



URGENT ITEM AGENDA MATERIAL

Government Code Section 54954.2(b)
Rules of Procedure Chapter III.C.5

THIS ITEM IS NOT YET AGENDIZED AND MAY OR MAY NOT BE ACCEPTED FOR THE AGENDA AS A LATE ITEM, SUBJECT TO THE CITY COUNCIL'S DISCRETION ACCORDING TO BROWN ACT RULES

Meeting Date: March 12, 2024

Item Description: Revised Resolution for a Joint Homekey Application for University Homes

This item is submitted pursuant to the provision checked below:

- Emergency Situation (54954.2(b)(1) - majority vote required)
Determination by a majority vote of the legislative body that an emergency situation exists, as defined in Section 54956.5.
- Immediate Action Required (54954.2(b)(2) - two-thirds vote required)
There is a need to take immediate action and the need for action came to the attention of the local agency subsequent to the agenda for this meeting being posted.

Once the item is added to the agenda (Consent or Action) it must be passed by the standard required vote threshold (majority, two-thirds, or 7/9).

Facts supporting the addition of the item to the agenda under Section 54954.2(b) and Chapter III.C.5 of the Rules of Procedure:

On March 21, 2023 and September 19, 2023, City Council adopted resolutions authorizing a joint application with Housing Consortium of the East Bay (HCEB) and Memar Properties, Inc. to the State of California's Homekey Program to purchase the Rodeway Inn and convert the building to permanent supportive housing. The project will be called University Homes, and will be owned by a limited partnership made up of HCEB and Memar. The State released a NOFA for the Homekey program on March 29th, 2023, and the City, Memar, and HCEB submitted a joint application on May 10th.

The State notified Health, Housing, and Community Services (HHCS) staff on **March 4, 2024** that the City is required to submit a revised authorizing resolution with the following changes:

- define the City as Applicant #1 instead of Co-Applicant
- add HCEB/MPI University Homes, LP as Co-Applicant #3

HCD will not issue the Homekey Standard Agreement for University Homes until they receive a revised resolution. A delay in the Standard Agreement will have a material financial impact to the City as the current lease and interim housing operations will need to be extended until the Standard Agreement is issued, signed, and the subsequent acquisition occurs.



Office of the City Manager

CONSENT CALENDAR
March 12, 2024

To: Honorable Mayor and Members of the City Council
From: Dee Williams-Ridley, City Manager
Submitted by: Margot Ernst, Interim Deputy Director, Health, Housing, and Community Services
Subject: Revised Resolution for a Joint Homekey Application for University Homes

RECOMMENDATION

Adopt a revised Resolution approving the following actions in support of the University Homes Homekey project by:

1. Authorizing the City Manager or her designee to prepare and submit a joint application together with Housing Consortium of the East Bay (HCEB) and Memar Properties, Inc. (Memar) for the State of California Housing and Community Development (HCD) Department's Homekey program for the University Homes permanent supportive housing project.
2. Authorizing the City Manager or her designee to take actions needed for the City's participation in HCD's Homekey program, including entering into HCD's Standard Agreement and any amendments.

FISCAL IMPACTS OF RECOMMENDATION

HCD awarded the University Homes project \$14.1M in State Homekey funds to support the acquisition, renovation, and operation of the project. The \$8.5M in City funds already reserved in Resolution No. 70,736-N.S. constitute the required match under the program.

The City will not receive the HCD Homekey funds directly. Instead, the funds will go to HCEB/MPI University Homes, LP, the limited partnership made up of HCEB and Memar.

CURRENT SITUATION AND ITS EFFECTS

HCD announced the latest round of Homekey awards in December 2023, including the award to convert the University Inn (formerly known as the Rodeway Inn) to permanent supportive housing for formerly homeless individuals. Since the award, City staff and the co-applicants have been working closely with the State in anticipation of closing the HCD contract this spring. On March 4, 2024, HCD requested some non-substantive

corrections to the authorizing resolution (Resolution No. 71,043-N.S.) that Council adopted on September 19, 2023. HCD will not issue its Standard Agreement until the corrections are addressed. A delay in the Standard Agreement will have a material financial impact to the City as the current lease and interim housing operations will need to be extended until the Standard Agreement is issued, signed, and the subsequent acquisition occurs.

This report contains a proposed resolution (Attachment 1 to this report) that incorporates HCD's required changes to Resolution No. 71,043-N.S. For clarity as to exactly what changes are being requested, a redlined version of Resolution No. 71,043-N.S. is included as Attachment 2.

Due to delays in the State's process, we will not be able to meet the original closing target of March 31, 2024, when the City's lease for the University Inn is set to expire. The City has been operating the University Inn as interim housing, and HCEB is currently providing supportive services to the residents. The lease extension and services contract extension will come before Council for consideration on March 26, the exact duration and cost of which will be partly determined by whether Council adopts this recommendation.

BACKGROUND

Homekey is an HCD program that provides government entities with funding to purchase and rehabilitate properties, including hotels, motels, and vacant apartment buildings, and convert them into interim or permanent housing. Homekey projects serve people experiencing homelessness or who are also at risk of becoming homeless. The program typically provides funding of up to \$200,000 per unit (depending on unit type), and may increase the subsidy if there are local matching funds.

In anticipation of HCD's Homekey NOFA release, the City issued a Request for Proposals (RFP) on November 29, 2022 to select an eligible Homekey project and development team. The RFP included \$8.5M in City funds, including General Funds received pursuant to Measure P and Measure U1. HHCS received two proposals to convert interim housing to permanent supportive housing: one from Memar Properties, Inc. and HCEB for the University Homes project and another from Insight Housing. Based on careful review of the proposals, the projects' feasibility, applicant experience with the Homekey program, and an evaluation of development team capacity, staff recommended selection of the University Homes project.

