



Office of the City Manager

PUBLIC HEARING

July 14, 2020

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: Permanent Local Housing Allocation Application

RECOMMENDATION

Conduct a public hearing and upon conclusion, adopt a Resolution authorizing the City Manager to apply for and accept funds from the State of California's Permanent Local Housing Allocation program in an amount not to exceed \$7,761,504 to support local affordable housing and homeless services initiatives.

SUMMARY

The Permanent Local Housing Allocation (PLHA) is a non-competitive entitlement fund to support local affordable housing and homeless services initiatives. The City is required to submit a five-year plan to access funding through 2025. Staff prepared a plan to fund the City's Pathways STAIR Navigation Center and Rapid Rehousing (RRH) for residents in Operation Safer Ground in the first two years. This is an ongoing funding source that can be paired with other one-time State funding resources, including the Homeless Housing, Assistance, and Prevention Program (HHAP) and the Homeless Emergency Aid Program (HEAP), to sustain the City's homeless services.

The final three years are proposed to support new affordable housing units for homeless households as well as the Housing Trust Fund (HTF) program. This would be contingent on revenue streams returning to pre-recession levels to support homeless services. The funding for this program is collected from real estate transaction fees and, thus, will vary each year with the market.

FISCAL IMPACTS OF RECOMMENDATION

The City of Berkeley is eligible to receive \$1,293,584 in year-one from the funds collected in 2019. Revenue over the next five years is projected at \$7,761,504. However, initial projections were created by the California Department of Housing and Community Development (HCD) prior to COVID-19. Staff anticipate funding in years two through five could be reduced if real estate transactions slow as a result of the COVID-19 induced recession.

CURRENT SITUATION AND ITS EFFECTS

Approving the City's Permanent Local Housing Allocation application is a Strategic Plan Priority Project, advancing our goal to create affordable housing and housing support service for our most vulnerable community members.

The PLHA is a newly established State funding source to support local affordable housing and homeless services initiatives. The PLHA is funded by a recording fee on real estate transactions and will be distributed annually by HCD.

The City is entitled to its share of the funding provided it submits an application that is consistent with the eligible activities identified by Notice of Funding Availability (NOFA). The application requires the City to submit a five-year funding plan for all eligible activities.

The PLHA budget is calculated by percentages, rather than hard numbers, given the source fluctuates each year by real estate transactions. Adjustments to activity allocations in the submitted plan by greater than 10% will require City Council and HCD approval.

Staff are recommending Years 1-2 prioritize sustaining the City's Pathways STAIR Navigation Center and funding Rapid Rehousing (RRH) for community members in Operation Safer Ground . Years 3-5 will shift to supporting the Housing Trust Fund program and creating subsidies for new units affordable to homeless households. The projected budget and details of each activity are outlined below.

Years 1-2: Homeless Services

Pathways STAIR Navigation Center

The City funds the Pathways STAIR Navigation Center ("STAIR Center") to shelter and house people living on the streets of Berkeley as quickly as possible. The STAIR Center offers a 45-bed, 24/7, service-rich shelter housed in a series of modular trailer buildings in West Berkeley. Capacity was reduced to 25 beds to accommodate COVID-19 health and safety procedures.

The STAIR Center follows national best practices for low-barrier shelters and provides accommodations for partners, pets, and possessions. On-site housing navigators maintain a client ratio of 20:1. STAIR Center funding also includes two full-time outreach workers who maintain a regular presence in local encampments and Rapid Rehousing services for clients.

This funding will be critical to maintain the STAIR Center and its services in the face of COVID-19 revenue reductions.

Operation Safer Ground Rapid Rehousing Program

The City is working with the State of California and Alameda County to implement Operation Safer Ground. This program provides safe housing for people experiencing homelessness with a high-risk of contracting the COVID-19 virus. This includes people who are over the age of 65, medically fragile, and/or have a variety of health conditions. The County is funding 69 hotel rooms in Berkeley to provide respite under Operation Safer Ground.

