



Office of the City Manager

CONSENT CALENDAR  
September 13, 2022

To: Honorable Mayor and Members of the City Council  
From: Dee Williams-Ridley, City Manager  
Submitted by: Lisa Warhuus, Director, Health, Housing and Community Services  
Subject: Request for Proposal for Project Homekey

RECOMMENDATION

Adopt a Resolution authorizing City Manager to:

1. Release a Request for Proposals (RFP) for a Homekey Round 3 Project; and
2. Consider a reservation of up to \$8.5M in General Funds collected pursuant to Measure P, and/or other funding source, to support a future Homekey project.

FISCAL IMPACTS OF RECOMMENDATION

The RFP may lead to the selection of a Homekey project which would require a local match of City funds, estimated at approximately \$8.5M in order to be feasible. The City could allocate current and future years of Measure P funding already earmarked for permanent supportive housing for unhoused residents, or other City sources that may be available to support the acquisition, rehabilitation, and/or supportive services for a future Homekey project. Staff will return to City Council with a detailed recommendation for a specific project and funding required to submit an application to the State for Homekey funding.

CURRENT SITUATION AND ITS EFFECTS

In anticipation of the State of California Housing and Community Development (the "State") releasing a Notice of Funding Availability (NOFA) for Homekey Round 3 funds later this year, staff plan to release a Request for Proposals ("RFP"), to select projects that meet the Homekey Program requirements and the City goals. The State Homekey Program provides 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 the State to offer this housing to people experiencing homelessness or who are at risk of becoming homeless and who are impacted by the COVID-19 pandemic.

In order to increase the chance of having a successful project in Berkeley, staff recommend:

1. Considering a local funding commitment of up to \$8.5M, or up to \$100,000 per unit from General Funds collected pursuant to Measure P or another local source. This will leverage the maximum state funding.
2. Expediting the RFP process timeline, by forgoing a Commission meeting if needed to ensure an early application submission. This will increase the chance of receiving state funds, which are awarded on a rolling basis.

If and when the State releases its Homekey Round 3 NOFA (anticipated in Fall 2022), the City will issue an RFP inviting organizations to submit a proposal for a specific property and be a joint applicant with the City for the State Homekey application. The City's Homekey RFP will solicit proposals for a specific property and staff expect that bidders will request funds from the City.

In addition to General Fund, the City could also consider using State and Local Fiscal Recovery Funds (SLFRF), if any are available, so long as any required environmental review fits within the State's application timeline.

Issuing an RFP for a Homekey project is a Strategic Plan Priority Project, advancing our goal to create affordable housing and housing support services for our most vulnerable community members.

### BACKGROUND

In July 2020, the State of California Department of Housing and Community Development (the "State") established its Homekey Program<sup>1</sup> and released a first NOFA for the program. It released its second NOFA in September 2021, and is expected to issue a third NOFA in Fall 2022.

Partnering with a qualified affordable housing developer to identify a Homekey project is an opportunity for the City to make an immediate impact on creating long-term, permanent supportive housing for Berkeley; leveraging limited City funds with State funds created specifically for this purpose. Per the Homekey requirements, residents will have extremely low incomes (ELI, defined as up to 30% of the Area Median Income) and have experienced homelessness or be at risk of homelessness. To ensure long-term affordability of these units, the City will record a 55-year regulatory agreement on property. Since the purpose of the State Homekey program is to mitigate the spread of COVID-19 among the homeless, the preference is to serve those who are experiencing homelessness. If COVID-19 is no longer a prevalent illness in the future, the requirement to serve households impacted by COVID-19 may be eliminated.

If Council approves, the City will partner with a developer and submit a joint application for one Homekey Project. Per the second Homekey NOFA issued in September 2021, the State required applicants to demonstrate a 5-year commitment of operating funds;

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<sup>1</sup> For more information, see: <https://www.hcd.ca.gov/grants-funding/active-funding/Homekey.shtml>

two years of which could be requested as part of the Homekey application from the State General Fund. The State also required a 1:1 match for acquisition/construction costs over \$200,000 per unit for projects serving chronically homeless households. The State's matching funds would provide up to an additional \$100,000 per unit. Assuming the match requirements stay the same, the total amount of funds available for chronic homeless units would be \$300,000 per unit. The RFP will include criteria pertaining to an applicant's ability to secure non-City sources for these match funds. Staff recommends that the City also be prepared to commit local funds to help meet the match requirements of the State Homekey program, if needed.

