



AGENDA REPORT

TO: Jestin D. Johnson
City Administrator

FROM: Emily Weinstein,
Director, Housing and
Community Development

SUBJECT: 2023 Homekey Recommendations &
Rapid Response Homeless Housing
Program

DATE: September 29, 2023

City Administrator Approval

Date: Oct 12, 2023

RECOMMENDATION

Staff Recommend That The City Council Adopt Three Resolutions Related To Housing For People Experiencing Homelessness:

(1) A Resolution:

- 1. Authorizing The City Administrator To Accept, And Enter Into Standard Agreements As A Local Agency Partner For Funds Awarded Under Round Three Of The California Department Of Housing And Community Development's Homekey Program;**
- 2. Approving And Authorizing Affordable Housing Development Funding From Homekey Round Three And City Matching Funds For The Following Homekey Projects: Imperial Inn (490 West MacArthur Boulevard), Dignity Village (9418 Edes/606 Clara Street), Kingdom Builders Transitional Housing (624 14th Street), The Maya (4715 Telegraph Avenue), And CSH Enterprise Housing (8417 Enterprise Way); and**
- 3. Making Related California Environmental Quality Act Findings**

(2) A Resolution:

- 1. Authorizing The City Administrator To Apply As A Local Agency Partner For Funds For Affordable Housing Development Funding From Round Four Of The California Department Of Housing and Community Development's Homekey Program;**
- 2. Waiving Local And Small Local Business Enterprise (L/SLBE) Program, Local Employment Program, And Oakland Apprenticeship Program For All Homekey Projects; and**
- 3. Making Related California Environmental Quality Act Findings**

(3) A Resolution:

CED Committee
October 24, 2023

1. **Establishing A Rapid Response Homeless Housing (R2H2) Program To Fund Projects That Provide Housing To People Experiencing Homelessness Or At Risk Of Homelessness In An Expeditious and Effective Manner; And**
2. **Allocating City Capital Funds In A Total Amount Not To Exceed \$10,400,740 and Operating Funds From The State Of California Permanent Local Housing Allocation Grant Program In An Amount Estimated To Be \$19,667,562 To The R2H2 Program;**
3. **Authorizing The City Administrator To Fund Loans Or Grants Under the R2H2 Program Without Returning To Council; and**
4. **Waiving Local And Small Business Enterprise (L/SLBE), Local Employment, And Oakland Apprenticeship Requirements For Projects Funded Under The R2H2 Program, and**
5. **Making Related California Environmental Quality Act Findings**

EXECUTIVE SUMMARY

This agenda report presents information and proposed resolutions related to the development of homeless exits housing:

- 1) The results of the City of Oakland's 2022 Homekey Round 3 Request for Proposals (RFP) process for affordable housing acquisition and development proposals for homeless housing.
- 2) The plan for the City of Oakland's Homekey application and Request for Proposals (RFP) process for the anticipated 2023 or 2024 Notice of Funding Availability (NOFA) for Round 4 of the Homekey program. The State's Homekey NOFA is anticipated to be released by the California Department of Housing and Community Development (Department) in late 2023 or 2024 and may again offer competitive funding for acquisition and development proposals for interim and permanent affordable housing for people experiencing homelessness.
- 3) Establishment of an ongoing local approach to support the rapid creation of additional housing for the homeless, to be called the Rapid Response Homeless Housing (R2H2) Program, and allocating funds for this program.

The City of Oakland (City) issued a Homekey Round 3 RFP in October 2022, in anticipation of the March 29, 2023 State Homekey NOFA release date. Eleven applications were received, one project removed themselves from consideration, and five met both the City's and the State's Homekey program thresholds and priorities. A summary of these five Homekey proposals is provided in Table 1 below.

In anticipation of a possible fourth round of Homekey funding in 2023 or 2024, staff is developing a Request for Proposals (RFP) to seek proposals for permanent and/or interim housing for individuals and households who are homeless or formerly homeless. The City will co-apply for this potential source of funding with top scoring proposals from the RFP. In addition, staff are recommending the establishment of an ongoing program to continuously accept proposals for homeless exits housing, modeled on the Homekey RFP process, to be called the Rapid Response Homeless Housing (R2H2) program. This program would launch simultaneously with the Homekey Round 4 RFP.

BACKGROUND / LEGISLATIVE HISTORY

Homelessness has increased over 24% in Oakland within the last three years.¹ The Homekey program presents an important and unique opportunity to address this crisis. The Rapid Response Homeless Housing program builds off the City's success with the Homekey program and allows the City to respond to the homelessness crisis after the Homekey program is terminated, through a program that will be housed internally within the City of Oakland.

State Homekey Program

On March 29, 2023, the California Department of Housing and Community Development (HCD) issued a NOFA for the third round of its Homekey Program, making approximately \$736 million in grant funding available within the 2022-2023 fiscal year to local public entities, including cities, counties, or other local public entities, to sustain and rapidly expand housing for persons experiencing homelessness or at-risk of homelessness, and who are, thereby, inherently impacted by or at increased risk for medical diseases or conditions due to the COVID-19 pandemic. A smaller allocation is expected for the Homekey Round 4 NOFA.

Homekey funds must be used to provide permanent or interim housing for individuals and families experiencing homelessness and affordability is restricted at 30% of Area Median Income (AMI). In Round Three, the State established a set-aside of funds for housing serving homeless youth and youth at risk of homelessness, as well as higher per unit subsidy limits for homeless youth and chronically homeless target populations.

