



Office of the City Manager

CONSENT CALENDAR
December 14, 2021

To: Honorable Mayor and Members of the City Council
 From: Dee Williams-Ridley, City Manager
 Submitted by: Lisa Warhuus, Director, Health, Housing & Community Services
 Subject: Funding Recommendation and Joint Homekey Application for Golden Bear Inn at 1620 San Pablo

RECOMMENDATION

Adopt three Resolutions approving the following actions in support of a Homekey program funding allocation by:

1. Reserving up to \$8,463,535 in affordable housing funds for the Golden Bear Inn permanent supportive housing project at 1620 San Pablo as proposed by a partnership between Memar Properties and Bay Area Community Services (BACS);
2. Authorizing the City Manager or her designee to prepare and submit a joint application together with Memar Properties and BACS for the State of California Housing and Community Development (HCD) Department's Homekey program for the Golden Bear Inn permanent supportive housing project.
3. Authorizing the City Manager or her designee to take actions needed for the City's participation in HCD's Homekey program, including entering into the State's Standard Agreement and any amendments.
4. Authorizing the City Manager or her designee to execute all original or amended documents or agreements to effectuate these actions.

FISCAL IMPACTS OF RECOMMENDATION

The first attached resolution would reserve \$8,463,535 in City affordable housing funds, including general funds received pursuant to Measure P, federal HOME Investment - American Rescue Plan (HOME-ARP) funds, and Permanent Local Housing Allocation (PLHA) funds.

If the joint application to the Homekey program is successful, the City will not receive the \$15.7 million requested; rather, these funds will go directly to Memar Properties and BACS or the entity they create to finance this project.

The project will need ongoing operating support after the proposed capitalized operating reserves are expended (expected in the eighth year of property operations). No reservation of operating funds is recommended at this time. Staff will work with the development team to identify sources of funds to support the long-term operations of this project.

CURRENT SITUATION AND ITS EFFECTS

The City issued a Request for Proposals (RFP) on October 5, 2021 to solicit proposals for projects eligible for HCD's Homekey program funds. The RFP included \$8,463,535 in City funds, including \$5M in general funds received pursuant to Measure P, \$2,325,341 in federal HOME-ARP funds, and \$1,138,194 in PLHA funds.

The City received one proposal in response to the RFP. It was from the development team of BACS and Memar Properties, Inc. (Memar). BACS and Memar requested City funds to support the conversion of the Golden Bear Inn (located at 1620 San Pablo) into permanent supportive housing for people experiencing chronic homelessness. Forty-three of the 44 rooms would be affordable to households earning up to 30% of the area median income (AMI), with the other unit set aside for the resident manager. BACS would act as the service provider and property manager, and would select tenants through the Countywide Coordinated Entry System (CES). The development team proposed prioritizing residents exiting Project RoomKey (which provided temporary housing for people experiencing homelessness and impacted by COVID 19), which could include residents at Berkeley's Rodeway Inn.

The proposed project is eligible for an estimated \$15.7M in HCD Homekey funds, including three years of operating subsidy. The development team secured a preliminary commitment from Alameda County Health Care Services Agency to fund \$350k-\$400k/year in services (starting in year four), although no specific funding has been identified, and full commitment for the services funding would need Board of Supervisors approval.

The proposed project would provide permanent supportive housing for 43 formerly homeless households, and would require significant and ongoing operating subsidies. A portion of the HCD Homekey funds and City funds would be used for capitalized operating reserves to support the project's first seven years of operations. However, the development team did not identify a source of funds for the operating subsidy in year 8 and onwards. The project would need approximately \$506k in subsidies in year 8, increasing at a rate of 3.5% annually to \$644k in year 15. BACS, Memar, and the City will work together to identify potential sources of funding to support the project's long-term operations.

In order to access HCD's Homekey program funds, the City will need to jointly apply with BACS and Memar and provide matching funds. The City's Measure P General Funds, HOME-ARP, and PLHA funds constitute the required match. In order for the

project to receive the Homekey funds, the City will be required to enter into the State's Standard Agreement for the project but will not receive any funds directly. The Standard Agreement will be 55 years for permanent housing. The City will also execute loan documents with the development team. Staff recommend that the City enter into a side agreement clarifying responsibilities between BACS and Memar and the City for the joint application for Homekey funds. The City entered into similar side agreements with developers for other state funding programs. The second attached resolution will provide the City Manager with that authority.

