



CITY OF OAKLAND

AGENDA REPORT

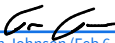
TO: Jestin D. Johnson
City Administrator

FROM: Emily Weinstein
Director, Housing and
Community Development

SUBJECT: 2025 California Department of
Housing and Community
Development Homekey+ Resolutions

DATE: February 5, 2025

City Administrator Approval


Jestin Johnson (Feb 6, 2025 14:30 PST)

Date: Feb 6, 2025

RECOMMENDATION

Staff Recommends That City Council Adopt The Following Resolutions:

- 1. A Resolution Authorizing The City To Apply For, Accept, And Appropriate Funds As A Local Agency Joint Partner Under The California Department Of Housing And Community Development's Homekey + Program For The Mark Twain Homes Affordable Housing Project (13525 Lyon Avenue) In An Amount Not To Exceed \$35,000,000 And Making Related California Environmental Quality Act Findings; And**
- 2. Resolution Authorizing The City To Apply For, Accept, And Appropriate Funds As A Local Agency Joint Partner Under The California Department Of Housing And Community Development's Homekey + Program For 2700 International Apartments Affordable Housing Project (2700 International Boulevard) In An Amount Not To Exceed \$35,000,000 And Making Related California Environmental Quality Act Findings; And**
- 3. A Resolution Authorizing The City To Apply For, Accept, And Appropriate Funds As A Local Agency Joint Partner Under The California Department Of Housing And Community Development's Homekey + Program For The 34th And San Pablo (3419 San Pablo Avenue) Project In An Amount Not To Exceed \$35,000,000, And Making Related California Environmental Quality Act Findings; And**
- 4. A Resolution Authorizing The City To Apply For, Accept, And Appropriate Funds As A Local Agency Joint Partner Under The California Department**

City Council
February 18, 2025

Of Housing And Community Development's Homekey + Program For The Maya Hotel Affordable Housing Project At 4715 Telegraph Avenue In An Amount Not To Exceed \$8,500,000, And Making Related California Environmental Quality Act Findings

EXECUTIVE SUMMARY

Homekey+ expands the California Department of Housing and Community Development's (State) Homekey program. This program finances the acquisition and rehabilitation of hotels, motels, and other structures to provide permanent supportive housing (PSH) for individuals or households with an individual who is homeless, chronically homeless, or at risk of being homeless and who is also living with a behavioral health challenge.

The State recently released draft resolution templates that must be submitted with the funding applications. Resolutions must be passed for each individual project application, and applications are due on a rolling basis. As such, prompt application submission is imperative since funding for this competitive State program will be reviewed on a first-come, first served basis.

Resolution 89976¹, C.M.S. authorizes the City Administrator or their designee to apply as a local agency partner for funds for affordable housing development grants from the California Department of Housing and Community Development program through the Homekey/Rapid Response Homeless Housing (R2H2) RFP. One, The Maya Hotel was selected to apply for Homekey+ through the RFP process and three additional projects – Mark Twain Homes, 2700 International and 34th & San Pablo-- were selected and awarded through prior HCD New Construction Notices of Funding Availabilities (NOFAs). Changes to the Homekey program have created a potential Homekey+ financing pathway for these previously city-awarded projects to pursue Homekey+ gap funding. These three projects already received funding awards through HCD's competitive new construction NOFAs however still require an assessment of financial feasibility and program alignment within the State's new Homekey + program requirements, in which case the applicants may decide not to apply. However, in preparation for the possible submission of applications for State funding, HCD requests that Council approve resolutions for each project should they decide to apply. A summary of each Homekey+ proposal is included below in **Table 1**.

Adopting these proposed resolutions would allow HCD to comply with the State's requirements and expedite application submissions for review and consideration for Homekey+ funding awards. HCD recommends that the Council adopt four (4) resolutions, one per project.

BACKGROUND / LEGISLATIVE HISTORY

Oakland HCD's Homekey program has been effective in increasing the stock of housing for people experiencing homelessness, or those who are at-risk of becoming unhoused. The City of