Eligible Homekey uses may include:

- Acquisition with or without rehabilitation of motels, hotels, hostels, or other sites and assets, including apartments or homes, adult residential facilities, residential care facilities for the elderly, manufactured housing, commercial properties, and other buildings with existing uses that could be converted to permanent or interim housing.
- Master leasing of properties for non-congregate housing.
- Conversion of units from nonresidential to residential.
- New construction of dwelling units.
- The purchase of affordability covenants and restrictions for units.
- Relocation costs for individuals who are being displaced as a result of the Homekey project.
- Capitalized operating subsidies for units purchased, converted, constructed, or altered with funds awarded under the Homekey Round 2 NOFA for fiscal year (FY) 2021-22.

Homekey awardees are subject to the following rapid deadlines:

1. Acquisition, rehabilitation, and/or construction must be completed in 12 months from the date of award letter;
2. Capital expenditure must be completed within eight months, or up to 15 months from the date of award if requesting an expenditure deadline extension; and
3. Full occupancy must be achieved by 15 months from date of award letter

¹ 2022 Oakland Point-In-Time Count: <https://everyonehome.org/wp-content/uploads/2022/05/Oakland-PIT-2022-Infographic-Report.pdf>

Additional information on Homekey is available in the 2021 Homekey application staff report accompanying Resolution No. 88950 C.M.S.

Homekey Round 3

Pursuant to Resolution No. 89379 C.M.S., adopted on July 26, 2022, staff received pre-authorization from the City Council for the City to apply as a local agency partner for up to \$200,000,000 in Homekey Round 3 funds from California HCD². This resolution also allocated City capital matching funds and City operating funds to Homekey Round 3 projects. Resolution No. 89379 C.M.S. provided that staff would return to the City Council for approval of specific Homekey projects after submitting Homekey Round 3 applications to California HCD.

The City Homekey Round 3 process sought to improve upon Rounds 1 and 2 and streamline the process. In 2021, despite the City getting the applications in by the State's deadline, the geographic set aside for the Bay Area was fully subscribed by the time Oakland applications were submitted. The State awarded projects on a rolling basis and did not prioritize by score. Applications submitted soon after the NOFA application opened were prioritized in their review. Three of Oakland's six applications received Fiscal Year (FY) 2021-2022 Homekey Round 2 awards.

Based on this background, in 2022, staff worked to ensure that the City could apply to Homekey as quickly as possible once the Round 3 NOFA was released. This was achieved by releasing a City RFP prior to the Homekey Round 3 NOFA release, using the Homekey Round 2 NOFA requirements. Staff received approval from California HCD and the City Council to embark on a two-step approval process: (1) first, to receive Council authority for staff to apply to the State Homekey program, for projects selected by staff, for up to \$200,000,000 in State Homekey funds, and to commit up to \$21,608,441 in City capital matching funds and up to \$13,676,713 in City operating matching funds for those applications; (2) second, for staff to return to Council after submittal of applications for review by the State, with a second resolution approving specific project funding commitments and accepting Homekey funds. This staff report and resolution addresses the second part of this two-pronged process, and staff is proposing to mirror this process for the next round of Homekey.

City staff and developer partners jointly submitted five applications in response to the Homekey Round 3 NOFA. California HCD has not awarded any Homekey funding as of the publication of this report. Therefore, this report and resolution are in advance of the City receiving any Homekey Round 3 awards. All applications were reviewed for completeness and to determine whether the City's and Homekey's minimum standards for project and developer requirements had been met. The applications were then evaluated and ranked per prepared criteria outlined in the RFP solicitations. The point system directly mirrored the State's Homekey scoring. The City also awarded up to 60 additional points out of a maximum of 267 points for the following City priorities:

1. Little to no City subsidy requested
2. Executed purchase contract
3. Rents restricted below 30 percent of area median income (AMI) rent limits

² Link to Resolution No. 89379 C.M.S.:
<https://oakland.legistar.com/LegislationDetail.aspx?ID=5715990&GUID=416C5C4F-A73C-4D13-A650-1A3D6EC06F5B&Options=ID|Text|&Search=89379>

Table 1 below provides information on each of the proposals that met these thresholds along with the recommended actions. Staff co-applied with these top-scoring proposals well in advance of the July 2023 State Homekey Round 3 NOFA deadline. Staff recommend that the City accept funding from the State Homekey program when and if awarded and approve funding awards to these five projects. The City has sufficient capital and operating funds to support these top proposals, which if funded would result in a total of 209 new deeply affordable units and 57 units of transitional housing for people experiencing homelessness which would be available for occupancy by 2024-2025.

Table 1: Summary of Recommended Homekey Proposals

Project Name	Address	Council District	Project Sponsors	Homeless Units	Target Population	Recommended Action
1. Imperial Inn	490 West MacArthur Blvd	1 - Kalb	MPI Homes and Bay Area Community Services (BACS)	47 permanent units	Chronically Homeless, Homeless Special Needs	Accept Homekey funding with City capital and operating commitments
2. Dignity Village Oakland	9418 Edes/ 606 Clara St.	7 - Reid	DignityMoves and Housing Consortium of the East Bay (HCEB)	40 permanent units	Homeless Youth, Chronically Homeless	Accept Homekey funding with City capital and operating commitments
3. Kingdom Builders Transitional Housing Program	624 14 th Street	3 - Fife	Kingdom Builders Transitional Housing Program (Kingdom Builders Christian Fellowship)	57 interim units	Homeless Youth, Chronically Homeless	Accept Homekey funding with City capital commitment and no operating funds required
4. The Maya	4715 Telegraph Avenue	1 - Kalb	Danco and Operation Dignity	22 permanent units	Homeless	Accept Homekey funding with City capital and operating commitments
5. Quality Inn	8400 Edes Ave	7 - Reid	California Supportive Housing Enterprise and SHELTER, Inc.	103 permanent units	Chronically Homeless	Accept Homekey funding with no City funds required

Additional details about each of these proposals is provided in the next section below

Homekey Round 4

California HCD is expected to release a NOFA for the fourth round of its Homekey Program sometime in 2023-2024. We expect the Homekey Round 4 NOFA to closely resemble the 2021 and 2022 NOFAs. Homekey requires that projects requesting higher than base Homekey subsidy limits per unit must identify matching funds from sources outside of Homekey; most projects in Oakland require some local or other match to qualify for Homekey funding. Securing City Council approval now to apply to Homekey Round 4 as soon as possible after the State's NOFA release with competitive match commitments will make the City more likely to secure Homekey awards to address the City's dire need for homeless housing.

