



Office of the City Manager

CONSENT CALENDAR
July 28, 2020

To: Honorable Mayor and Members of the City Council
 From: Dee Williams-Ridley, City Manager
 Submitted by: Lisa Warhuus, Director, Health, Housing & Community Services
 Subject: Operating Funding for Community Housing Development Organizations

RECOMMENDATION

Adopt a Resolution:

1. Approving a multiyear operating funding contract for Resources for Community Development (RCD) and Satellite Affordable Housing Associates (SAHA), starting FY21 and ending FY25;
2. Approving funding in the amount of \$50,000 to RCD and \$50,000 to SAHA for FY21;
3. Authorizing City Manager or her designee to determine the amount of funding to be awarded to each organization in subsequent years, FY22 to FY25, based on the amount of the City's annual allocation of Community Housing Development Organization (CHDO) HOME funds and availability of General Fund match; and
4. Authorizing the City Manager to execute all original or amended documents or agreements to effectuate this action.

SUMMARY

Staff is recommending approval of a five-year operating funding contract for Resources for Community Development (RCD) and Satellite Affordable Housing Associates (SAHA), to support their work in creating affordable housing in Berkeley. RCD and SAHA are nonprofit community-based organizations whose missions are to serve low-income residents through creation of safe affordable housing and building community through their projects. Both qualify as Community Housing Development Organizations (CHDOs) under federal HOME program guidelines and were the only CHDOs to apply in the last funding round. In combination, they are working on three new affordable housing projects that will serve 185 low-income households, in addition to operating most of the permanently affordable housing in Berkeley. For the first year of the contract, staff propose funding RCD and SAHA using \$30,000 in funds from the General Fund, consistent with prior years, and \$70,000 in HOME funds allowed under a federal COVID-19 waiver, for an allocation of \$50,000 for each agency. The CHDO operating assistance will allow RCD and SAHA to sustain staffing capacity as they develop these

projects. This is even more important now as they deal with the additional challenges their organizations face during the COVID-19 pandemic.

FISCAL IMPACTS OF RECOMMENDATION

Staff is recommending a total of \$100,000 in operating assistance to be allocated for FY21, of which \$70,000 will be allocated from the City's HOME funds (Budget Code: 310-51-504-530-0000-000-444-636110), and \$30,000 will be allocated from General Funds (Budget Code: 501-51-504-530-0000-000-444-636110). The City currently has approximately \$1 million in HOME funds in the Housing Trust Fund. The General Fund allocation for CHDO operating support will be included in the FY2021 budget which will be presented to City Council on June 30, 2020.

CURRENT SITUATION AND ITS EFFECTS

On March 5, 2020, the City issued a Notice of Funding Availability (NOFA) for qualified Community Housing Development Organization (CHDOs) to compete for multiyear operating funding, starting FY21 through FY25. Two qualified CHDOs submitted applications by the deadline on April 16, 2020: Resources for Community Development (RCD) and Satellite Affordable Housing Associates (SAHA).

At the time the NOFA was issued on March 5, 2020, staff had anticipated a total of \$60,000 would be available for CHDO operating support funding in FY21. Half of the funding, or \$30,000, would be allocated from the City's FY21 HOME entitlement and \$30,000 would be allocated from the City's General Fund consistent with past practice. The CHDO operating funds would help both organizations sustain consistent staffing as they develop their projects.

On April 14, 2020, in response to the COVID-19 crisis, HUD issued a notice of the availability of waivers for certain HOME program requirements. The City of Berkeley applied for and was granted several waivers, including the ability to increase the amount of CHDO operating assistance for eligible CHDOs. The waiver would allow the City to increase the amount of CHDO set-aside funds to \$70,000, bringing the total amount of CHDO operating support available to \$100,000, including the \$30,000 in matching City General Funds.

HUD's waiver stipulates that the CHDO HOME funds be allocated for this purpose:

"A CHDO receiving increased operating assistance must use the assistance to maintain organizational capacity during the COVID-19 pandemic."