Reserving funds for affordable housing projects and jointly applying for Homekey funds are Strategic Plan Priority Projects; advancing our goals to create affordable housing and housing support services for our most vulnerable community members and to champion and demonstrate social and racial equity.

BACKGROUND

On September 9, 2021, HCD released a Notice of Funding Availability (NOFA) for \$1.45B of Homekey funds. HCD established its Homekey program to provide 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 HCD to create housing to serve people experiencing homelessness or at risk of homelessness and who are inherently impacted by or at increased risk for medical diseases or conditions due to the COVID 19 pandemic or other communicable diseases. HCD is accepting applications for Homekey projects on a rolling basis through May 2, 2022 or until all Homekey funds are allocated. Applications submitted before January 31, 2022 are eligible for a higher subsidy.

In anticipation of HCD's Homekey NOFA release, the City of Berkeley proactively issued a Request for Qualifications (RFQ) to pre-select qualified organizations to rehabilitate and/or operate a Homekey property with a goal of submitting an application to the State before January 31, 2022. BACS and Memar were selected as a qualified team. On June 29, 2021, City Council approved the issuance of the City's Homekey RFP, and authorized the use of HOME-ARP funds and general funds from Measure P to support a Homekey Project. Due to the constrained timeline and the City's desire to submit an application to HCD as soon as is feasible, this specific Homekey project proposal was not reviewed by either the Homeless Services Panel of Experts (HSPE) or the Housing Advisory Commission (HAC). However, both commissions took action to support a future Homekey project more generally.

On April 28, 2021, the HSPE took the following action:

Action: M/S/C Marasovic/Sherman HSPE recommends that at least \$3,000,000 of Measure P funding be leveraged with other sources of funding towards the Homekey Project for the purchase of hotels to house persons experiencing homelessness.

Vote: Ayes: Marasovic, Scheider, Sherman, Wehrman. Noes: None. Abstain: None. Absent: Bookstein, Whitson.

On September 30, 2021, the HAC took the following action:

Action: M/S/C (Tregub/Sargent) to recommend to City Council to approve funding for a Project Homekey housing development, to be selected through a competitive process based on applicant qualifications, project feasibility, and assessment of competitiveness for State of California Project Homekey funds.

Vote: Ayes: Lee-Egan, Mendonca, Potter, Rodriguez, Sanidad, Sargent, Simon-Weisberg, and Tregub. Noes: None. Abstain: None. Absent: Fain (unexcused) and Johnson (excused).

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

There are no environmental sustainability effects directly associated with the recommendations in this report. If the City's funding application is successful, the Golden Bear Inn will be acquired and rehabilitated, which is generally considered a more sustainable type of development.

RATIONALE FOR RECOMMENDATION

Conversion of the Golden Bear Inn to permanent supportive housing through a partnership with Memar and BACS will support chronically homeless individuals in the City, and will bring new permanent supportive housing units online on an expedited timeline.

ALTERNATIVE ACTIONS CONSIDERED

The City could decline to participate in the Homekey program. Since that would not be consistent with the City's Strategic Plan to increase affordable housing opportunities, staff are recommending participation as described above.

CONTACT PERSON

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

Attachments:

- 1: Resolution (Approval of the Funding Reservation for the Golden Bearn Inn Homekey Project)
- 2: Resolution (Joint Application for Homekey Funds for Golden Bear Inn Homekey Project Located at 1620 San Pablo)
- 3: Resolution (Authorizing Joint Application to and Participation in the Homekey Program for Golden Bear Inn)

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

APPROVAL OF THE FUNDING RESERVATION FOR THE GOLDEN BEAR INN
HOMEKEY PROJECT

WHEREAS, and 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 Department (“HCD”) 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 HCD issuing a second Homekey NOFA, 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 developed a list of eligible organizations; and

WHEREAS, on June 29, 2021, Council authorized issuing a Homekey Request for Proposals (RFP), and approved the use of HOME-ARP and general funds from Measure P for a future Homekey project; and

WHEREAS, HCD issued its second Homekey NOFA on September 9, 2021; and

WHEREAS, on October 5, 2021, the City issued an RFP to solicit proposals for Homekey-eligible projects from the organizations pre-qualified through the RFQ, and subsequently received one proposal; and

WHEREAS, Bay Area Community Services (BACS) and Memar Properties, Inc. (Memar) requested City funds to support the conversion of the Golden Bearn Inn to permanent supportive housing.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the Council approves \$8,463,535 in funding reservations from HOME-ARP, general funds received pursuant to Measure P, and the City’s Permanent Local Housing Allocation for the Golden Bear Inn Homekey project.

