



Office of the City Manager

CONSENT CALENDAR
March 11, 2025

To: Honorable Mayor and Members of the City Council
From: Paul Buddenhagen, City Manager
Submitted by: Scott Gilman, Director, Health, Housing, and Community Services
Subject: Joint Homekey+ Application for MLK House at 2942-44 Martin Luther King, Jr. Way

RECOMMENDATION

Adopt two Resolutions approving the following actions in support of a Homekey+ program funding allocation by:

1. Authorizing the City Manager or designee to prepare and submit a joint application with Insight Housing to the State of California Housing and Community Development (HCD) Department's Homekey+ program for the MLK House project, which will provide permanent supportive housing for veterans.
2. Authorizing the City Manager or designee to take all necessary actions for the City's participation in HCD's Homekey+ program, including entering into HCD's Standard Agreement and any amendments.
3. Authorizing the City Manager or designee to execute all original or amended documents or agreements necessary to effectuate these actions.

FISCAL IMPACTS OF RECOMMENDATION

If the joint application to the Homekey+ program is successful the total award of \$4,224,000 (\$3,300,000 capital request and \$924,000 operating request) will go directly to 2942 MLK Berkeley LLC, a Special Purpose Entity (SPE) created by Insight Housing (Insight) to own and operate the project. However, if HCD requires the City to be the recipient of funds instead of the SPE, the City will pass the funds through to the SPE for the project.

The City has an existing loan with Insight for just over \$2M to support the renovation of MLK House; no new City funds will be allocated with this Council action. MLK House may require ongoing operating support after the proposed capitalized operating reserves are expended (expected in the fifth year of property operations). Staff will work with the development team to identify funding sources to support the long-term operations of this project.

CURRENT SITUATION AND ITS EFFECTS

Insight requested that the City jointly apply for Homekey+ funding to support the renovation and operation of its MLK House project. MLK House (2942-2944 Martin Luther King, Jr. Way) is a Single-Room Occupancy (SRO) permanent housing project with shared bathrooms and a communal kitchen.

Insight took ownership of MLK House in November 2024, and intends to convert the property into supportive housing for 11 homeless or formerly homeless veterans. The City provided a \$2,000,988 Housing Trust Fund program loan (authorized by Council in January 2024 with Resolution No. 71,190-N.S.) to support the rehabilitation of the property. Insight intends to use the funds to add kitchenettes to each room in order to make them eligible for Veterans Affairs Supportive Housing (VASH) vouchers from the Department of Veterans Affairs (VA). The vouchers will provide critical operating support, but additional capital and operating funding from Homekey+ would benefit the project's long-term feasibility.

The proposed project is eligible for an estimated \$4.3M in HCD Homekey+ funds, including five years of operating subsidy. HCD recommends seeking authorization for a higher dollar amount than the estimated amount because award amounts are subject to change. Also, if a higher amount is granted than authorized in the resolution, a new resolution is required. Therefore, the resolution will request \$4.5M in HCD Homekey+ funds. Because the proposed project would provide permanent supportive housing for 11 veterans, it would require significant and ongoing operating subsidies. Insight Housing plans to apply for Behavioral Health Services Act (BHSA) funds to develop the site into a HUD-VASH Board and Care program which would partially satisfy operating subsidy requirements.

To meet the eligibility requirements of HCD's Homekey+ program, the City will need to jointly apply with the development team and provide matching funds. The application will list the City's \$2,000,988 HTF reservation as the required capital match. In order for the project to receive the Homekey+ funds, the City will be required to enter into the State's Standard Agreement, which will require the project remain affordable for 55 years.

BACKGROUND

Homekey+ is a new program funded by Proposition 1 to build permanent supportive housing for veterans and other individuals with mental health and/or substance use disorders. There is \$1.033 billion available for veterans and \$1.11 billion for all other eligible populations. It has a similar model to the original Homekey program which encouraged rehabilitation and conversion of existing buildings into permanent affordable housing. HCD released the Homekey+ NOFA on November 23, 2024 and the applications will open at the end of January 2025. HCD will start to announce Homekey+ awards in the summer of 2025 on a rolling basis. Developers with a Homekey+ eligible project must apply in partnership with a public agency. HCD requires

applicants to use their Homekey+ resolution template, which must be adopted as written.

In 2021, the City submitted a successful joint Homekey application with Bay Area Community Services (BACS) and Memar Properties for the Golden Bear Inn, which is located at 1620 San Pablo Avenue and was formerly operated as a 44-room hotel. The project reached full occupancy in January 2023 and serves chronically homeless households, with services provided by BACS.

In 2023, the City submitted a successful joint application with Memar Properties and Housing Consortium of the East Bay during the third round of Homekey funding for the University Inn located at 1461 University. The project is partially occupied, and renovations are scheduled to begin later this spring.

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

There are no environmental sustainability effects directly associated with the recommendations in this report. If the City's funding application is successful, the project will be rehabilitated, which is generally considered a more sustainable type of development.

RATIONALE FOR RECOMMENDATION

Participation in a joint Homekey+ application with Insight Housing for MLK House will support veterans experiencing homelessness with behavioral health challenges and will bring permanent supportive housing units for that population online on an expedited timeline.