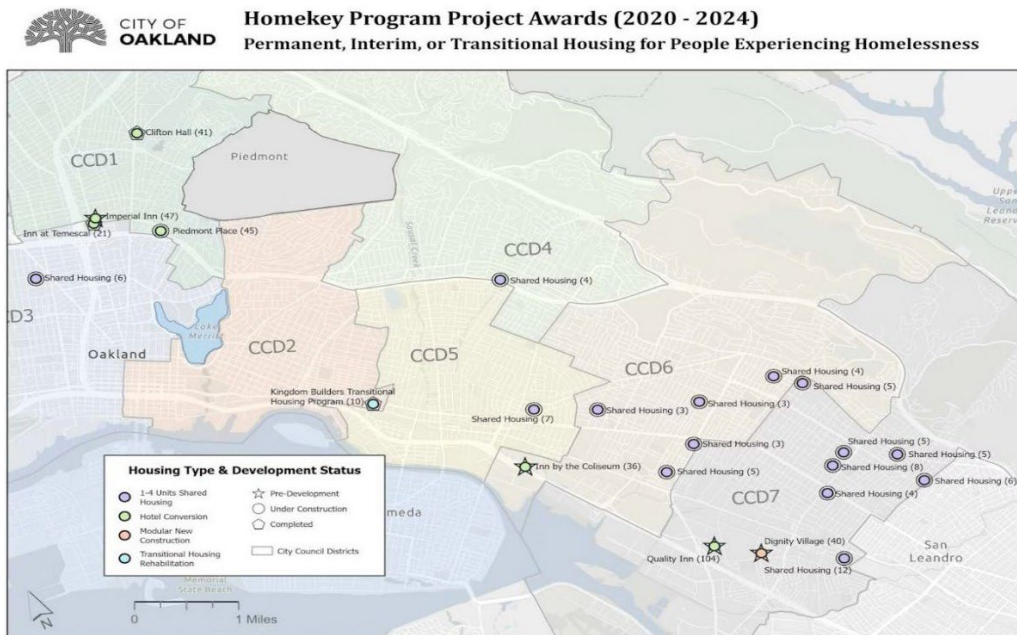
¹ <https://oakland.legistar.com/LegislationDetail.aspx?ID=6371994&GUID=93933F08-4BD1-45AF-82B2-7C7524967019&Options=ID|Text|&Search=89976>

Oakland has won nine awards across three rounds of Homekey funding totaling \$104M. With these Homekey awards the city has transformed motels, college dorms, and single-family homes into approximately 468 units of PSH. These projects serve homeless seniors, veterans, transition-age youth, and formerly incarcerated individuals. Each site is intended to offer shelter and stability with shared common spaces, kitchenettes, and supportive services that assist residents retain their housing.

Table 1 below summarizes the nine Homekey projects with their respective unit counts:

Homekey Round	Project Name	Council District	Units
1	Clifton Hall	1	60
1	Inn at Temescal	3	21
1	BACS Scattered Sites	3, 4, 5, 6, 7	88
2	Piedmont Place	1	44
2	Inn by the Coliseum	6	30
2	Kingdom Builders Transitional Housing	2	34
3	Imperial Inn	1	48
3	Clara/Edes	7	40
3	Quality Inn	7	103

Picture 1 below shows a map of the awarded Homekey projects:



Homekey was developed by the California Department of Housing and Community Development (The State) in collaboration with the California Department of Veterans Affairs (CalVet). The State released a NOFA for approximately \$2.145 billion of Homekey+ grant funding. Proposition 1, passed by California voters in March 2024, includes the Behavioral Health Services Act (BHSA) and the Behavioral Health Infrastructure Bond Act (BHIBA). Homekey+ is the PSH component of the BHIBA. Homekey+ will support the development of PSH for Veterans and individuals with mental health or substance use disorder challenges who are at risk of or experiencing homelessness. The State awarded approximately \$3.572 billion over the prior three rounds of Homekey. The program requires Housing First, an evidenced-based model that connects individuals and families experiencing homelessness to permanent housing without preconditions and barriers to entry or continued tenancy, such as sobriety, treatment, or service participation requirements.

The list of eligible uses are as follows:

- A. Acquisition or Rehabilitation, or Acquisition and Rehabilitation of motels, hotels, hostels, apartments or homes, assisted living residents, manufactured housing, commercial properties, and other buildings with existing uses that could be converted to Permanent Supportive Housing (PSH).
- B. Master leasing of properties for PSH.
- C. Conversion of units from nonresidential to residential PSH. (i.e. adaptive reuse) and conversion of Interim Housing to PSH.
- D. New construction of dwelling units.
- E. Gap financing.
- F. The purchase of affordability covenants and restrictions for units.

Changes to the State Homekey program include the gap financing pathway that three prior New Construction NOFA awardees will pursue. This financing pathway allows new construction projects that have existing local and state funding commitments but are unable to secure competitive State Tax-Exempt Bonds and 4% Tax Credits to pursue funding instead through the Homekey+ program. This allows the projects to move forward serving the targeted Homekey+ populations and accelerating housing production.

Homekey+ projects are supported by laws that allow for a streamlined, ministerial approval process, provided certain conditions are met. In addition to aiding individuals experiencing homelessness, Homekey allows for the production of housing quickly and cost-effectively through adaptive reuse.