In response to the availability of increased operating funds, RCD and SAHA identified ways in which the additional support would help them maintain their operations as they address the needs and safety of their staff and the residents of their properties in Berkeley.

Although it is too early to tell the full impact of the pandemic on their operations, both RCD and SAHA have experienced a drop in revenue in April and May in rental income due to the changes in tenants' ability to pay rent. Both anticipate decreases in charitable giving and project delays that will impact their ability to earn developer fee. At the same time, operating costs, such as Personal Protective Equipment for staff, increased janitorial services, and support for remote working, have increased. Both RCD and SAHA have requested an additional \$20,000 each to help offset the additional costs and loss in revenue during the COVID-19 pandemic. This brings the total amount of the operating funding request to \$50,000 for each of their respective organizations.

Providing operating support to certified CHDOs is a Strategic Plan Priority Project, advancing the City's goal to create affordable housing and housing support service for the most vulnerable community members. This operating support is even more critical now as these organizations deal with the impact of the pandemic on their residents, staff and their operations. Staff recommends allocating \$50,000 each to RCD and SAHA in operating support.

BACKGROUND

Federal HOME program regulations define a CHDO as an organization that meets certain capacity criteria, meets specified board composition criteria, and has certain policies in place. To be "certified" as a CHDO, eligible organizations must provide related documentation to the City for review and approval. RCD and SAHA were recertified as CHDOs through the NOFA process.

Jurisdictions have the option of providing 5% of its HOME funds to CHDOs as operating support, if the CHDO will be working on a HOME-funded project in the next 24 months. Years ago, the City had two qualified CHDOs (RCD and SAHA), and received enough funds to provide \$30,000 in HOME funds to each organization annually. As HOME funds were reduced at the federal level, the City began providing the HOME funds to one organization, and a matching amount of General Funds to the other.

In prior years, the City has provided operating assistance to support CHDOs, like RCD and SAHA, using an allocation of City HOME funds matched by City General Fund. In the last five years, the City has kept the same level of CHDO operating funding at \$56,330 despite small increases in the City's HOME entitlement. HUD's waiver of the 5% cap on CHDO operating was granted in recognition of the stresses being placed on community-based affordable housing providers during the pandemic.

Starting in FY21, staff recommends establishing a five-year funding term to expedite the distribution of the funds which will help sustain a consistent stream of operating assistance to CHDOs. Staff oversight of each CHDO's activities related to the operating funding will continue as in previous years. Grantees will be required to report on the status of the projects through semi-annual and year-end reporting, including a summary

of use of funds and an update on annual milestones. Under HOME regulations, the HOME funding is only available to a CHDO that is expected to have a HOME-funded project within the next two years. Although this two-year deadline has been waived under the COVID-19 HUD waiver, both RCD and SAHA will be working on three new affordable housing projects in the next two years as they originally proposed.

The amount of funding for FY21 is higher than in previous years with increased CHDO operating assistance made possible by the HUD waiver. The HUD waiver which allows the City to set aside up to 10% of the City's HOME allocation for CHDO operating assistance would apply to the FY21 allocation only, covering the period of July 1, 2020, to June 30, 2021. Funding levels for subsequent years, FY22 to FY25, would be based on the availability of CHDO HOME funds and matching General Fund. The allocation of CHDO HOME funds for operating assistance would be limited to a maximum of 5% of the City's annual HOME allocation unless otherwise permitted by HUD.

In FY20, staff had established a process for working with the Housing Advisory Committee (HAC) to develop priorities and recommendations for the operating assistance funding. This year, staff had intended to follow a similar review process. However, since the HAC has not been meeting during the Shelter In Place order, it was not possible to take this recommendation to the HAC this year. Staff's priority is to get the operating assistance to the CHDOs immediately. Waiting until such time it is possible to meet with the HAC would cause further delays in getting the funds out to the CHDOs.

ENVIRONMENTAL SUSTAINABILITY

There are no identifiable environmental effects or opportunities associated with providing operating funds.