Rapid Response Homeless Housing

The City Council's biannual 2023 – 2025 budget established a Rapid Response Homeless Housing Fund utilizing "boomerang" (former redevelopment) and Low-and-Moderate-Income Housing Asset Fund funds. To implement the deployment of these funds in a manner that is expeditious and effective in addressing homelessness, staff are recommending the creation of a Rapid Response Homeless Housing (R2H2) Program modeled on the success of the Homekey program. This program would be launched simultaneously with the Homekey Round 4 RFP. Staff would evaluate proposals and determine the appropriateness for each project on a rolling basis.

ANALYSIS AND POLICY ALTERNATIVES

The service-enriched housing that is 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 are a direct investment in **holistic community safety** for their communities. By mobilizing quickly to leverage any and all available resources to address our most urgent housing needs, Homekey projects also demonstrate the City's commitment to acting as a **responsive, trustworthy government**.

HOMEKEY ROUND 3 RECOMMENDATIONS

Prior to the Homekey Round 3 NOFA being released, staff implemented an over-the-counter City Homekey RFP process to ensure that Oakland projects would be best positioned for future awards. Staff received State Homekey and City Council authority to pursue a two-pronged process: 1) Receive Council authority to apply for Homekey funds; and 2) Receive project specific approval to accept and appropriate Homekey and matching funds after submitting applications. This proposed process allowed the City to apply to Homekey as quickly as possible after the NOFA was released and to submit applications that met Homekey and City threshold requirements and City fund availability. This process enabled the City to submit earlier applications upon the Department's NOFA release, and therefore make it more likely to secure funding for urgently needed homeless housing.

Staff submitted all Homekey applications to the State well before the July 2023 deadline, and by the publication of this report is awaiting award determinations. However, we expect our earlier applications will prove successful for the City. In parallel, City staff is partnering with the

Oakland Housing Authority (OHA) to secure OHA Board approval of funding commitments for recommended projects. Summaries of the proposals that met the City's and Homekey's threshold requirements and priorities are listed below.

1. Imperial Inn is recommended to accept Homekey funds with City capital and operating subsidy allocations. The acquisition of Imperial Inn using Homekey funds would convert a 48-room hotel into permanent housing for people who are chronically homeless. Development sponsors are Bay Area Community Services (BACS) and Memar Properties, Inc. (MPI). BACS will provide comprehensive, wrap-around supportive services on site as the services sponsor and MPI will be the property management sponsor. The 47 affordable units will be equipped with kitchenettes that contain a sink, microwave, and fridge. The property is located between the Uptown and Piedmont Avenue neighborhoods, with immediate access to these neighborhoods' food, transportation, parks, and medical resources. The property is in excellent condition, and project sponsors are eager to engage with the community in preparation for this project. Imperial Inn has requested up to \$6,375,030 in City capital funds for acquisition and rehabilitation, and approximately \$2,217,051 in City operating funds to cover up to 15 years of operations.

2. Kingdom Builders Transitional Housing Program is recommended to accept Homekey funds with a City allocation of matching funds. The BIPOC-led Kingdom Builders Transitional Housing Program has executed an agreement to acquire a building in West Oakland with eight dormitory rooms, shared bathrooms, a commercial kitchen, lounge, and administrative offices. This project would include 57 Homekey transitional housing units, of which 57 are dedicated for chronically homeless and formerly incarcerated residents and 37 for homeless youth, will have no minimum income or rent requirements, and will receive supportive services that include: housing, food, case management, and job placement and housing placement assistance. Kingdom Builders Transitional Housing Program will provide the services. The project previously was constructed and occupied as a privately operated residential dormitory for recently released incarcerated individuals. The improvements proposed are roof and HVAC replacement, interior painting, and the conversion of dormitory room division into single private rooms. This project will follow the model of similar transitional housing projects completed by this organization in Oakland to house formerly incarcerated individuals. The project has active contracts for the State Department of Corrections and Alameda County Probation Department to fully subsidize the housing operations, and therefore requires no operating subsidy from the City. The project is requesting \$207,500 in capital matching funds from the City.

3. Dignity Village Oakland is recommended to accept Homekey funds with City capital and operating subsidy allocations. Dignity Village Oakland is a modular new construction project that would target homeless seniors. The project would sit on two adjoining vacant City of Oakland owned parcels in East Oakland. The units are prefabricated and manufactured off-site. The proposed project would include 40 permanent studio units, and one manager's unit. Each unit will include a kitchenette, kitchen sink, 2-burner stoves, and en-suite bathroom. There will be an elevator to reach the second-floor units. Housing Consortium of the East Bay (HCEB) will form a single purpose LLC to manage and operate the project. HCEB will also provide services. DignityMoves will develop the property. Dignity Village Oakland is requesting \$4,100,000 in City capital funds and approximately \$2,217,051 in City operating funds to cover up to 15 years of operations. OHA is also evaluating this project to provide operating resources to the project.

4. The Maya is recommended to accept Homekey funds with City capital and operating subsidy allocations. The Maya is a 23-unit existing hotel conversion project with 22 studio units serving households with incomes ranging from 0-30% of area median Income and one manager's unit.