Resolution 89976 was authorized November 7, 2023 which authorized the City to issue a Homekey Round 4 Request for Proposals to solicit Homekey project proposals for the City to jointly apply with Qualified Sponsors for Round 4 Homekey grant funds. Staff evaluated submitted proposals in response to the City Homekey RFP for threshold scoring requirements.

From this RFP, one proposal named The Maya was chosen to move forward to co-apply with the City to the Homekey+ through this RFP.

ANALYSIS AND POLICY ALTERNATIVES

The service-enriched housing produced through the Homekey program reaches the deepest levels of affordability by providing urgently needed housing for residents experiencing homelessness. Homekey projects provide housing, economic, and cultural security for their residents, and the stewardship of these Homekey projects by responsible and experienced sponsors is a direct investment in holistic community safety. By 2031, 3,750 of Oakland’s newly developed units must be affordable to low-income households making between 50 and 80 percent of AMI and 6,511 units must be affordable to very low-income households earning between 0 and 50 percent of AMI. The adoption of these resolutions will aid in our ability to produce more units of housing for individuals experiencing homelessness. Homekey projects demonstrate the City’s commitment to acting as a responsive, trustworthy government by its quick process to leverage all available resources.

Table 2 below provides information on each of the Homekey+ Applications under consideration and submission to the State Homekey+ Program.

Table 2: Homekey+ Proposed Applicant Information

Project Name	Address	Council District	Project Sponsor	City Awarded Funds	Units	# of Homekey + Assisted -PSH Units	At risk of homelessness	Chronically Homeless	Homeless
Mark Twain	13525 Lyon Avenue	5 - Gallo	MPI Homes & Housing Consortium of the East Bay (HCEB)	\$13,000,000	107	107	75 at 20% AMI	32 at 20% AMI	
2700 International	2700 International Blvd	5 - Gallo	The Unity Council (TUC)	\$16,300,000	74	22	22 at 30% AMI		
34th and San Pablo	3419 San Pablo Avenue	3 - Fife	East Bay Asian Local Development Corporation (EBALDC)	\$9,733,256	60	30			30 at 30% AMI
The Maya Hotel	4715 Telegraph Ave	1 - Unger	Danco	\$8,679,642	22	22			22 at 30% AMI
Total Units					263				

Project Name	Address	Council District	Project Sponsor	City Awarded Funds	Units	# of Homekey + Assisted-PSH Units	At risk of homelessness	Chronically Homeless	Homeless
Total Units that will be HK+ Assisted PSH						181			

Project descriptions:

1. **Mark Twain Homes** is an acquisition/rehabilitation and new construction project aimed at serving homeless, chronically homeless, and at-risk populations at or below 20% AMI. The project consists of four buildings: North, South, Annex, and Office, with 102 existing special-needs units currently serving vulnerable residents at or below 30% AMI. At the time of acquisition, the physical conditions of the buildings presented health and safety risks, with some units identified as fire hazards. Therefore, a major rehabilitation of the project is required. The project will maintain the 102 existing units and add 7 new special-needs units, including 64 studios and 43 one-bedroom units. The Housing Consortium of the East Bay (HCEB) will provide supportive services. The total development costs are approximately \$44 million, with \$13 million in funding from the City of Oakland. The State award request will not exceed \$35 million.
2. **2700 International Apartments (“2700 International”)** will be a 75-unit large-family affordable and permanent supportive housing development located near the Fruitvale commercial center in Oakland. The building will include 35 1-bedroom units, 21 2-bedrooms, and 19 3-bedrooms, all for households below 60% of Area Median Income. One apartment will be reserved for an on-site manager, and 22 units will be set aside for formerly homeless veterans, 19 of which are supported by HUD-VASH vouchers. The first floor of 2700 International will accommodate 4,200 square feet of Below-Market-Rate commercial space. The occupants of these spaces will be organizations and businesses whose practices are of direct service or benefit to the neighborhood and the residents of 2700 International. The supportive services will be provided by Insight Housing (Formerly Berkeley Food and Housing Project). Total development costs are estimated at \$80,884,095 with \$16,300,000 in funding for the City of Oakland. The State award request will not exceed \$35 million.
3. **34th and San Pablo** comprises 60-unit affordable housing developments at the corner of 12th St and Harrison St in Oakland's Downtown/Chinatown neighborhood. The project is located on a vacant, infill site with access to public parks, BART, grocery stores, and health clinics. Of the units, 30 HK+ Assisted PSH will serve individuals experiencing homelessness at 30% AMI, and the remaining 30 units will be offered at 60% AMI serving individuals and families. Additionally, there is community-serving commercial space to be leased below market rate to non-profit organizations and/or arts and cultural users and will aim to help revitalize the surrounding neighborhood. The supportive services will be provided by the East Bay Asian Local Development Corporation

(EBALDC). The total development costs are estimated at \$66,480,377, with \$9,733,256 in City of Oakland Funding. The State award request will not exceed \$35 million.