While the City cannot, at this time, state the amount of funding it would commit to a project, the RFP will list any City funds available for acquisition, improvements, and/or services. After the RFP process, staff will submit a proposal to City Council for consideration of a Homekey project along with a request for City funds, and authorization to submit an application for State Homekey funding.

In 2021, the City released an RFP for Homekey Round 2, from which the City received a proposal from Bay Area Community Services (BACS) and Memar Properties for the Golden Bear Inn. The Golden Bear is a 44-room hotel located at 1620 San Pablo Avenue with a separate restaurant. A joint application was submitted to the State and the project received \$16M of Homekey funding in addition to \$8.5M from the City (a combination of Measure P and Permanent Local Housing Allocation funds). The hotel has already been renovated by the former owner, and the remaining improvements will include making rooms accessible and adding a new modular building with a community room and service office. The project will serve chronically homeless households, with services provided by BACS. The conversion of the hotel to housing is expected to be complete by early 2023.

Staff recommend using General Funds collected pursuant to Measure P to support a future Homekey Round 3 project.

General Funds collected pursuant to Measure P are available for a permanent supportive housing project such as Homekey. City Council allocated \$2.5M in Measure P funds for permanent supportive housing in June 2020. Of this amount, Council subsequently set aside approximately \$1M per year for the Step-Up Housing Program, leaving \$1.5M available each year for a permanent supportive housing project. Staff recommend allocating four to five years, depending on availability (Fiscal Years 2022 through 2027) of Measure P funds for a Homekey project. However, depending on the cost and timing of a future acquisition, staff will also consider alternative possible funding sources should they become available and/or be more appropriate to the project, and return to Council with a more specific recommendation.

In the first two Homekey NOFAs, the State accepted applications and approved funding on a rolling basis until the funds were exhausted. To maximize its chance for a

successful application, staff recommends expediting its RFP approval process. If time permits, staff will bring a recommendation for a Homekey project and funding to whichever Commission or Commissions have oversight over the proposed funding source prior to City Council review and approval.

#### ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

There are no identifiable direct environmental sustainability or climate impacts associated with the adoption of this recommendation. A future Homekey project would involve reusing or re-purposing an existing hotel, motel, other residential or non-residential structure to permanent supportive housing. The work would entail rehabilitating the housing units to be more energy efficient, to the extent possible. If federal funds are used, staff would coordinate an environmental review, which includes recommendations for mitigating environmental impacts if needed.

#### RATIONALE FOR RECOMMENDATION

The State Homekey Program provides funding to convert existing buildings into permanent supportive housing. The City has the opportunity to leverage limited City funds with the State funds created for this purpose. By issuing this City Homekey RFP, the City can identify a viable project and developer partner to submit a joint application for Homekey funding if and when the State releases its Homekey NOFA.

#### ALTERNATIVE ACTIONS CONSIDERED

The City could forego this funding opportunity, which would not be consistent with the City's Strategic Plan goal to provide housing opportunities. Theoretically, the City could act on its own to identify, purchase, rehabilitate and operate housing under Homekey, since funds are available to public entities. However, the City has not developed, owned or operated residential properties in the past and does not have the capacity to do so.

Therefore, staff recommend the approach outlined above.

#### CONTACT PERSON

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

Attachments:

1: Resolution

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

ISSUING A REQUEST FOR PROPOSALS FOR A HOMEKEY PROJECT TO CREATE  
LONG-TERM, PERMANENT SUPPORTIVE HOUSING

WHEREAS, the City of Berkeley (“City”) wishes to partner 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 (“State”) 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 the State issuing a third Homekey NOFA later this year, the City will issue a Request for Proposals (“RFP”) when the State releases Homekey Round 3 NOFA, to select applications for a specific property that meets Homekey requirements; and

WHEREAS, through the RFP the City will select a developer or development team with a specific property and be a joint applicant with the City if and when the State issues a third Homekey Program NOFA; and

WHEREAS, the State Homekey Program may require a match of local and private funds to maximize the amount of State Homekey funds awarded to a project; and

WHEREAS, City staff have identified potential sources of City that may be used to fulfill the match requirement.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is hereby authorized to issue a Request for Proposal (RFP) for a Homekey project in the City of Berkeley to create long-term, permanent supportive housing for residents who are homeless or are at risk of being homeless; and

BE IT FURTHER RESOLVED that City Manager is hereby authorized to consider a funding request of up to \$8.5 million from the project selected, and to return to Council with a funding recommendation.