ALTERNATIVE ACTIONS CONSIDERED

The City could decline to participate in the Homekey+ program. Since that would not be consistent with the City's Strategic Plan to increase affordable housing opportunities, staff is recommending participation as described above.

CONTACT PERSON

Be Tran, Community Development Project Coordinator, HHCS, (510) 981-5430

Attachments:

1. Resolution – Approval to Submit Joint Application with Insight Housing for Homekey+ Funds for MLK House Homekey+ Project Located at 2942-44 Martin Luther King, Jr. Way
2. Resolution – Authorizing Joint Application to and Participation in the Homekey+ Program for MLK House

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

APPROVAL TO SUBMIT JOINT APPLICATION WITH INSIGHT HOUSING FOR HOMEKEY+ FUNDS FOR MLK HOUSE HOMEKEY+ PROJECT LOCATED AT 2942-44 MARTIN LUTHER KING, JR. WAY

WHEREAS, on January 30, 2024, by Resolution No. 71,190-N.S., City Council approved the transfer of MLK House to Insight Housing as well as a reservation of \$2,000,988 in Housing Trust Fund (HTF) funds to support the renovation of the project; and

WHEREAS, on November 26, 2024, the State of California Housing and Community Development Department (“HCD”) released a Notice of Funding Availability for \$2.2B of Homekey+ funds; and

WHEREAS, in order for Insight Housing to pursue HCD funding through the Homekey+ program, Insight Housing must submit a joint application with the City of Berkeley; and

WHEREAS, the City may be required to accept a portion of the project’s liability as a condition of the joint Homekey+ application, though the risk may be mitigated by a side agreement negotiated between the City and Insight Housing.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that it approves the submission of a joint application with Insight Housing or their affiliate for the Homekey+ application for MLK House Homekey+ project.

BE IT FURTHER RESOLVED that the City Manager shall work to mitigate risk to the City from serving as a joint applicant, including negotiating an agreement with Insight Housing regarding mutual responsibilities.

BE IT FURTHER RESOLVED that the City Manager, or designee, is authorized to execute in the name of Applicant the Homekey+ Program Application Package and the Homekey+ Program Documents as required by HCD for participation in the Homekey+ program.

BE IT FURTHER RESOLVED that the City Manager, or 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 the City Clerk.

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

MLK House

RESOLUTION OF THE GOVERNING BODY OF CITY OF BERKELEY AUTHORIZING
JOINT APPLICATION TO AND PARTICIPATION IN THE HOMEKEY+ PROGRAM

WHEREAS, The Department of Housing and Community Development (“HCD”) has issued a Notice of Funding Availability, dated November 26, 2024 (“NOFA”), for the Homekey+ Program (“Homekey+” or “Program”). HCD has issued the NOFA for Homekey+ grant funds pursuant to Health and Safety Code Section 50675.1.3 (Assem. Bill No. 140 (2021-2022 Reg. Sess.), § 20.); Health and Safety Code Section 50675.1.5 (Assem. Bill No. 531 (2023-2024 Reg. Sess.); Section 14184.402 of the Welfare and Institutions Code; Section 5891.5 of the Welfare and Institutions Code; and Round 5 and 6 of the Homeless Housing, Assistance and Prevention (HHAP) grant program. (Assem. Bill No. 129 (Chapter 40, Statutes 2023) and Assem. Bill No. 166 (Chapter 48, Statutes 2024), respectively; and

WHEREAS, City of Berkeley (“Applicant”) desires to jointly apply for Homekey+ grant funds with Insight Housing and 2942 MLK Berkeley LLC. Therefore, Applicant is joining Insight Housing and 2942 MLK Berkeley LLC in the submittal of an application for Homekey+ funds (“Application”) to HCD for review and consideration; and

WHEREAS, HCD is authorized to administer Homekey+ pursuant to the Multifamily Housing Program (Chapter 6.7 (commencing with Section 50675) of Part 2 of Division 31 of the Health and Safety Code. Homekey+ funding allocations are subject to the terms and conditions of the NOFA, the Application, the HCD-approved STD 213, Standard Agreement (“Standard Agreement”), and all other legal requirements of the Homekey+ Program.

NOW THEREFORE, BE IT RESOLVED that Applicant is hereby authorized and directed to submit a joint Application to HCD in response to the NOFA, and to jointly apply for Homekey+ grant funds in a total amount not to exceed \$4,500,000.

BE IT FURTHER RESOLVED that if the Application is approved, Applicant is hereby authorized and directed to enter into, execute, and deliver a Standard Agreement in a total amount not to exceed \$4,500,000, any and all other documents required or deemed necessary or appropriate to secure the Homekey+ funds from HCD and to participate in the Homekey+ Program, and all amendments thereto (collectively, the “Homekey+ Documents”).

BE IT FURTHER RESOLVED that Applicant acknowledges and agrees that it shall be subject to the terms and conditions specified in the Standard Agreement, and that the NOFA and Application will be incorporated in the Standard Agreement by reference and made a part thereof. Any and all activities, expenditures, information, and timelines represented in the Application are enforceable through the Standard Agreement. Funds

are to be used for the allowable expenditures and activities identified in the Standard Agreement.

BE IT FURTHER RESOLVED that the City Manager, or his designee, is authorized to execute the Application and the Homekey+ Documents on behalf of City of Berkeley for participation in the Homekey+ Program.