4. **The Maya Hotel** is an acquisition and rehabilitation consisting of 22-unit studio units that will serve households with incomes at or below 30% AMI. The project is approximately 1/2 mile from the Bart McArthur Station and is close to public parks, the DMV, a farmer's market, and other retail establishments. Operation Dignity (OD) will provide supportive services. The total development costs are estimated at \$12,684,199, with \$8,679,642 for City of Oakland Funding. The state award request will not exceed \$8.5 million.

FISCAL IMPACT

If approved, the City will receive up to \$112,325,973 in Homekey + program grant funds from the California Department of Housing and Community Development. The allocations are indicated in **Table 3** below.

Table 3: Affordable Housing Project Allocations

Project Name	Address	Homekey + Grant Amount
Mark Twain Homes	13525 Lyon Avenue	\$ 34,333,973
2700 International Apartments	2700 International Boulevard	\$ 35,000,000
34 th and San Pablo	3419 San Pablo Avenue	\$ 35,000,000
The Maya Hotel	4715 Telegraph Avenue	\$ 7,992,000
	TOTAL	\$112,325,973

The funding requests reflected in **Table 3** are for state funds from Homekey+ and do not represent any funding requests from the City of Oakland.

The amounts reflected in **Table 3** are estimated requests from the State of California and are subject to change. For the sake of flexibility and per direction from the State of California, we are requesting authorization up to the maximum of \$35,000,000 for the first three projects and up to \$8,500,000 for the Maya.

Funding will be accepted and allocated to California Housing and Community Development Fund (2144), Project(s) To Be Determined (TBD).

PUBLIC OUTREACH / INTEREST

No direct public outreach was conducted in the completion of this report.

COORDINATION

This item was reviewed by the Budget Bureau and the Office of the City Attorney.

SUSTAINABLE OPPORTUNITIES

Economic: The homelessness crisis has an ongoing fiscal impact on the City of Oakland through an increased demand on public safety, health, and public works services. Transitioning unhoused residents into permanent housing will ultimately reduce the cost of street services and other costs associated with homeless encampments.

Environmental: No significant environmental impacts are expected from this action.

Race and Equity: According to the racial equity analysis of homelessness conducted by Oakland's Department of Race and Equity,² African American Oaklanders experience disproportionate rates of homelessness compared to their percentage of the general population. By providing more permanent supportive housing placements, this grant will help reduce the number of unhoused Oakland residents. This will consequentially reduce the impact of this racial disparity. 58% of Alameda County's Homeless population lives in Oakland, with 5,055 people in Oakland experiencing homelessness. Of the 5,055 people in Oakland experiencing homelessness, 52.5% are Black. This is compared to 21.8% of the general population who is Black.³

The Homekey funded projects that are in service combat the disproportionate effects of homelessness on Black residents in Oakland. According to the demographic data Homekey funded projects, approximately 60% of the residents living in Homekey properties are Black.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

Under CEQA, the City is required to review possible environmental impacts of all projects before a definitive commitment of funding unless the project is exempt from CEQA review. The acquisition of existing facilities is exempt from CEQA pursuant to Health and Safety Code section 50675.1.4. This statute exempts projects using Homekey+ grant funds from CEQA review and satisfies the specified conditions and the CEQA Guidelines 15301 (existing facilities) and 15326 (housing acquisition).

NATIONAL ENVIRONMENTAL PROTECTION ACT (NEPA)

For any projects receiving federal funds, the execution of grant documents or other documents legally committing the City to fund the projects shall be expressly conditioned on compliance with the requirements of NEPA, as certified by the City Administrator.

ACTION REQUESTED OF THE CITY COUNCIL

² <https://everyonehome.org/wp-content/uploads/2021/02/2021-Centering-Racial-Equity-in-Homeless-System-Design-Full-Report-FINAL.pdf>

³ <https://homelessness.acgov.org/homelessness-assets/docs/infographic/Oakland%20PIT%202024%20Infographic.pdf>

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If you have questions about this report, please contact Shalawn Garcia, Homeless Housing Development Manager, at 510-238-3715 or by email at sgarcia3@oaklandca.gov.

Jestin D. Johnson, City Administrator

Subject: 2025 California Department of Housing and Community Development Homekey+ Resolutions

Date: February 3, 2025

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Respectfully submitted,

Emily Weinstein

Emily Weinstein (Feb 6, 2025 13:34 PST)

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City Council
February 18, 2025