PLHA funds will provide RRH services to help participants locate and move into housing after the Safer Ground hotels are decommissioned. This includes providing participants with housing navigation services and short-term rental assistance (up to one-year). Staff anticipate the annual cost for a single individual will be \$22,250. PLHA funds are expected to house at least 10 people. Staff plan to leverage other Cares Act funding for additional rental subsidy slots for this program.

Projected Years 1-2 Budget

Year 1 Funds			Year 2 Projected		
\$1,293,584			\$1,552,301		
Activity	Percent Allocation	Amount	Activity	Percent Allocation	Projected Amount
STAIR Navigation Center	77%	\$1,000,000	STAIR Navigation Center	77%	\$1,195,2721
Operation Safer Ground RRH	18%	\$228,905	Operation Safer Ground RRH	18%	\$279,414
Admin*	5%	\$64,679	Admin	5%	\$77,615

*5% is the max amount allowable for administration

Years 3-5: New Housing Units for Homeless Households and HTF Support

Staff are recommending shifting the funding in years three through five to support new construction initiatives via two avenues: 1) operating subsidies for homeless households; and 2) supplementing the Housing Trust Fund program. This would be contingent on revenue streams returning to pre-recession levels to support homeless services.

Rental Operating Subsidies for 10 Homeless Households

Staff will conduct an RFP then negotiate one or more contracts with an affordable housing developer to subsidize apartments for homeless households in an HTF pipeline project. The subsidy would allow affordable developers to provide homes for people

experiencing homelessness, similar to a Project-Based Section 8 contract. These subsidies would serve homeless households without the income required to qualify for units subsidized by the typical financing sources for affordable developments. Currently, a Social Security Income (SSI) household would not be able to afford a unit designated as Extremely Low-Income (ELI) at 30% AMI without additional subsidy. ELI units are the lowest subsidy available in most affordable developments. Subsidies would be paid over time (rather than capitalized), and payments and monitoring could be absorbed in HHCS' existing HTF monitoring and Shelter Plus Care programs.

Staff used HUD's Fair Market Rents (the standard for Section 8 contracts) for one-bedroom units to project costs for a 17-year contract period (LITHC tax credit financing runs for 15 years plus a two-year buffer). Paying rents over time rather than capitalizing the subsidy up front involves more risk since the cost of operating subsidies is expected to rise over time and future PLHA funding levels are unknown. However, it increases the number of units that can be subsidized at the program start. Funding 10 units will mitigate this risk as the projected costs account for approximately 15% of the expected revenue. This will provide a buffer over time should revenue decrease.

Housing Trust Fund Program

The remaining funds would be applied to the Housing Trust Fund program to increase Berkeley's permanent affordable housing stock. Projected funding could support three to five units.

Projected Years 3-5 Budget

Years 3-5 Annual Projected Funds*		
\$1,552,301 per year		
Activity	Percent Allocation	Projected Amount
Housing Trust Fund	80%	\$1,241,841
Homeless Operating Subsidies	15%	\$222,084
Admin	5%	\$77,615

*Funding is collected annually through real estate recording fees and will fluctuate. These estimates were provided by HCD.

BACKGROUND

The PLHA was created by the Building Homes and Jobs Act (SB 2, 2017). This bill established a \$75 recording fee on real estate documents to increase the supply of affordable homes in California. The PLHA is a noncompetitive application with funds allocated to cities based on the Community Development Block Grant (CDBG) distribution formula.

The City needs to hold a public hearing and submit an application, resolution, and five-year plan by July 27, 2020.