BE IT FURTHER RESOLVED that funds shall be reserved for a period of no more than 12 months from the date of this Resolution, contingent on the development team obtaining all required land use approvals and securing commitments for project funding that the City Manager or her designee deems sufficient within the reservation period.

BE IT FURTHER RESOLVED that all funding reservations are conditioned upon the completion of the environmental review process, except as authorized by 24 CFR, Part 58, and that should HOME and/or CDBG funds constitute a portion of the funding for any project, a final commitment of HOME and/or CDBG funds shall occur only upon the satisfactory completion of the appropriate level of environmental review and also upon the receipt of approval of the request for release of funds and related certification from the U.S. Department of Housing and Urban Development, when applicable. The funding reservation for any of the HOME and/or CDBG funded projects is conditioned upon the City of Berkeley's determination to proceed with, modify, or cancel the project based on the results of subsequent environmental review under the National Environmental Policy Act.

BE IT FURTHER RESOLVED that the making of each loan shall be contingent on and subject to such other appropriate terms and conditions as the City Manager or her designee may establish.

BE IT FURTHER RESOLVED the City Manager, or her designee, is hereby authorized to execute all original or amended documents or agreements to effectuate this action; a signed copy of said documents, agreements and any amendments will be kept on file in the Office of City Clerk.

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

JOINT APPLICATION FOR HOMEKEY FUNDS FOR GOLDEN BEAR INN HOMEKEY
PROJECT LOCATED AT 1620 SAN PABLO

WHEREAS, the City of Berkeley (City) is considering a request for acquisition, development, and operation subsidies funding from Bay Area Community Services (BACS) and Memar Properties, Inc. (Memar) related to the development of Golden Bear Inn Homekey project, located at 1620 San Pablo; and

WHEREAS, On September 9, 2021, the State of California Housing and Community Development Department ("HCD") released a Notice of Funding Availability for \$1.45B of Homekey funds; and

WHEREAS, in order for BACS and Memar to pursue HCD funding through the Homekey program, BACS and Memar must submit a joint application with either the City or Alameda County; and

WHEREAS, the County will not provide match nor submit a joint application for projects not located in the Unincorporated area, and therefore, BACS and Memar have requested the City to submit a joint application; and

WHEREAS, the City may be required to accept a portion of the project's liability as a condition of the joint application, though the risk may be mitigated by a side agreement negotiated between the City and BACS and Memar.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that it approves the submission of a joint application with BACS and Memar or their affiliate for the Homekey application for Golden Bear Inn Homekey project.

BE IT FURTHER RESOLVED that the City Manager shall work to mitigate risk to the City from serving as a joint applicant, including negotiating an agreement with BACS and Memar regarding mutual responsibilities.

BE IT FURTHER RESOLVED that the City Manager, or her designee, is authorized to execute in the name of Applicant the Homekey Program Application Package and the Homekey Program Documents as required by the Department for participation in the Homekey program.

BE IT FURTHER RESOLVED that the City Manager, or her designee, is hereby authorized to execute all original or amended documents or agreements to effectuate this action; a signed copy of said documents, agreements, and any amendments will be kept on file in the Office of the City Clerk.

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

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

WHEREAS, The Department of Housing and Community Development (“Department”) has issued a Notice of Funding Availability, dated September 9, 2021 (“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 (Assembly Bill No. 140 (2021-2022 Reg. Sess.), § 20.).

WHEREAS, CITY OF BERKELEY (“Co-Applicant”) desires to jointly apply for Homekey grant funds with BAY AREA COMMUNITY SERVICES AND MEMAR PROPERTIES (“Corporation”). Therefore, Co-Applicant is joining Corporation in the submittal of an application for Homekey funds (“Application”) to the Department for review and consideration.

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 Co-Applicant 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 \$15,745,000.

BE IT FURTHER RESOLVED that if the Application is approved, Co-Applicant is hereby authorized and directed to enter into, execute, and deliver a Standard Agreement in a total amount not to exceed \$15,745,000, 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 Co-Applicant 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 Co-Applicant for participation in the Homekey Program.