



**CITY OF SALINAS  
COUNCIL STAFF REPORT**

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**DATE: JUNE 20, 2023**

**DEPARTMENT: COMMUNITY DEVELOPMENT DEPARTMENT**

**FROM: LISA BRINTON, DIRECTOR**

**BY: ROD POWELL, ASSISTANT DIRECTOR - ACTING**

**TITLE: AUTHORIZATION TO SUBMIT A JOINT APPLICATION TO THE CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT FOR HOMEKEY ROUND 3**

**RECOMMENDED MOTION:**

A motion to approve a Resolution authorizing the submittal of a Joint Application to the California Department of Housing and Community Development (“HCD”) for Homekey Round 3 including the following actions:

- a) authorizing the City Manager or designee to finalize a Memorandum of Understanding with Bay Area Community Services Housing Corporation (BACS) to acquire ten (10) residential properties throughout the City to serve as immediate housing for persons experiencing persistent homelessness;
- b) approving a local match contribution of up to \$2 million in City HOME American Rescue Plan (HOME ARP) and City Permanent Local Housing Allocation (PLHA) funds to serve as the required four years of operating match and up to \$800,000 in City American Rescue Plan Act (ARPA) funds to support required project development costs; and
- c) approving the HCD Authorizing Resolution authorizing the submission of a Joint Application to and Participation in the Homekey Program for the acquisition of up to ten (10) residential properties throughout the City to serve as immediate housing for persons experiencing chronic homelessness in the amount not to exceed \$20 million dollars.

**EXECUTIVE SUMMARY:**

On March 29, 2023, HCD announced the availability of approximately \$736 million of Homekey Program Round 3 grant funding to build upon the success of its first two funding rounds of the Homekey program. This significant investment seeks to continue a statewide effort to rapidly expand affordable housing options for persons experiencing homelessness or at risk of homelessness, and who are impacted by or at increased risk for medical diseases or conditions.

Through the submission of a Homekey Program Round 3 application, the City and its program partner and co-applicant, Bay Area Community Services (BACS), will access available acquisition and operational funding for the rapid development and occupancy of up to ten (10) residential properties throughout the City that will create 10-15 units of much needed housing for chronically homeless families. This opportunity represents the most expedient and cost-effective way to increase the City's stock of affordable housing for unsheltered families.

#### BACKGROUND:

On March 29, 2023, the HCD released a Homekey Program Round 3 NOFA for \$736 million. The City seeks to apply for Homekey Round 3 funding as soon as possible due to the first come, first served nature of the funding. The City has identified its existing, experienced shelter operator and experienced Homekey Round 1 awardee, BACS, as its application partner for this Homekey Program Round 3 application. BACS has over 50 years of extensive experience and expertise acquiring and managing traditional and non-traditional housing models including small-site, scattered properties throughout the greater Bay Area region. In 2020, BACS partnered with the City of Oakland on a unique proposal for the first round of State of California Project Homekey funding. This model utilizes BACS pioneering "Project Reclamation" approach of single-family home acquisition and was one of the only applications that was supported through the inaugural Project Homekey program. The project type was so successful in allowing for rapid acquisition and occupancy that BACS and the City of Oakland were each honored with the Enterprise Community Partner award for innovation in Homekey projects.

#### DISCUSSION:

The City's Homekey Program Round 3 application with BACS would seek to acquire up to ten (10) residential properties within the City's jurisdiction to provide 10-15 new affordable housing units for those experiencing chronic homelessness. In this model, BACS will provide property acquisition and renovation on project residences as well as property management. Additionally, BACS will also serve as the operating partner providing a supportive 'care coordination' model of light case management including employment development and assistance, benefit access and mental health support, financial assistance and money management, and other supportive services. This project model does not require any additional City match for supportive services as the model seeks to serve those who are currently served by local referring service providers and/or are working but are not otherwise able to afford current market-rate rents.

As the current local operator of the SHARE Center, BACS is intimately familiar with the City's need to provide additional housing opportunities for families and is well positioned to facilitate and move some of those currently residing in or waitlisted for entry to the SHARE Center into these new housing opportunities. It is estimated that occupancy of acquired residences will occur within thirty (30) days of the close of escrow. Initial and future residents will be referred to the project through the Coordinated Access and Referral System (CARS) administered by the Coalition for Homeless Services Providers (Coalition) on behalf of the Salinas/Monterey/San Benito Continuum of Care (CoC). The City and BACS will also seek to use additional supportive Housing Choice Vouchers through coordination and partnership with the Housing Authority County of Monterey (HACM).

The City and BACS are prepared and well positioned to apply prior to the end of the Round 3 application period on July 28, 2023 and are poised to move quickly upon an award of Homekey funds. BACS' Housing Corporation has over 50 years of expertise in acquiring and managing traditional and non-traditional properties. Currently, it owns more than 300 units of affordable, single-family homes across the greater Bay Area region – 129 of which were acquired as part of the inaugural 2020 Project Homekey awards. BACS' Real Estate Development Team has strong quality control procedures around building design and quality. A long-established relationship with banking partner, West America, has resulted in a special loan product which allows the non-profit to quickly and competitively secure move-in ready properties under all cash, 30-day close offers.

