McAdoo', with a long horizontal stroke extending to the right.

Kelly McAdoo, City Manager

¹ For more information on the Let's House Hayward! Strategic Plan process, please visit <https://www.haywardca.gov/lets-house-hayward>