



Office of the City Manager

CONSENT CALENDAR
June 25, 2024

To: Honorable Mayor and Members of the City Council
From: Dee Williams-Ridley, City Manager
Submitted by: Scott Gilman, Director, Health, Housing, and Community Services
Subject: Approving the Revised Operating Budget for Golden Bear Homes

RECOMMENDATION

Adopt a Resolution approving the revised operating budget for Golden Bear Homes (1620 San Pablo Avenue), with the understanding that the increased cost of operating the Homekey project may necessitate a future reservation of approximately \$550,000 in City funds, if other operating sources are not identified for the project.

FISCAL IMPACTS OF RECOMMENDATION

No new reservation of operating funds is recommended at this time. However, the project will need significant ongoing operating support after the existing capitalized reserves are expended, which is expected to happen in 2029. Staff will work with the owners to identify sources of funds to support the long-term operations of this project.

CURRENT SITUATION AND ITS EFFECTS

Golden Bear Homes, LP – a partnership of Bay Area Community Services (BACS) and Memar Properties, Inc (MPI) - operate the City's first Homekey project located at 1620 San Pablo Avenue. Golden Bear Homes provides housing and supportive services for 43 formerly homeless households. The cost of operating the project is higher than originally anticipated due to an increased need for onsite security and property oversight. As co-grantees under the Homekey program, the City, MPI, and BACS are collectively obligated to provide at least four years' worth of operating funding to leverage California Housing and Community Development's (HCD) Homekey operating support for the project. Because operating costs have increased, the City's initial operating subsidy is no longer sufficient to meet that obligation.

BACS and MPI requested City approval of a revised operating budget reflecting the following:

- An additional \$24K for administration fees for increased staff involvement in property oversight.

- An additional \$152K for nightly security (5pm to 8am) to address neighbor concerns. Most of the security concerns relate to non-resident activity near the property.
- An additional \$18K for increased insurance costs, reflecting the current insurance environment.

While the project team was able to make some budget cuts to offset the increased operating costs, the net increase is approximately \$120k per year. Instead of lasting four years, the City's operating funding is estimated to last 3.25 years. The initial years of operating are funded through the HCD loan; the City funds are expected to support operations starting in 2026.

The additional operating funding needed to meet the Homekey obligation is \$550,000. The City will require BACS and MPI to actively seek non-City sources for operating funds for future years.

BACKGROUND

Golden Bear Homes, LP received \$16.1M in HCD Homekey funds and nearly \$8.5M in City funds (a combination of Measure P and Permanent Local Housing Allocation funds) to acquire, renovate, and operate Golden Bear Homes as permanent supportive housing for formerly homeless households. The partnership acquired the property in 2022 and completed the first phase of rehab to create accessible units. The project was fully occupied in January 2023. The second phase of rehab will involve the installation of a modular unit that will contain community and service spaces for the residents, and is anticipated to be completed later this calendar year.

HCD established its Homekey program to provide government entities funding to purchase and rehabilitate housing, including hotels, motels, vacant apartment buildings, and other buildings; and convert them into interim or permanent, long-term housing. Under the Homekey program, local entities partner with HCD, local developers, and service providers to create housing to serve people experiencing homelessness or at risk of homelessness.

Receiving the Homekey operating subsidy was conditioned on the City providing an operating subsidy match to pay for four years of operating costs

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

There are no identifiable environmental effects, climate impacts, or sustainability opportunities associated with the subject of this report.

RATIONALE FOR RECOMMENDATION

The City and Golden Bear Homes, LP are obligated to leverage HCD's Homekey funding with four years of operating support for the project. Golden Bear Homes provides permanent supportive housing for support chronically homeless individuals in

the City. Serving this population requires a high level of operating funds. Providing the funding helps meet the City's goals to support this population.

ALTERNATIVE ACTIONS CONSIDERED

The City could decline to provide the additional operating funds. Since the City and its co-grantees committed to providing these funds as a condition of the Homekey award, the City would be in violation of the HCD's Standard Agreement for the project and could be penalized in future applications for HCD funds. The lack of funding could also put the project and tenants at risk. Since the project meets the City's goals to support those experiencing homelessness, staff recommends providing the funds.

CONTACT PERSON

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

Attachments:
1: Resolution

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

APPROVAL THE REVISED OPERATING BUDGET FOR THE GOLDEN BEAR
HOMES HOMEKEY PROJECT

WHEREAS, and the City of Berkeley (City) and Bay Area Community Services (BACS) and Memar Properties, Inc. (MPI) jointly applied for and received a State of California Housing and Community Development (HCD) Homekey award from HCD's September 9, 2021 NOFA for the Golden Bear project at 1620 San Pablo; and

WHEREAS, in June 2022, the City provided a development loan of \$8,463,535 to leverage the HCD Homekey award and to support the project's capital and operating costs; and

WHEREAS, under the Homekey program and Standard Agreement, the City, BACS, and MPI are collectively obligated to fund four years of operating costs; and

WHEREAS, in March 2024, BACS and MPI submitted a revised operating budget for Golden Bear Homes to reflect the increased cost of operating the Homekey project as permanent supportive housing; and

WHEREAS, due to the increased cost of operating Golden Bear Homes, the original City funds no longer cover four years of operating support; and

WHEREAS, additional funds are needed to cover the operating funding gap estimated to start in 2029; and

WHEREAS, the City will work with BACS and MPI to identify other sources of operating funding to support the ongoing operation of the property.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the Council approves the revised operating budget for Golden Bear Homes.

BE IT FURTHER RESOLVED that the City, BACS, and MPI will work together to identify new operating funds to support the project to meet the collective obligations under the HCD Homekey program, and support the ongoing operation of the property as permanent supportive housing.

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