Council already acted to approve moving forward with this proposal, adopting three related resolutions on March 21, 2023. Resolution 70,736-N.S. reserved \$8.5M in City general funds to support acquisition, development, and operating costs, as well as an additional \$1M to continue operating Rodeway Inn as interim housing prior to permanent housing conversion. Resolution 70,737-N.S. authorized the City's joint application, as well as the inclusion of a project preference for homeless individuals in

Berkeley to the extent allowable under the coordinated entry system and all other applicable laws and regulations. Resolution 70,738-N.S. was another authorizing resolution using the structure and language required by HCD.

HCD released the Notice of Funding Availability (NOFA) for the Homekey program's third round of funding on March 29th, 2023, and the joint application for the University Inn project was submitted on May 10th. In September 2023, Council adopted Resolution 71,043-N.S., which replaced Resolution 70,738-N.S. and incorporated the State's then-current resolution language. HCD approved the Homekey award in December 2023, but requires additional documentation before issuing their Standard Agreement for the project. The Standard Agreement must be executed before the State will disburse any funds to the project. This resolution will replace Resolution No. 71,043-N.S.. Any alterations to HCD's approved resolution language will jeopardize final approval of the Standard Agreement and the project's access to the awarded Homekey funds.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

The project will involve the acquisition and renovation of an existing property, which is generally considered a more sustainable type of development.

RATIONALE FOR RECOMMENDATION

Creation of permanent supportive housing through a partnership with Memar and HCEB will support chronically unhoused individuals in the City, and will bring new permanent supportive housing units online on an expedited timeline. Adopting this revised resolution will ensure that the project moves forward as previously authorized by Council via the authorizing Resolutions (Resolutions No. 70, 737-N.S., 70,738-N.S., and 71,043-N.S.).

ALTERNATIVE ACTIONS CONSIDERED

Since the City Council already adopted Resolutions in March 2023 and September 2023 authorizing participation on the Homekey project for University Homes, and this revised Resolution is necessary to move the project forward and execute the Standard Agreement, no other alternatives were considered.

CONTACT PERSON

Jenny Wyant, Senior Community Development Project Coordinator, HHCS, 510-981-5228

Attachment:

- 1: Revised Resolution
- 2: Resolution No. 71,043-N.S. Redlined

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

RESOLUTION OF THE GOVERNING BODY OF CITY OF BERKELEY AUTHORIZING
JOINT APPLICATION TO AND PARTICIPATION IN THE HOMEKEY PROGRAM FOR
UNIVERSITY INN

WHEREAS, The Department of Housing and Community Development (“Department”) has issued a Notice of Funding Availability, dated March 29, 2023 (“NOFA”), for the Homekey Program (“Homekey” or “Program”). The Department has issued the NOFA for Homekey grant funds pursuant to Health and Safety Code section 50675.1.3 (Assem. Bill No. 140 (2021-2022 Reg. Sess.), § 20.); and

WHEREAS, City of Berkeley (“Applicant #1”) desires to jointly apply for Homekey grant funds with Housing Consortium of the East Bay (Co-Applicant #1), Memar Properties, Inc. dba MPI Homes (Co-Applicant #2), and HCEB/MPI University Homes, LP (Co-Applicant #3) (collectively, the “Corporation”). Therefore, Applicant #1 is joining Corporation in the submittal of an application for Homekey funds (“Application”) to the Department for review and consideration; and

WHEREAS, The Department is authorized to administer Homekey pursuant to the Multifamily Housing Program (Chapter 6.7 (commencing with Section 50675) of Part 2 of Division 31 of the Health and Safety Code). Homekey funding allocations are subject to the terms and conditions of the NOFA, the Application, the Department-approved STD 213, Standard Agreement (“Standard Agreement”), and all other legal requirements of the Homekey Program.

NOW THEREFORE, BE IT RESOLVED that Applicant #1 is hereby authorized and directed to submit a joint Application to the Department in response to the NOFA, and to jointly apply for Homekey grant funds in a total amount not to exceed \$30,000,000.

BE IT FURTHER RESOLVED that if the Application is approved, Applicant #1 is hereby authorized and directed to enter into, execute, and deliver a Standard Agreement in a total amount not to exceed \$30,000,000, any and all other documents required or deemed necessary or appropriate to secure the Homekey funds from the Department and to participate in the Homekey Program, and all amendments thereto (collectively, the “Homekey Documents”).

BE IT FURTHER RESOLVED that Applicant #1 acknowledges and agrees that it shall be subject to the terms and conditions specified in the Standard Agreement, and that the NOFA and Application will be incorporated in the Standard Agreement by reference and made a part thereof. Any and all activities, expenditures, information, and timelines represented in the Application are enforceable through the Standard Agreement. Funds are to be used for the allowable expenditures and activities identified in the Standard Agreement.

BE IT FURTHER RESOLVED that the City Manager or her designee is authorized to execute the Application and the Homekey Documents on behalf of Applicant #1 for participation in the Homekey Program.

Resolution No. 71,043-N.S. Redlined

RESOLUTION OF THE GOVERNING BODY OF CITY OF BERKELEY AUTHORIZING
JOINT APPLICATION TO AND PARTICIPATION IN THE HOMEKEY PROGRAM FOR
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BE IT FURTHER RESOLVED that the City Manager or her designee is authorized to execute the Application and the Homekey Documents on behalf of ~~Ge~~-Applicant #1 for participation in the Homekey Program.