Each unit will have a kitchenette and private bathroom. All units would target people experiencing homelessness earning no more than 30 percent of AMI, while at least six units would target those who are chronically homeless. The development sponsors are Danco Communities and Operation Dignity. Operation Dignity will provide on-site supportive services, and Danco Communities will provide property management. They intend to create a lounge area, community kitchen, office spaces for onsite supportive services and property management, as well as upgrades to the grounds including a dog walk and other landscaping. In addition, the existing industrial laundry room will be converted into a laundry area accessible for tenants to use free of charge. The Maya is requesting \$4,922,62 in City capital funds and approximately \$1,056,000 in City operating funds to cover up to 15 years of operations. Staff anticipate that these amounts may be adjusted pending State underwriting and guidance, and if OHA makes any operating resources available to Homekey projects.

5. Quality Inn is recommended to accept Homekey funds without City capital or operating subsidy allocations. California Supportive Housing Enterprise (CSH) and SHELTER, Inc. have formed a single asset entity partnership for the purpose of acquiring and operating the Quality Inn Hotel near the Oakland Airport. This 103-unit hotel will be converted into 103 studio permanent supportive housing units for people who are chronically homeless with incomes below 30 percent of AMI. 26 units will be for Transitional Aged Youth, and 16 units will be accessible to people with mobility disabilities. Each unit will have sleeping area, bathroom, and a kitchenette with cabinets, counter-top, sink, mini fridge, induction burner, and microwave. The renovation of the hotel will cover adding kitchenettes to each unit as well as accessibility upgrades. The Quality Inn is composed of two buildings, with separate rooms for services. There would be ample common area and space for service amenities and more than 50 on-site parking spaces. The site is within 0.1 mile to one bus stop, 0.4 mile to another and within 1 mile to the Oakland Coliseum BART Station. If awarded, the City intends to work in partnership with CSH Enterprise Housing LP towards a goal of having the project completed within a twelve-month timeframe. CSH and SHELTER, Inc. will provide the on-going maintenance and support services for the residents. Beyond Emancipation will provide support services for youth residents. Services will be provided on-site and staffed with the case managers and support staff meeting or exceeding the staffing ratios required by the State Homekey program.

HOMEKEY ROUND 4

Based on conversations with the State, staff expects that a Round 4 Homekey NOFA could be released as early as the end of the 2023, or in 2024. Staff expects that the potential Homekey Round 4 NOFA will mirror the 2022 Homekey Round 3 NOFA in content and award strategy, with an “over-the-counter” approach for awarding Homekey funds soon after the State NOFA release, in the order received for projects meeting threshold requirements, until funds are expended. Staff expects Homekey Round 4 to mirror last year’s rolling approach and reflect similar scoring and NOFA guidelines, and therefore early submittals will be paramount to securing an award.

Staff requests authority to embark on the two-pronged application resolution process mirroring Round 3. To bolster the City’s competitiveness, staff recommends that the City Council authorize a similarly streamlined process for Round 4, allowing staff to apply to the Homekey program with complete project applications as soon as possible with an “over-the-counter” review of applications that will meet the City and State threshold requirements. Securing City Council approval on Homekey applications as soon as possible will make the City more likely to

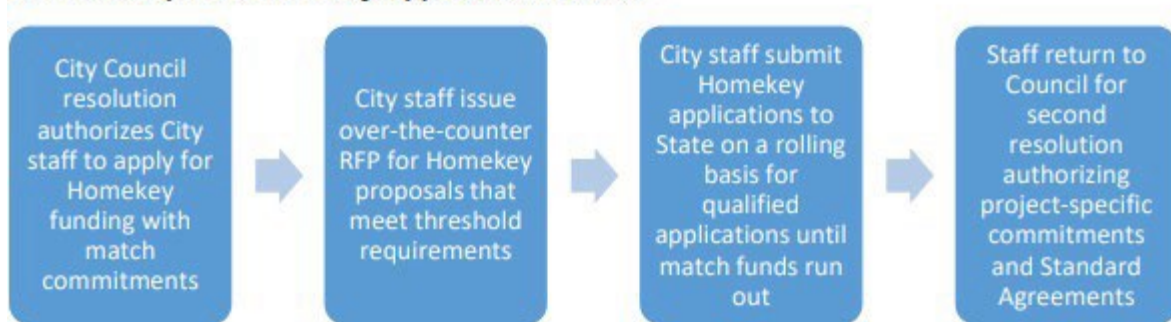
secure Homekey awards, particularly the limited operating subsidy the State has made available, which is needed to address the City's dire need for additional homeless housing.

Our proposed approach this round, therefore, is to secure authority to apply through this proposed first resolution, rely on last year's Homekey NOFA guidelines to issue an RFP in November 2023, apply to Homekey for projects selected through the RFP process, and return to Council for a second resolution with project-specific approvals after the applications have been submitted to the State. In this approach, the City would again establish clear thresholds for underwriting and project feasibility that reflect the State and City's regulatory and underwriting requirements, as well as a clear scoring rubric to apply to the RFP to ensure that projects meet minimum scoring thresholds established by the State. Projects that meet City and State threshold requirements and City underwriting standards will be submitted to State Homekey in the order of timestamped receipt of complete applications.

Given the high cost of construction and the need to provide deeply affordable units to people experiencing homelessness, the City's commitment of local match for capital and operating funds will be required for projects to be eligible for Homekey funding and to meet the State's minimum program requirements. As such, authorization for staff to issue conditional commitment letters sufficient to meet Homekey requirements is critical to ensure applications are complete, competitive, and meet threshold requirements. With the above approach, the City would release its RFP, receive and review project proposals, and apply for Homekey immediately after the State Homekey Round 4 NOFA is issued, positioning the City to secure these important funds with viable projects. In addition, the City RFP would remain open, allowing for back up projects in case submitted applications fall through (as may happen with any real estate transaction).

