



DATE: May 23, 2023

TO: Mayor and City Council

FROM: City Manager

SUBJECT: Adopt a Resolution Authorizing the City Manager to Execute an Amendment to the Agreement with Bay Area Community Services for the Shallow Rental Subsidy Program Operations to Add \$1 Million in American Rescue Plan Act Funds Bringing the Total Not to Exceed Amount to \$1.5 Million

RECOMMENDATION

That the Council adopts a resolution authorizing the City Manager to execute an amendment to the agreement with Bay Area Community Services for the Shallow Rental Subsidy Program operations to add \$ 1 million in American Rescue Plan Act funds bringing the not to exceed amount to \$1.5 million and to extend the contract through December 31, 2026.

SUMMARY

In July 2021, Council adopted the Let's House Hayward! Strategic Plan (LHH Plan), which includes the activity of identifying funds for and developing a Shallow Rental Subsidy (SRS) program for extremely low-income households with high rent burdens.¹ At the same time, Council adopted a federal expenditure plan for allocating the City's American Rescue Plan Act (ARPA) funding, which included allocating \$500,000 annually for three years (for a total of \$1.5 million) to fund a shallow rental subsidy pilot program.² On June 28, 2022, Council adopted a resolution authorizing the City Manager to execute an agreement with Bay Area Community Services (BACS) for \$500,000 for the first year of the shallow rental subsidy pilot program.³

Shallow rental subsidies are partial rent payments made on behalf of a tenant directly to their landlord to reduce their household rent burden and increase their available income. To date,

¹ July 13, 2021, City Council Meeting Agenda and Materials (LHH Plan):
<https://hayward.legistar.com/LegislationDetail.aspx?ID=5028014&GUID=E5369F11-C504-413E-B317-E2797DF45328&Options=&Search=>

² July 13, 2021, City Council Meeting Agenda and Materials (Federal Expenditure Plan):
<https://hayward.legistar.com/LegislationDetail.aspx?ID=5028015&GUID=E0215022-6A47-486F-81C4-9BFB2583AE10&Options=&Search=>

³ June 28, 2022, City Council Meeting Agenda and Materials (SRS Year One):
<https://hayward.legistar.com/LegislationDetail.aspx?ID=5709689&GUID=CE713D6D-7CBC-4C37-9654-8DD4943CB683&Options=&Search=>

the City's SRS Program has provided support to 26 households in its first cohort. If Council authorizes the execution of a contract amendment to allocate the remaining funds dedicated in the Federal Stimulus Expenditure Plan, BACS will begin accepting referrals for the next cohort in June. Staff recommends Council adopt the attached resolution authorizing the City Manager to execute an amendment to the City's FY23 agreement with BACS for SRS program operation increasing the amount of the agreement from \$500,000 to \$1.5 million in ARPA funding over three years and extending the term of the agreement through December 31, 2026.

BACKGROUND

On July 13, 2021, Council approved and adopted the Let's House Hayward! Strategic Plan, which proposed identifying funds for and developing a shallow subsidy program for extremely low income and high rent burden households. The proposed program was one of several eviction prevention and anti-displacement initiatives included in the LHH Plan and intends to ensure access to and retention of affordable permanent housing. Prior anti-displacement initiatives enacted by the City include the Residential Rent Stabilization and Tenant Protection Ordinance adopted in June of 2019.

At the same meeting, Council adopted a three-year expenditure plan for the use of federal funding awarded to the City through the American Rescue Plan Act (ARPA). Approved ARPA-funded projects included \$12.3 million in funding for homelessness, housing, and community services projects identified in the LHH Plan. Among these was the allocation of \$500,000 per year for three years to fund a pilot shallow subsidy program for homelessness prevention.

The following year, at its June 28, 2022, meeting, Council authorized an agreement with BACS for \$500,000 to develop and operate the Shallow Rental Subsidy (SRS) Program for FY 23. The remaining \$1 million in funding for the SRS Program was approved as part of the Stimulus Expenditure Plan in 2021 and would be appropriated from funds disbursed as part of the second tranche of ARPA funding.

DISCUSSION

Shallow Rental Subsidy Overview

Shallow rental subsidies are partial rent payments made on behalf of a tenant directly to their landlord to reduce their household rental cost burden and increase their available income, with the goal of preventing future homelessness. Shallow rental subsidies are distinguished from other forms of rental assistance in that they offer a generally lower level of assistance in comparison to other, "deep" subsidies such as Housing Choice Vouchers or Permanent Supportive Housing.⁴ For example, while Housing Choice Vouchers cover all or most of a household's rent and are intended to ensure that recipients pay no more than 30% of their income toward housing, shallow subsidies are intended to be a smaller portion of the cost of rent and recipients still pay over 30% of income toward housing after receiving the subsidy.

