



AGENDA REPORT

TO: Steven Falk
Interim City Administrator

FROM: Emily Weinstein
Interim Director, Housing
and Community
Development

SUBJECT: Community Care Expansion Local
Match for 1888 MLK Project

DATE: April 26, 2023

City Administrator Approval

Date: Apr 28, 2023

RECOMMENDATION

Staff Recommends That City Council Adopt A Resolution Authorizing The City Administrator To Use The Existing City Capital Matching Funds In A Total Amount Not To Exceed \$2,600,000 To Serve As The Local Match For A State Of California Community Care Expansion Grant For The 1888 Martin Luther King Jr. Way Affordable Housing Development

EXECUTIVE SUMMARY

The Housing Consortium of the East Bay (HCEB) has reached terms to become the Managing General Partner of a new Limited Partnership that will own 1888 Martin Luther King Jr. Way, Oakland, CA 94612 (1888 MLK) with the right to operate all 88 furnished units in this newly-built apartment building as Permanent Supportive Housing for at least 30 years with an option to acquire the property outright by year five with a five year extension. HCEB anticipates filling these units with the current residents of the interim housing at the Lake Merritt Lodge. To fund this project, HCEB pursued a two prong strategy- 1) apply for \$26,000,000 from the State of California's Community Care Expansion (CCE) program and 2) apply for \$19,152,000 in State Homekey funding and a \$2,600,000 local capital match via the City of Oakland's Round 3 Homekey Request for Proposals (RFP). Although the \$2,600,000 local capital match was requested under the City's Homekey RFP, the CCE rules allow it to be double counted as the City of Oakland's (City) match for CCE too. It will be possible to operate 1888 MLK as Permanent Supportive Housing for 30 years with either CCE or Homekey. However, if both sources are received, HCEB anticipates being able to acquire the property outright. This would enable the property to extend its affordability restriction from 30 to 55 years.

The 1888 MLK project was ranked fifth in the City's Homekey Round 3 RFP scoring and was granted the requested \$2.6 million local match. This proposed resolution makes a small but important clarification- that the local match will be available for the CCE application regardless of the Homekey application outcome. HCEB applied for CCE in November 2022 and has been responding to requests for clarification that suggest CCE supports the 1888 MLK project. HCEB will likely be required to demonstrate the City's local match for CCE prior to when the outcome of the State Homekey applications are known. As the City's local match commitments for

Homekey projects are typically conditioned on the project receiving State Homekey funding, this proposed resolution would ensure that an unsuccessful Homekey application does not undermine the ability to occupy the building when construction is complete with 30 years of affordability available through CCE.

BACKGROUND / LEGISLATIVE HISTORY

The Community Care Expansion (CCE) program is an \$805 million State program created in the 2021-22 State budget to fund the acquisition, construction, and/or rehabilitation of adult and senior care facilities that serve applicants and recipients of Supplemental Security Income/State Supplementary Payment (SSI/SSP) or Cash Assistance Program for Immigrants (CAPI), who are at risk of or experiencing homelessness. A portion of these funds were made available to create new Permanent Supportive Housing.

The 1888 MLK project is an 88 studio apartment building located at 1888 Martin Luther King Jr. Way, Oakland, CA 94612. The building is under construction, and is projected to be complete and ready for occupancy by June 30, 2023.

The State of California's Homekey Round 3 program opened applications on April 24, 2023. On July 26, 2022, 89379 C.M.S.¹ authorized City staff to commit up to \$21.6 million in capital funds and \$13.7 million in operating funds to Homekey projects to projects selected via an RFP process. Staff will return to Council in summer 2023 to request Council authority to accept the State's approved Homekey awards.

ANALYSIS AND POLICY ALTERNATIVES

Oakland's Homekey Round 3 Request for Proposals (RFP) opened on October 4, 2022 and closed on November 28, 2022. The City received 10 project proposals, of which the HCEB proposal was ranked fifth (see **Table 1** below).

Table 1 – Round 3 Request for Proposal

Rank	Project Name	Sponsor	# of units	Capital requested	Operating requested	Capital funded	Operating funded
1	Imperial Inn (490 West MacArthur Blvd)	Bay Area Community Service/ Memar Properties, Inc.	48	\$4,800,000	\$2,217,051	\$4,800,000	\$2,217,051
2	Clara/Edes	DignityMoves/Five Keys	40	\$3,325,000	\$13,676,000	\$3,325,000	\$11,459,662 ²
3	Clara/Edes	Habitat for Humanity/Convent House of California	30	\$4,408,057	\$1,156,443	\$0 ³	\$0
4	2507-2511 Adeline Street	CROP Organization	40	\$568,000	\$0	\$568,000	\$0
5	1888 Martin Luther King Jr Way	Housing Consortium of the East Bay	88	\$2,600,000	\$0	\$2,600,000	\$0
6	624 14th Street	Kingdom Builders	57	\$0 ⁴	\$0	\$0	\$0

¹ <https://oakland.legistar.com/LegislationDetail.aspx?ID=5715990&GUID=416C5C4F-A73C-4D13-A650-%201A3D6EC06F5B&Options=ID|Text|&Search=homekey>

² Non-city funding sources covered the remaining operating gap.