Chart 1 below is a graphic representation of the Homekey approval process, as previously approved by the State and City Council.

Chart 1: Proposed Homekey Application Process



RAPID RESPONSE HOMELESS HOUSING PROGRAM

While staff has heard there will likely be a Round 4 of Homekey, future rounds are uncertain. To build off the success of Homekey and maintain a pipeline of projects similar in nature to Homekey that serve Oakland's residents who are unhoused, staff proposes establishing the Rapid Response Homeless Housing (R2H2) Program.

The R2H2 Program will accept proposals "over-the-counter," including proposals that are conceptual. These proposals will go through a threshold review process to ensure that there is site control, sponsor and/or partner experience to execute on a development, and that there is a

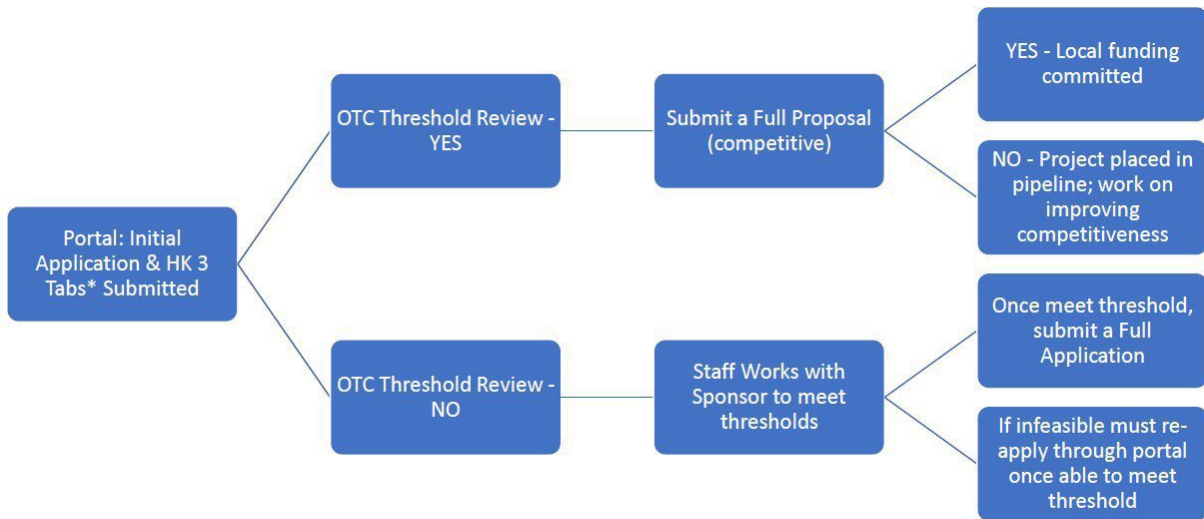
plan for funding the development of the property, the ongoing operation of the building, and the delivery of supportive services to the residents. Once a proposal has met the thresholds, a full application will be requested and reviewed by staff on a periodic, competitive basis (based on staff capacity and funding deadlines). Local funding would be committed to projects based on competitive scoring that will prioritize readiness to house people experiencing homelessness, cost efficiency, and strength of the sponsor and partners to complete the development, manage the properties in a professional manner, and deliver services that ensure positive outcomes for residents. Finally, the R2H2 Program would ensure that City staff can assist project sponsors with meeting thresholds and identifying sites and partners to advance their projects, including those that are initially conceptual in nature.

An online application form and portal are being developed to accept these proposals online and to hold all related application materials. Staff intends to release this portal in November 2023. The process for accepting and reviewing proposals will launch at the same time as the Homekey Round 4 RFP. While Homekey Round 4 is a prime opportunity to advance homeless exits housing due to the very generous contribution of State funding, there may be cases where a submitted project is ready to quickly move forward without Homekey funding and could be awarded local funding under the auspices of the R2H2 Program. Additionally, should the State not issue a Homekey Round 4 NOFA (and instead fund projects from its Round 3 application list), the R2H2 Program would be the City's vehicle for vetting and supporting projects serving people experiencing homelessness. The two charts below depict the intake, review, and funding processes under a scenario where there is a Homekey Round 4 NOFA as well as a scenario where there is not a Homekey Round 4 NOFA.

Chart 2 below is a graphic representation of the process when the R2H2 Program is operating simultaneously with the Homekey RFP process.



Chart 3 below is a graphic representation of the process when the R2H2 Program is operating independent of the Homekey RFP process.



** at present using HK 3 workbook tabs, but eventually will have City's own additional application form for financial info*

The threshold review identified above includes sponsor (or sponsor's team) experience in developing housing, owning and managing rental property, and providing supportive services; identification of a viable site; and financial feasibility (appropriate funding sources are identified).

In addition to the local funding available through the Rapid Response Homeless Housing Fund, staff recommend allocating a portion of Measure U bond funds to R2H2 projects, as well as other local funds that may become available. The City's Permanent Local Housing Allocation (PLHA) funds will also be deployed on R2H2 projects to pay for operating subsidies. Finally, staff are working closely with Alameda County and the Oakland Housing Authority to further braid together resources available to fund housing serving people experiencing homelessness including operating subsidies and funding for supportive services. To further support the R2H2 Program, DHCD is pursuing up to \$10 million in federal funds via the Pathways to Reducing Obstacles to Housing (PRO Housing) program to fund a predevelopment revolving loan program and process streamlining.

The plan to assemble multiple funding sources and deploy them toward rapid response homeless housing is informed by and aligns with the equity investment framework in the HCD Strategic Action Plan ("Plan"). It is anticipated that with the combined Homekey and R2H2 Programs in play, the unit projections included in the Plan for homeless exits housing can be achieved.

