



Office of the City Manager

CONSENT CALENDAR
June 29, 2021

To: Honorable Mayor and Members of the City Council
 From: Dee Williams-Ridley, City Manager
 Submitted by: Lisa Warhuus, Director, Health, Housing and Community Services
 Subject: Request for Proposal for Project Homekey

RECOMMENDATION

Adopt a Resolution authorizing City Manager to:

1. Release a Request for Proposals (RFP) for a Homekey Project; and
2. Allocate HOME-ARP funding and General Fund collected pursuant to Measure P, and/or other funding source, to support a future Homekey project.

FISCAL IMPACTS OF RECOMMENDATION

The RFP may lead to approval of a Homekey project which would require a local match of City funds. Approximately \$2.3M in HOME-ARP funds and current and future years of Measure P funding allocated toward permanent supportive housing for unhoused residents, and/or other source such as the Housing Trust Fund, may be available to support the acquisition, rehabilitation and/or supportive services for a future Homekey project. Staff will return to City Council in the fall with a detailed recommendation for a future development partner and funding required to submit an application to the State for Homekey funding.

CURRENT SITUATION AND ITS EFFECTS

In anticipation of the State of California Housing and Community Development (the "State") releasing a Notice of Funding Availability (NOFA) for Homekey funds later this year, the City issued a Request for Qualifications ("RFQ") on May 11, 2021, to pre-select organizations that are qualified to acquire, rehabilitate and/or operate a Homekey property. The State Homekey Program provides government entities funding to purchase and rehabilitate housing, including hotels, motels, vacant apartment buildings, and other buildings and convert them into interim or permanent, long-term housing. Under the Homekey Program, local entities partner with the State to offer this housing to serve people experiencing homelessness or who are also at risk of becoming homeless and who are impacted by the COVID-19 pandemic.

If and when the State releases its Homekey NOFA, the City will issue an RFP inviting the organizations selected through the City's RFQ process to submit a proposal for a specific property and be a joint applicant with the City for the State Homekey application. The RFQ proposals are due June 11, 2021, and staff anticipates finalizing

a list of eligible developers in early July 2021. The staff will issue an RFP for a Homekey Project as soon as the State releases its Homekey NOFA which is anticipated in September 2021. The City's Homekey RFP will require a proposal for a specific property and staff expect that bidders will request matching funds from the City. To maximize the amount of funds requested from the State Homekey Program, the City/Developer Homekey application must show a match of local/private funds ranging from \$50,000 to \$100,000 per unit, which combined with State match would result in a total of \$200,000 to \$250,000 per unit. Staff recommends using HOME-ARP and General Fund collected pursuant to Measure P to support a future Homekey project.

In April of this year, the federal Department of Housing and Urban Development (HUD) informed the City that it has awarded the City \$2.7M in HOME Investment Partnerships Program – American Rescue Plan (HOME-ARP) funds in addition to the City's regular allocation of HOME funds. This is one-time funding to address homeless assistance needs by creating affordable housing or non-congregate shelter units and allows for 15% of the funds to be used for program delivery. Later in the year, HUD will issue an implementing notice providing additional guidance on HOME-ARP. These funds are available for expenditure until September 2030. Staff recommend using \$2.3M of these funds for a Homekey project.

General Fund collected pursuant to Measure P are also available for a permanent supportive housing project such as Homekey. City Council allocated \$2.5M in Measure P funds for permanent supportive housing in June 2020. Of this amount, Council subsequently set aside approximately \$900,000 per year for the Step-Up Housing Program, leaving \$1.6M available each year for a permanent supportive housing project. Staff recommend allocating four years (Fiscal Years 2022 through 2026) of Measure P funds for a Homekey project. However, depending on the size and costs of a future acquisition, staff will also consider alternative possible funding sources should they become available and/or be more appropriate to the project.

Prior to City Council review, the Housing Advisory Commission (HAC) and Homeless Panel of Experts (HPOE) will have the opportunity to consider staff recommendation of the Homekey project, including the selection of the developer and request for a specific amount of City funds.

Issuing an RFP for a Homekey project is a Strategic Plan Priority Project, advancing our goal to create affordable housing and housing support services for our most vulnerable community members. The funds will be used to support conversion of an existing hotel, motel, other existing residential building or non-residential structure into permanent affordable housing for households with extremely low incomes and are experiencing homelessness or at risk of homelessness.

BACKGROUND

In July 2020, the State of California Department of Housing and Community

Development (the “State”) established its Homekey Program¹ and released a first Notice of Funding Availability (NOFA) for the program, which is now closed. The State is expected to issue a second NOFA in September 2021.

Staff is interested in applying for State Homekey funds along with a qualified affordable housing developer. This is an opportunity for the City to make an immediate impact on creating long-term, permanent supportive housing for Berkeley, leveraging limited City funds with State funds created specifically for this purpose. Per the Homekey requirements, residents will have extremely low incomes (ELI) (defined as up to 30% of the Area Median Income) and have experienced homelessness or be at risk of homelessness. To ensure long-term affordability of these units, the City will record a 55-year regulatory on property. Since the purpose of the State Homekey program is to mitigate the spread of COVID-19 among the homeless, the preference is to serve those who are experiencing homelessness. If COVID-19 is no longer a prevalent illness in the future, the requirement to serve households with COVID-19 may not be required.