³ The Habitat for Humanity proposal for the Clara/Edes City-owned parcel was not funded due to the DignityMoves proposal scoring higher and requesting the same parcel.

⁴ The Kingdom Builders Transitional Housing Program was able to secure funding from other sources and applied to the City's Homekey RFP in order to receive permission to co-apply with the City of Oakland to State Homekey.

7	Harvest House (5940 Hayes St)	Oakland Community Land Trust/A Diamond in the Ruff	6	\$2,350,000	\$1,239,479	\$0	\$0 ⁵
8	4715 Telegraph Ave	Danco Communities/Operation Dignity	23	\$5,486,621	\$0	\$5,486,621	\$0
DQ'd ⁶	Lake Merritt Lodge (2332 Harrison Street)	KAMCO Housing inc., dba, Howzing.	93	\$21,608,441	\$13,676,713	\$0	\$0
DQ'd ⁷	Brooklyn Arms Apartments (1433 12 th St)	Strive Real Estate LLC/ Reimagine Fund LLC/ SWB Outreach Program	43	\$4,200,000	\$6,647,367	\$0	\$0

A more comprehensive report on the outcome of Oakland's Round 3 Homekey RFP will be presented to the City Council (Council) in the summer of 2023 when City staff will seek Council's authorization to accept State Homekey awards for successful applicants to the State Homekey program.

Typically, when the City authorizes a local match to a State funding program like Homekey, the local funding award will expire after approximately two years if the project sponsor is unable to secure the State Homekey grant. As the Council authorization for the \$2,600,000 awarded to the 1888 MLK project specifically references State Homekey, further Council action is required to allow the funding to be used more flexibly as a match for Homekey and/or CCE.

The 1888 MLK project originally expected that a grant from both Homekey and CCE would be necessary to guarantee a 30 year affordability term, but the project sponsor negotiated more favorable terms with the 1888 MLK property owner. Under the new terms, either a CCE award or a Homekey award would be enough to provide for a 30-year affordability period, and the two programs together would be enough for HCEB to permanently acquire the property.

HCEB seeks to begin operating 1888 MLK in summer 2023. This timeline is shorter than the State Homekey- State Homekey awards will likely be announced sometime in the summer of 2023 and the loan closing may take until the fall of 2023. Therefore, to prevent a possible delay

⁵ This project was not funded due to a lack of available operating funds remaining.

⁶ This project was disqualified due to an inability to provide adequate documentation for the anticipated project costs. Staff have subsequently contacted the project sponsor to explore other options.

⁷ This project was disqualified due to the projected construction timeline exceeding the maximum timeline allowed by State Homekey regulations. Staff have encouraged the project sponsor to pursue other City Notices of Funding Availability that are a better fit for this project.

in the opening of the 1888 MLK project, the City would need to commit the \$2,600,000 as CCE match before knowing the outcome of the Homekey application.

Even if the State Homekey application is unsuccessful, 1888 MLK would provide a highly efficient leverage of City resources. A \$2,600,000 City investment would secure a projected \$26,000,000 in State CCE funding and provide 30 years of deep affordability for 88 units of Permanent Supportive Housing. By creating permanent exits to homelessness, the CCE grant match advances the City's goals of housing, economic, and cultural security.

FISCAL IMPACT

This resolution would have no net impact on City resources as the \$2,600,000 for 1888 MLK have already been committed through the City's Homekey process. This resolution simply allows the funds to also be used as a local match for CCE. The source of these funds is the Affordable Housing Impact Fees, excess redevelopment funds, Excess Redevelopment Bond funds, Low and Moderate Income Housing Asset Funds, and/or HOME-ARP funds.

PUBLIC OUTREACH / INTEREST

No outreach was conducted beyond normal Council noticing procedures as the funding authorization request represents a technical adjustment to existing resources committed through the City's Homekey RFP process. As part of the Homekey RFP process, staff contacted the Homekey interest list, held two webinars, and posted an extensive Q+A for submitted questions.

COORDINATION

This report has been reviewed by the Budget Bureau and Office of the City Attorney.

SUSTAINABLE OPPORTUNITIES

Economic: If awarded, CCE would support 88 units of Permanent Supportive Housing for the homeless for at least 30 years. This would assist vulnerable Oaklanders who have been impacted the most by unaffordable rents.

Environmental: The 1888 MLK project is within walking distance of the Oakland City Center BART station and many AC transit lines, which promotes walking and transit as a transportation method. By building affordable housing near transit, the City can reduce pollution from automotive trips.

Race and Equity: Oakland's homelessness crisis disproportionately affects African-American Oaklanders. By increasing the supply of Permanent Supportive Housing, the 1888 MLK project will increase permanent exits from homelessness and help reduce housing-related inequities.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That City Council Adopt A Resolution:

Staff Recommends That City Council Adopt A Resolution Authorizing The City Administrator To Use The Existing City Capital Matching Funds In A Total Amount Not To Exceed \$2,600,000 To Serve As The Local Match For A State Of California Community Care Expansion Grant For The 1888 Martin Luther King Jr. Way Affordable Housing Development

For questions regarding this report, please contact Caleb Smith, Program Analyst III, at (510) 590-6275.

Respectfully submitted,


Emily Weinstein (Apr 27, 2023 17:17 PDT)

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