⁴ US Department of Housing and Urban Development. *Homeless System Response: Shallow Rental Subsidies*. Retrieved from <https://files.hudexchange.info/resources/documents/COVID-19-Homeless-System-Response-Shallow-Rental-Subsidies.pdf>

Per US Department of Housing and Urban Development (HUD) guidelines, renter households paying over 30% of their income on rent are considered “cost-burdened,” and those paying over 50% of their income are considered “severely cost-burdened.” Shallow rental subsidy programs are often also distinct from deep subsidies in that they may 1) be available for longer periods than other forms of assistance, but not be indefinite; 2) be capped at a specific rate or dollar amount; and 3) not include other program or case management services that are often connected to other forms of rental subsidies.

Shallow subsidies are an important solution in the suite of tools for stemming the inflow of people and families into homelessness, as highlighted by Alameda County’s Home Together 2026 plan and the Regional Action Plan (RAP) developed by the Bay Area Regional Impact Council and endorsed by Council in October 2021.⁵ The Home Together plan recommends focusing prevention resources on those most likely to lose their homes, including implementing and expanding shallow subsidy availability, “for people with fixed or limited income with housing insecurity to relieve rent burden and reduce the risk of becoming homeless.”⁶ The RAP outlines a 1-2-4 system funding model to house, stabilize, and prevent individuals from re-entering homelessness. The model argues that for every one unit of interim housing, there should be two units of permanent housing and four units of prevention interventions (e.g., financial assistance, housing problem-solving services, and legal services). In other words, for every one unit of interim housing, the Regional Impact Council model recommends four units of prevention services, such as the City’s SRS program. The RAP specifically calls out cash payments, such as shallow subsidies, as a priority for implementation. Both reports highlight the need for flexible subsidies, including shallow subsidies, to halt the in-flow of people into homelessness in the region.

Hayward’s Shallow Rental Subsidy Program Overview

As part of its ARPA expenditure plan adopted in July of 2021, Council allocated a total of \$1.5 million over three years to develop and implement the City’s SRS program, in accordance with the strategy outlined in the LHH Plan. The City issued a RFP in the spring of 2022 and selected BACS as the operator for the SRS program. BACS administered the City’s COVID-19 rental assistance program in 2020 and operates SRS programs in Oakland and Berkeley.

The City worked closely with BACS to design the program based on learnings from other SRS programs in the region, as well as research and best practices shared by All Home and national studies. The design of Hayward’s SRS program was modeled on Oakland’s SRS pilot, which had launched in the summer of 2021. Aligning the City’s program with an existing SRS program allowed the City to learn from that program, leverage BACS’s established infrastructure, and participate in regional impact discussions and evaluation activities.

⁵ October 26, 2021, City Council Meeting Agenda and Materials:

<https://hayward.legistar.com/LegislationDetail.aspx?ID=5192086&GUID=57F17E63-FD5D-4D73-B967-6D5D4AD7CB60&Options=&Search=>

⁶ Alameda County Health Care Services Agency. *Home Together 2026: 5-year plan to end homelessness in Alameda County* (p. 27). Retrieved from <https://homelessness.acgov.org/reports.page?>

Figure 1. Hayward Shallow Rent Subsidy Program

Eligibility	Subsidy Format	Implementation
<ul style="list-style-type: none"> • Extremely low income (30% of Area Median Income or lower) • Prior experience of homelessness • 50% or greater rent cost burden • Reside in a census tract at high risk for housing instability and homelessness 	<ul style="list-style-type: none"> • Monthly payment made directly to landlord • Lesser of either \$800 or amount required to bring cost rent burden under 50% • 18 month period • Estimated \$690 per month per household, serving approximately 25 households per year 	<ul style="list-style-type: none"> • Online application portal available in multiple languages, with staff available to support applicants • Case management services that meet each recipient "where they're at" and leverage existing suite of BACS services and partnerships

Error! Reference source not found. provides an overview of the SRS program’s design. Program eligibility guidelines require that participating households be extremely low income as well as “severely cost burdened” per the HUD definition. Enrollment in the program prioritizes households with prior experiences of homelessness and/or live in a that has historically had a high risk for housing instability and homelessness.⁷ For the first cohort of households, BACS conducted targeted outreach to participants who applied for the City’s rental assistance program in 2020, walk-in community members who appeared to meet eligibility criteria at HEDCO, the Mid-County Housing Resource Center funded by Alameda County and operated by BACS, and to eligible residents at the Navigation Center. For subsequent rounds of outreach, BACS and City staff have shared program information with representatives from Hayward Unified School District as well as local non-profit organizations that serve older adults and adults with disabilities to ensure that families and other more vulnerable populations have access to the program.