BACS will be responsible for completing required due diligence including an Appraisal, Property Needs Assessment, and any required Environmental Reports. The City will facilitate the consideration and resolution of any necessary land-use or zoning changes to include outreach to adjacent property owners to provide notification about the proposal and to incorporate features to minimize impacts. The City and BACS will also continue to coordinate with the Coalition to formalize the selection process of Homekey residents and the use of local Emergency Housing Vouchers to include the potential submission of an application to the HACM for future Project Based Vouchers. Any vouchers brought to the project by future residents will offset and reduce the total amount of actual operational costs incurred by the City.

HCD anticipates providing award announcements to applicants within 45 days of submission with the issuance of Standard Agreements to follow shortly after.

### ***Project Timeline***

- June 20, 2023 – Council Approval to submit Homekey Round 3 Application
- July 28, 2023 – Submit Homekey Round 3 Application to HCD
- August 1 – October 31, 2023 – Anticipated HCD award notification
- September 1 – December 31, 2023 – Estimated Issuance of Standard Agreements and Disbursement of Funds
- September 1 – January 31, 2024 – Estimated start of acquisition of properties
- October 1, 2023 – Estimated start of occupancy

The anticipated total amount requested in this Homekey Round 3 Application to HCD for this project is \$10 million including \$8.5 million for acquisition and development costs and \$1.5 million for operating subsidy. However, HCD recommends that jurisdictions request double the anticipated grant award resulting in a total request of \$20 million for the project. In this case, the attached HCD Resolution includes a respective total amount not to exceed \$20 million for the project.

### **CEQA CONSIDERATION:**

The City of Salinas has determined 140: (a) Notwithstanding any other law, the California Environmental Quality Act (Division 13 (commencing with section 21000) of the Public Resources Code) shall not apply to any project, including a phased project, funded pursuant to section 50675.1.3 if all of the following requirements, if applicable, are satisfied: (1) No units were

acquired by eminent domain. (2) The units will be in decent, safe, and sanitary condition at the time of their occupancy. (3) The project proponent shall require all contractors and subcontractors performing work on the project to pay prevailing wages for any proposed rehabilitation, construction, or major alterations in accordance with Chapter 1 (commencing with Section 1720) of Part 7 of Division 2 of the Labor Code. (4) The project proponent obtains an enforceable commitment that all contractors and subcontractors performing work on the project will use a skilled and trained workforce for any proposed rehabilitation, construction, or major alterations in accordance with Chapter 2.9 (commencing with Section 2600) of Part 1 of Division 2 of the Public Contract Code. (5) The project proponent submits to the lead agency a letter of support from a county, city, or other local public entity for any proposed rehabilitation, construction, or major alteration work. (6) Any acquisition is paid for, in whole or part, with public funds. (7) The project provides housing units for individuals and families who are experiencing homelessness or who are at risk of homelessness. (8) Long-term covenants and restrictions require the units to be restricted to persons experiencing homelessness or who are at risk of homelessness, which may include lower income and very low-income households, as defined by Section 50079.5, for no fewer than 55 years. (9) The project does not result in an increase in the existing onsite development footprint of structure, structures, or improvements by more than 10 percent. The Project qualifies for the exemption because it would meet all of these requirements.

#### STRATEGIC PLAN INITIATIVE:

The Project will help advance the following City of Salinas Strategic Plan 2022-2025 Goals and Strategies of *Housing/Affordable Housing* by securing a grant to provide much needed permanent housing and wrap around services to those experiencing chronic homelessness.

#### DEPARTMENTAL COORDINATION:

The grant will be administered by the City's Community Development Department (CDD). CDD will continue to work with the City Manager, Finance Director, and City Attorney to finalize the application and Memorandum of Understanding with BACS and to facilitate any necessary actions to complete the acquisition and development process.

#### FISCAL AND SUSTAINABILITY IMPACT:

To maximize HCD funding, jurisdictions must agree to provide sufficient local match to support any identified development gap funding and four (4) years of operational subsidy to secure three years of grant match funding from the state. The local match can include emergency housing vouchers (EHVs). The amount for four years of operational rental subsidy for ten (10) units assuming no EHVs is approximately \$2 million. If a household living in these projects has a housing voucher, the total amount of operational rental subsidy provided by the City would be reduced. The City and BACS will seek to assist future residents to obtain a housing voucher through the Housing Authority of the County of Monterey and will also seek additional funding from the County and Continuum of Care to help subsidize these projects, thus reducing the City's commitment.

CDD's Housing and Community Development Division has identified multiple funding sources to serve as City's required \$2 million operating match requirement including City HOME ARP and PLHA. Staff also recommends allocating \$800,000 in City ARPA funds currently dedicated to the development of affordable housing as the required development gap funding source.

If this project receives a Homekey grant award, it may be necessary to return to City Council to formally appropriate the local match as required by the funding source. At that time, City Council may revisit the breakdown of funding if other funding sources are secured or identified.

ATTACHMENTS:

Resolution

State HCD Authorizing Resolution for Joint Application to and Participation in the Homekey Program