Standing-up new homeless housing projects are already challenging under standard affordable housing funding conditions, and the Homekey regulations add urgent deadlines for acquisition, construction, and occupancy. In the interest of streamlining as many City processes as possible for the fastest creation of homeless housing within State Homekey deadlines, staff recommend waiving any applicable Local and Small Local Business Enterprise (L/SLBE) Program, Local Employment Program, and Oakland Apprenticeship Program requirements for projects funded under these programs.

Alternatives

As an alternative to the above recommendations, City Council could choose to not provide application approval for the Homekey Round 3 proposals if awarded Homekey funds. This would mean the City would lose out on over \$58 Million in potential State Homekey funds to the City and potentially 266 units of necessary homeless housing.

As another alternative, City Council could choose not to provide the authority to apply for Homekey applications in a fourth round of Homekey, and request that staff return to Council prior to applying to Homekey. Staff do not recommend withholding the approval to apply for Homekey funds, as the timeline of returning to Council would lessen the City's competitiveness.

FISCAL IMPACT

Homekey Round 3

Pursuant to this Resolution No. 89379, Council authorized an allocation of \$21,608,441 in City Capital matching funds, and \$13,676,713 in City Operating funds to Homekey projects in Round 3. Once the Homekey awards are finalized, the previously authorized funds will be provided to projects. The authorized capital match sources for Round 3 Homekey projects included funds from the following sources: Affordable Housing Impact Fees, Boomerang, Excess Redevelopment Bond funds, Low-and-Moderate-Income Housing Asset Funds, and HOME-ARP funds. If projects are unawarded in Round 3, un-allocated funds from Round 3 will go towards Homekey 4 and the Rapid Response Homeless Housing Program.

If awarded Homekey funds, the City and project sponsors would execute a Standard Agreement with the State. The State would issue Homekey funds directly to the City, which the City then grants to project sponsors through a grant agreement that also includes any approved local funding. The funds would be secured by deeds of trust and regulatory agreements recorded against the properties to enforce affordability, income, rent, and occupancy restrictions. The City's policy is to subordinate the City's deed of trust to other financing on a case-by-case basis, but not to subordinate the City's regulatory agreement to private financing.

Pursuant to Resolution No. 89503 C.M.S., if the City does not receive the full amount of the requested funding from the State's Round 3 Homekey program, the City will reallocate up to \$10,000,000 of the matching capital funds to the Acquisition and Conversion to Affordable Housing (ACAH) program³. The \$10,000,000 in Homekey matching funds or the portion thereof remaining available for the ACAH program would be reallocated to ACAH program from the Affordable Housing Trust Fund (Fund 1870); including up to \$3,400,000 in Affordable Housing Impact Fees, up to \$6,000,000 in "boomerang" funds, and up to \$600,000 in Excess Redevelopment Funds (Fund 56XX).

Furthermore, if the City does not receive the full amount of the requested funding from the State's Round 3 Homekey NOFA, then the remaining matching funds from Round 3 would be reallocated to the available pool of matching funds for the City Homekey Round 4 RFP and for

³ Link to City of Oakland Resolution No. 89379 C.M.S.:
<https://oakland.legistar.com/LegislationDetail.aspx?ID=5870181&GUID=59C5E3DC-2B42-491F-829B-D61469ADCACB&Options=ID|Text|&Search=89503>

the R2H2 Program minus the \$10,000,000 allocation of remaining capital funds from Homekey Round 3 to the Acquisition and Conversion to Affordable Housing (ACAH) program.

Homekey Round 4 & Rapid Response Homeless Housing Program

Homekey requires that projects requesting higher than base Homekey subsidy limits per unit must identify matching funds from sources outside of Homekey. Most Oakland projects will likely seek matching funds from the City due to high costs of acquisition and construction in the region. The proposed capital match sources for Round 4 Homekey projects include allocation of up to \$10,400,740 in Boomerang and Low-and-Moderate-Income Housing Asset Fund dollars. These are the Rapid Response Homeless Housing Fund dollars included in the recently adopted Fiscal Year 23-25 City budget per Resolution No. 89804.⁴ Operating subsidy funding estimated to be \$19,667,562 of will come from Permanent Local Housing Allocation (PLHA) funds.

These same allocations will also be available to projects that are not seeking to access Homekey Round 4 funding or in the case that there are no Homekey Round 4 funds made available by the State.

In addition, as noted above, any City committed funds remaining from Homekey Round 3, less the \$10,000,000 allocation to ACAH, will be reallocated to Homekey Round 4 and R2H2 projects. Therefore, the range of potential funds available to the Homekey Round 4 City RFP and the R2H2 program is \$10,400,740 to \$32,000,181 in City capital match, and an estimated \$19,667,562 to \$33,344,275 in City operating funds.

Boomerang Funds (Fund 1870, Project 1000386, Org 89929): In 2002, Oakland established the Affordable Housing Trust Fund (AHTF), codified in Chapter 15.62 of the Oakland Municipal Code (OMC). The AHTF receives its funding from several ongoing revenue streams including the Jobs Housing Impact Fee, the Affordable Housing Impact Fee, and a portion of former redevelopment funds received by the City's general fund as a taxing entity, known as "boomerang" funds, which the City Council by resolution has set aside for deposit into the AHTF for affordable housing.

Low-and-Moderate Income Housing Asset Fund (Fund 2830, Project 1000388, Org 89929): The Low- and Moderate-Income Housing Asset Fund (LMIHAF) is a fund required under the Redevelopment Dissolution law to hold funds generated from housing assets (such as land sales or loan repayments) transferred to the City from the former Redevelopment Agency when the Agency dissolved. The current fund balance is from loan repayments received by the City from existing rental or ownership properties and from redevelopment funded Mortgage Assistance Loans. A resolution to appropriate available amounts from this fund balance accompanies this report for the City Council to approve.