RATIONALE FOR RECOMMENDATION

Staff recommends approval of a five-year operating funding contract in the amount of \$50,000 each to RCD and SAHA in FY21, for a total of \$100,000 in operating assistance for Year 1. Funding levels for subsequent years, FY22 through FY25, would be capped at a maximum of 5% of the City's annual HOME allocation and matching General Fund if available. CHDO operating assistance is necessary to help sustain consistent funding for CHDOs as they work on creating affordable housing opportunities for Berkeley's low-income residents. This becomes even more important now as these CHDOs address the effects the COVID-19 pandemic has had on their low-income residents, staff and operations.

ALTERNATIVE ACTIONS CONSIDERED

The City could limit CHDO operating assistance to \$60,000 total consistent with past years, and not go up to the HUD limit for the current fiscal year. This approach is less consistent with the City's historical support for community-based affordable housing providers and the essential role they play in Berkeley.

CONTACT PERSON

Lourdes Chang, Community Development Project Coordinator, HHCS, 510-981-5263

Attachment:

1: Resolution

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

APPROVAL OF A FIVE-YEAR COMMUNITY HOUSING DEVELOPMENT ORGANIZATION OPERATING FUNDING CONTRACT FOR RESOURCES FOR COMMUNITY DEVELOPMENT AND SATELLITE AFFORDABLE HOUSING ASSOCIATES

WHEREAS, the City Council established a Housing Trust Fund Program (HTF) to assist in the development and expansion of housing affordable to low and moderate income persons who either work or reside within the City of Berkeley, and authorized the City Manager to implement the Program; and

WHEREAS, there is a great need for affordable and special needs housing in the City of Berkeley as stated in the General Plan Housing Element and the City of Berkeley's Consolidated plan; and

WHEREAS, the US Department of Housing and Urban Development (HUD) allows each jurisdiction to reserve up to 5% of its HOME Investment Partnership Program (HOME) entitlement for operating support for certified Community Housing Development Organizations (CHDO); and

WHEREAS, the City historically matched the HOME CHDO funds (\$30,000 for FY2021) with an equal amount of General Funds; and

WHEREAS, on March 5, 2020, the City issued a Notice of Funding Availability for multi-year operating funding for FY2021 through FY2025, and making \$60,000 available for the first year of funding in FY2021;

WHEREAS, the City received applications from certified CHDOs including Resources for Community Development and Satellite Affordable Housing Associates; and

WHEREAS, on April 14, 2020, in response to the COVID-19 pandemic HUD issued a notice of availability of certain waivers of the HOME regulations, including a waiver that would allow the City to reserve up to 10% of its HOME entitlement for CHDO operating support to assist certified CHDOs to maintain organizational capacity throughout the pandemic; and

WHEREAS, under the HUD waiver, the City would have the ability to increase the total amount of operating assistance for FY2021 to \$100,000, including \$70,000 in CHDO HOME funds and \$30,000 in matching City General Funds; and

WHEREAS, the HUD waiver would apply only to the first year of the five-year operating funding term, and funding levels for subsequent years, FY2022 through FY2025, would be capped at a maximum of 5% of the City's annual HOME allocation and matching General Fund when available; and

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WHEREAS, upon reviewing the CHDO operating funding proposals to ensure compliance with HOME regulations and the requirements under the HUD waiver COVID-19 Response, staff is recommending funding Resources for Community Development and Satellite Affordable Housing Associates at \$50,000 each for FY21.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that it approve a multiyear operating funding contract for Resources for Community Development and Satellite Affordable Housing Associates with a five-year term starting FY2021 through FY2025, and approve the following reservations of CHDO operating funds for FY2021:

- \$15,000 in General Funds each for Resources for Community Development and Satellite Affordable Housing Associates
- \$35,000 in HOME funds each for Resources for Community Development and Satellite Affordable Housing Associates

BE IT FURTHER RESOLVED that the City Manager, or her designee, is hereby authorized to determine the level of funding for subsequent years, FY2022 through FY2025, where the amount of funding would be based on the amount of the City's allocation of Community Housing Development Organization (CHDO) HOME funds and availability of General Fund match.

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