If Council approves, the City will partner with a developer and submit a joint application for one Homekey Project. Per the first Homekey NOFA issued in July 2020, the State required applicants to demonstrate a 5-year commitment of operating funds, two years of which could be requested as part of the Homekey application from the State General Fund. The State also required a match for acquisition/construction costs over \$100,000 per unit. To receive an additional amount up to \$50,000 the State required a 1:1 match, which would provide an additional \$100,000 per unit (State plus applicant’s match of \$50K/unit). The second additional amount up to \$50,000 required a 2:1 to provide another \$150,000 (State plus applicant’s match of \$100K/unit). Assuming the match requirements stay the same, the total amount of funds available for a project would be \$200,000 to \$250,000 per unit. The RFP will include criteria pertaining to an applicant’s ability to secure non-City sources for these match funds. The City should also be prepared to commit local funds to help meet the match requirements of the State Homekey program, if needed.

While the City cannot, at this time, state the amount of funding it would commit to a project, the RFP will list any City funds available for acquisition, improvements, and/or services. In the fall, staff will submit a proposal to City Council for consideration of a Homekey project along with a request for City funds, and authorization to submit an application for State Homekey funding. The Housing Advisory Commission (HAC) and the Homeless Panel of Experts (HPOE) would also have the opportunity to consider staff recommendation prior to City Council review.

ENVIRONMENTAL SUSTAINABILITY

There are no identifiable direct environmental sustainability impact associated with the adoption of this recommendation. A future Homekey project would involve reusing or re-

¹ For more information, see: <https://www.hcd.ca.gov/grants-funding/active-funding/Homekey.shtml>

purposing an existing hotel, motel, other residential or non-residential structure to permanent supportive housing. The work would entail rehabilitating the housing units to be more energy efficient to the extent possible. Staff would also be required to perform an environmental review of the project as required when using federal funds (HOME, ESG-CV) which includes recommendations for mitigating environmental impacts if needed.

RATIONALE FOR RECOMMENDATION

The State Homekey Program provides funding to convert existing buildings into permanent supportive housing. The City has the opportunity to leverage limited City funds with the State funds created for this purpose. By issuing this City Homekey RFP, the City will identify a viable project and developer partner to submit a joint application for Homekey funding if and when the State releases its Homekey NOFA.

ALTERNATIVE ACTIONS CONSIDERED

State Homekey grant funding is available to local public entities, like the City, to purchase and rehabilitate existing housing or other non-residential structures and convert them to interim or permanent, long-term housing. The City does not own properties nor do we develop, own or operate affordable housing developments. Therefore, staff is recommending issuing the RFP to seek proposals from qualified, experienced developers, owners/operators of permanent supportive housing to help the City meet its goals of creating long-term affordable housing for the most vulnerable in our community.

CONTACT PERSON

Lourdes Chang, Community Development Project Coordinator, HHCS, 981-5263

Attachments:

1: Resolution

RESOLUTION NO. ##,###-N.S.

ISSUING A REQUEST FOR FUNDING FOR A HOMEKEY PROJECT TO CREATE
LONG-TERM, PERMANENT SUPPORTIVE HOUSING

WHEREAS, the City of Berkeley (“City”) is interested in partnering with a qualified housing developer to create permanent supportive housing for residents who are experiencing homelessness or at risk of homelessness; and

WHEREAS, in July 2020, the State of California Housing and Community Development (“State”) created the State Homekey Program and issued its first Notice of Funding Availability (NOFA) to fund the conversion of existing residential buildings, such as hotels, motels, other residential buildings and non-residential structures, to permanent supportive housing for residents who are homeless or at risk of being homeless and have been impacted by COVID-19; and

WHEREAS, in anticipation of the State issuing a second Homekey NOFA later this year, the City issued a Request for Qualifications (“RFQ”) on May 11, 2021, to solicit interest from developers with experience in acquisition, rehabilitation, operating and/or management of affordable housing and provision of resident and supportive services; and

WHEREAS, through the RFQ the City will develop an eligible list of organizations who would be asked to submit proposals for a specific property and be a joint applicant with the City if and when the State issues a second Homekey Program NOFA; and

WHEREAS, the State Homekey Program may require a match of local and private funds to maximize the amount of State Homekey funds awarded to a project; and

WHEREAS, City staff have identified potential sources of City that may be used to fulfill the match requirement.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is hereby authorized to issue a Request for Proposal (RFP) for a Homekey project in the City of Berkeley to create long-term, permanent supportive housing for residents who are homeless or are at risk of being homeless; and

BE IT FURTHER RESOLVED that City Manager is hereby authorized to use the following funds to support a future Homekey project: HOME Investment Partnerships Program – American Rescue Plan (HOME-ARP), and General Fund collected pursuant to Measure P.