Permanent Local Housing Allocation (PLHA) (Fund 2144, Project 1006475, Org 89929): In September 2017, the California Legislature approved Senate Bill 2 (SB 2), known as the

⁴ City of Oakland Reso No. 89804 C.M.S.:
<https://oakland.legistar.com/LegislationDetail.aspx?ID=6329279&GUID=23871EF8-0B14-443B-8C70-30139D6A5586&Options=ID|Text|&Search=89804>

Building Homes and Jobs Act, which established a \$75 recording fee on real estate documents to increase the supply of affordable housing through the PLHA program, which is administered by the Department. The PLHA program provides a permanent source of funding to counties and cities to help meet the unmet need for affordable housing and increase the supply of affordable housing units.

Under the PLHA program, funding is provided through formula grants to entitlement jurisdictions based on the formula prescribed under federal law for the Community Development Block Grant (CDBG) program over a five-year funding period, as well as through a competitive grant program to non-entitlement jurisdictions. The City of Oakland is an entitlement jurisdiction and is expected to receive an estimated total amount of \$19,667,562 over a five-year period from 2019-20 through 2023-24. Under the City Council's approved program for PLHA funds, per Resolution No. 88211 C.M.S., these funds must be used for affordable and supportive housing operating subsidies for people experiencing homelessness.⁵ The amount of PLHA funds available in the Round 4 Homekey/R2H2 RFP depends on whether the projects that received a conditional PLHA funding commitment in the Round 3 Homekey RFP receive a Homekey award. Any remaining funds that were not awarded through the Round 3 NOFA, will be available for allocation in the Round 4 Homekey NOFA. A total of \$5.49 million in PLHA funds were conditionally committed to Homekey Round 3 projects.

PUBLIC OUTREACH / INTEREST

Staff attended the East Bay Housing Organizations (EBHO) Oakland committee meeting on both May 25, 2022 and June 22, 2022 to first announce the City's upcoming plans to release the 2022 Homekey Request for Proposals (RFP) in anticipation of the 2022 Homekey NOFA. Staff held a more targeted feedback session with Homekey sponsors from Round 2 on June 30, 2022. Developers provided feedback on the City's process for Homekey Round 2, offered suggestions for ways to improve it for Homekey Round 3, based on their experience in Oakland and in other jurisdictions. Developers emphasized the need for an expedient City process that would enable applications to be submitted soon after the State's Homekey NOFA release. Developers shared that they valued the City's stewardship and advocacy of projects through the Homekey application process, and that the City's Round 2 efforts to connect sponsors "interested in partnering" with each other, as well as with "interested property owners" did result in many conversations if not successful deals.

Several public pre-application "office hours" meetings were held in preparation for the 2022 Homekey RFP on October 28, 2022 and November 9, 2022. Notice of these sessions were sent to HCD's public email distribution list, shared with Councilmembers, and placed on the City's website. Pre-application Q&A meetings covered the application process, California Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA) requirements, as well as the City's employment and contracting programs. All were well attended, ranging from approximately 10 to 60 attendees for each meeting. In addition, staff presented the RFP opportunities at East Bay Housing Organization (EBHO) monthly meetings in 2022 on July 28th, August 25th, September 22nd, and October 27th. Staff also issued direct

⁵ Link to City of Oakland Resolution No 88211 C.M.S.:
<https://oakland.legistar.com/LegislationDetail.aspx?ID=4589808&GUID=82A19A79-EB1F-4458-A5EC-8280AE152D4A&Options=ID|Text|&Search=88211>

emails to developer and service providers that work with Alameda County and the City. The City's Homekey page⁶ served as the clearinghouse of Homekey information for the City, included an opportunity to sign up for email updates, served as the application portal for the RFP. In addition, the City's Homekey page provided a mechanism for property owners to offer their properties for consideration to project teams, which has continued to grow over the past few months with unsolicited inquiries from brokers and property owners. Based on feedback from developers, Staff intend to continue facilitating information sharing amongst interested sponsors and sellers.

In anticipation of the release of Homekey Round 4 and the Rapid Response Homeless Housing program, staff will conduct public outreach through the extensive HCD NOFA email distribution list and the Homekey email distribution list. This information will also be shared with Councilmembers and placed on the City's website. A new webpage is going to be developed for the Rapid Response Homeless Housing program that will hold all the information about the program to share with interested parties and the public. Staff has been sharing initial information about Homekey and the R2H2 program with interested parties who are reaching out to the City regarding homeless exits housing development, and staff has been gathering their contact information to share the final information when the program is released.

COORDINATION

As Homekey is a cross-agency effort, this report and legislation were prepared in coordination with many departments. HCD staff consulted with Planning and Building Department staff to coordinate CEQA determinations, planning and zoning conformity, and to identify possible barriers to development. The Office of the City Attorney was consulted to ensure legality of funding commitment resolutions. The Budget Bureau was consulted to confirm funding amounts. The Human Services Department identified homeless services funds to be used for operating support and reviewed proposed service plans for all proposals. The Economic and Workforce Development Department participated in review of Homekey Round 3 proposals and offered guidance to the usage of the City-owned site in the City Round 3 Homekey RFP.

The City has continued to seek out varied and creative sources of additional operating support for the production of extremely low-income housing. One partner, the Oakland Housing Authority (OHA), has a shared focus of providing permanent housing for extremely low-income and/or homeless families. Staff from both agencies have worked to direct operating subsidy to eligible Homekey projects. OHA is currently reviewing eligible Round 3 proposals for operating subsidy awards. Staff will continue to work closely with OHA for Round 4.

Staff worked closely with the Economic and Workforce Development Department in the creation of the Rapid Response Homeless Housing program. The Office of the City Attorney was consulted to ensure legality of the new program.