Participants in the program are enrolled for 18 months as part of rolling cohorts. Once households enroll in the SRS program, BACS makes monthly payments directly to participants’ landlords. SRS program payments are capped at either \$800 or the amount required to shift the participating household cost burden to under 50%, whichever is less. In addition to the monthly stipend, participants have access to BACS’s Care Coordinators to seek referrals to other supportive services, including employment, education, financial literacy, and behavioral health resources. City staff, BACS, and faculty from CSU East Bay are currently working together to identify and collect appropriate outcome indicators for future implementation and outcomes

⁷ Neighborhood risk will be measured using the Urban Institute’s Emergency Rental Assistance Priority Index: <https://www.urban.org/features/where-prioritize-emergency-rental-assistance-keep-renters-their-homes>

reporting. Such indicators may include housing retention and stability, economic stability, food security, and community connection. For a review of comparable shallow rental subsidy programs in the region and nationally and initial findings from program evaluations, see Attachment III.

To date, BACS has enrolled 28 households in the first cohort of Hayward's SRS program and all but one remain enrolled. Current participants entered the program between November of 2022 and January of 2023 and may remain in the program until spring of 2024, with the end date determined by when they began to receive subsidies. Participants are estimated to have received a total of approximately \$95,000 between program launch and April 2023, with an average monthly subsidy of \$695 per household.

With only six months of implementation and a limited number of participating households to date, it is too early to examine outcomes of program participation. However, staff can share demographic information of who is being served by the program in its first six months of implementation. Personal demographic data provided by heads of participating households point to households in the first cohort of the SRS program (N = 28) being demographically diverse, with enrolled participants representing a range of racial groups, ages, health statuses, economic situations, and household composition. Based on this self-reported data for heads of households, there are some clear initial demographic trends:

- Households tend to be small, with nearly half (48%) of participants living in two-person households and 27% of participants living alone.
- Households with three or more members comprised less than one-third (29%) of participants.
- Households are racially and ethnically diverse:⁸
 - 39% of households identify as Hispanic/Latinx
 - 39% of households identify as Black/African American
 - 39% of households identify as White
- Just over one in five (23%) households are headed by a single parent and over half of all households include children under 18 (54%).
- Most heads of household are under the age of 45 (61%), with the largest number falling between the ages of 35 and 44 (36%).
- Over a third (38%) reported that someone in the household has a major health issue or disability.

On average, participating households have an income of \$19,787 per year, but about one-third (31%) have incomes of less than \$15,000 per year. The data suggests that the typical enrolled participant representing their household earns the equivalent of approximately \$9.50 per hour (based on a 40-hour work week), which is \$6.00 less than the Hayward minimum wage for small businesses and \$6.83 less than minimum wage for businesses with more than 25 employees.

⁸ Categories are not exclusive, which is why totals exceed 100%

As implementation continues, staff will work with CSU East Bay faculty to evaluate additional progress and outcome measures for participating households.

Staff recommends Council adopt the attached resolution authorizing the City Manager to execute an amendment to the City's FY23 agreement with BACS for SRS program operation increasing the amount of the agreement from \$500,000 to \$1.5 million in ARPA funding over three years and extending the term of the agreement through December 31, 2026

STRATEGIC ROADMAP

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

Project H2, Part b Implement Let's House Hayward! Strategic Plan: Pilot Shallow Subsidy Program

ECONOMIC IMPACT

The Shallow Rental Subsidy program has a potential economic impact on both the specific households served as well as the broader Hayward community. The program reduces housing cost burden and once fully implemented will increase the available income for approximately 25 households per year for an 18-month period. Households participating in the program have been evaluated as having a high risk for homelessness based on income and housing costs. Preventing additional households from experiencing homelessness puts less economic stress on existing services, including emergency response services, the criminal justice system, emergency shelters, and other essential services.

FISCAL IMPACT

The Shallow Rental Subsidy program is funded through the City's American Rescue Plan Act (ARPA) allocation and will have no impact on the City's General Fund. Council authorized an annual allocation of \$500,000 for three years for a total ARPA allocation of \$1.5 million.

Additionally, the County has highlighted shallow subsidy programs as a priority homelessness prevention strategy. Staff will continue to communicate with the County to identify opportunities, such as Measure W, for providing ongoing funding sources for shallow subsidy programs.

PUBLIC CONTACT

The Let's House Hayward! strategic planning process was the primary mechanism for public contact and community engagement for this program. For a detailed discussion of the LHH community engagement activities, please see prior Council items.

NEXT STEPS

Following Council authorization, staff will work with BACS to execute an amendment to the existing agreement to 1) allocate the additional funding and 2) extend the term to December 31, 2026. Staff will provide implementation updates to the Homelessness-Housing Task Force.

Prepared by: Amy Cole-Bloom, Management Analyst
Rick Rivera, Management Analyst

Recommended by: Jessica Lobedan, Community Services Manager
Regina Youngblood, Assistant City Manager

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