SUSTAINABLE OPPORTUNITIES

⁶ <https://www.oaklandca.gov/topics/city-homekey>

Economic: The creation of affordable housing positively impacts the economics of a community by ensuring that unhoused residents and residents with lower incomes can attain economic stability and security, improved quality of life, and increased disposable income. Providing more affordable housing across the City through Homekey proposals will result in improved outcomes for Oakland's residents and neighborhoods.

Environmental: The lack of housing options in Oakland worsens air pollution, as community members are forced to drive long distances to their jobs and other resources. Considerable evidence shows that households living near employment-dense areas and transit corridors have lower carbon footprints than those living in less dense areas further from transit. Affordable housing located near transit is particularly impactful, as low-income households are more likely not to own cars if they have access to quality transportation options. The City and the State's Homekey scoring boosts proposals that are near amenities, including proposals within a half mile of transportation stops.

Race and Equity: No race and equity analysis was performed, but staff have identified the following race and equity indications. The 2022 Point-in-Time count (PIT count) shows that Oakland has the highest concentration of people experiencing homelessness in Alameda County. Recent systems modeling work in Alameda County, done in conjunction with technical assistance provided by the U.S. Department of Housing and Urban Development, used a racial equity framework to identify the needs of African Americans experiencing homelessness. Racial disparities were specifically identified in rates of entry into homelessness and rates of return to homelessness. Staff expect that COVID-19 has exacerbated this problem. Not surprisingly, permanently deeply affordable housing was identified as one of the primary resources needed to end people's homelessness. Through the delivery of new homeless units under the Homekey and Rapid Response Homeless Housing program, HCD will create housing that is targeted for those who are unsheltered and with extremely low incomes. The Homekey program and the Rapid Response Homeless Housing program both present an incredible opportunity to address racial and economic inequity through rapidly delivering deeply affordable and permanent supportive housing units for Oakland's unhoused residents.

For the Round 1 and 2 Homekey units, all referrals for the permanently affordable units come through Alameda County's Coordinated Entry System, with priority for Oaklanders coming out of Project Roomkey shelter-in-place hotels. As of May 2022, approximately 80 percent of 2020 Homekey projects are occupied by Black, Indigenous and People of Color (BIPOC) residents, advancing racial equity goals set forth by the City of Oakland. Black residents make up 70 percent of the City's 2020 Homekey units, directly addressing the disproportionate effects of homelessness on Black residents, as 70 percent of those who experience homelessness in Oakland are Black. Through the delivery of new homeless units under the Homekey program, and the R2H2 program, the City will create housing that is targeted for those who are unsheltered and with extremely low incomes.

The Homekey program and the Rapid Response Homeless Housing program present an incredible opportunity to address racial and economic inequity through rapidly delivering deeply affordable and permanent supportive housing units for Oakland's unhoused residents.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

Under CEQA, the City is required to review possible environmental impacts of all projects prior to a definitive commitment of funding, unless the project is exempt from CEQA review. The five

projects recommended for Homekey funding awards have met this threshold, as follows: 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 satisfying the specified conditions as well as CEQA Guidelines 15301 (existing facilities) and 15326 (acquisition of housing). The City will file a notice of exemption with the Office of the Alameda County Recorder. HCD Staff will consult with Planning Staff to ensure CEQA compliance for the R2H2 program.

NATIONAL ENVIRONMENTAL PROTECTION ACT (NEPA)

For any projects receiving federal funds, 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

Staff Recommend That The City Council Adopt Three Resolutions Related To Housing For People Experiencing Homelessness:

(1) A Resolution:

1. Authorizing The City Administrator To Accept, And Enter Into Standard Agreements As A Local Agency Partner For Funds Awarded Under Round Three Of The California Department Of Housing And Community Development's Homekey Program;
2. Approving And Authorizing Affordable Housing Development Funding From Homekey Round Three And City Matching Funds For The Following Homekey Projects: Imperial Inn (490 West MacArthur Boulevard), Dignity Village (9418 Edes/606 Clara Street), Kingdom Builders Transitional Housing (624 14th Street), The Maya (4715 Telegraph Avenue), And CSH Enterprise Housing (8417 Enterprise Way); and
3. Making Related California Environmental Quality Act Findings

(2) A Resolution:

1. Authorizing The City Administrator To Apply As A Local Agency Partner For Funds For Affordable Housing Development Funding From Round Four Of The California Department Of Housing and Community Development's Homekey Program;
2. Waiving Local And Small Local Business Enterprise (L/SLBE) Program, Local Employment Program, And Oakland Apprenticeship Program For All Homekey Projects; and
3. Making Related California Environmental Quality Act Findings

(3) A Resolution:

1. Establishing A Rapid Response Homeless Housing (R2H2) Program To Fund Projects That Provide Housing To People Experiencing Homelessness Or At Risk Of Homelessness In An Expedious and Effective Manner;

2. Allocating City Capital Funds In A Total Amount Not To Exceed \$10,400,740 and Operating Funds From The State Of California Permanent Local Housing Allocation Grant Program In An Amount Estimated To Be \$19,667,562 To The R2H2 Program;
3. Authorizing The City Administrator To Fund Loans Or Grants Under the R2H2 Program Without Returning To Council; and
4. Waiving Local And Small Business Enterprise (L/SLBE), Local Employment, And Oakland Apprenticeship Requirements For Projects Funded Under The R2H2 Program, and
5. Making Related California Environmental Quality Act Findings

For questions regarding this report, please contact Xochitl Ortiz, Housing Development Coordinator, at xortiz@oaklandca.gov and Maryann Leshin, TCSE/Deputy Director, at mleshin@oaklandca.gov.

Respectfully submitted,

Emily Weinstein

Emily Weinstein (Oct 12, 2023 18:47 PDT)

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