Eligible activities include:

- Predevelopment/Development/Acquisition/Rehab for specific projects (including operating subsidies)
- Housing Trust Fund matching funds
- Capitalized reserves for Permanent Supportive Housing services (preservation and new construction)
- Accessibility modifications
- Homeless housing/services (Rapid rehousing; Rental assistance; Navigation centers; Emergency shelters)

ENVIRONMENTAL SUSTAINABILITY

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

RATIONALE FOR RECOMMENDATION

The COVID-19 induced recession reduced the City's funding sources for homeless services. The PLHA could serve as a stopgap to allow the City to continue services at the STAIR Center while revenue streams stabilize and return to previous levels. This will also provide funding to transition vulnerable community members from temporary housing into permanent housing. Transitioning funding in years 3-5 (provided revenues have recovered) to support new construction affordable housing and new units for homeless community members is consistent with the City's mission to house the Berkeley's most vulnerable community members.

ALTERNATIVE ACTIONS CONSIDERED

The City Council could consider attributing all funds to homeless services or the Housing Trust Fund for the entire five-year period. Staff recommended against this strategy to sustain funding needs in the present while continuing to advance the City's mission to develop new affordable housing. Alternative eligible activities such as accessibility modifications would require increased staffing capacity that would offset the benefit of the funding.

CONTACT PERSON

Amy Davidson, Senior Community Development Project Coordinator, HHCS,
(510) 981-5406

Amanda Montez, Community Development Project Coordinator, HHCS, (510) 981-5426

Mike Uberti, Community Development Project Coordinator, HHCS, (510) 981-5426

Attachments:

1: Resolution

2: Public Hearing Notice

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

PERMANENT LOCAL HOUSING ALLOCATION APPLICATION

WHEREAS, the State of California (“State”) Department of Housing and Community Development (“Department”) is authorized to provide up to \$195 million under the SB 2 Permanent Local Housing Allocation Program Formula Component from the Building Homes and Jobs Trust Fund for assistance to Cities and Counties (as described in Health and Safety Code section 50470 et seq. (Chapter 364, Statutes of 2017 (SB 2)); and

WHEREAS, the Department issued a Notice of Funding Availability (“NOFA”) dated 02/26/2020 under the Permanent Local Housing Allocation (PLHA) Program; and

WHEREAS, the City of Berkeley is an eligible Local government applying for the program to administer one or more eligible activities; and

WHEREAS, the Department may approve funding allocations for PLHA Program, subject to the terms and conditions of the Guidelines, NOFA, Program requirements, the Standard Agreement and other contracts between the Department and PLHA grant recipients; and

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that if the City of Berkeley receives a grant of PLHA funds from the Department pursuant to the above referenced PLHA NOFA, it represents and certifies that it will use all such funds in a manner consistent and in compliance with all applicable state and federal statutes, rules, regulations, and laws, including without limitation all rules and laws regarding the PLHA Program, as well as any and all contracts Applicant may have with the Department.

BE IT FURTHER RESOLVED that the City of Berkeley is hereby authorized and directed to receive a PLHA grant, in an amount not to exceed the five-year estimate of the PLHA formula allocations, as stated in Appendix C of the current NOFA (\$7,761,504) in accordance with all applicable rules and laws.

BE IT FURTHER RESOLVED that the City of Berkeley hereby agrees to use the PLHA funds for eligible activities as approved by the Department and in accordance with all Program requirements, Guidelines, other rules and laws, as well as in a manner consistent and in compliance with the Standard Agreement and other contracts between the Applicant and the Department.

BE IT FURTHER RESOLVED that the City of Berkeley certifies that it has or will subgrant some or all of its PLHA funds to another entity or entities. Pursuant to Guidelines Section 302(c)(3), “entity” means a housing developer or program operator, but does not mean an administering Local government to whom a Local government may delegate its PLHA allocation

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BE IT FURTHER RESOLVED that the City of Berkeley certifies that its selection process of these subgrantees was or will be accessible to the public and avoided or shall avoid any conflicts of interest.

BE IT FURTHER RESOLVED that the City of Berkeley certifies that, if funds are used for the development of an Affordable Rental Housing Development, the Local government shall make PLHA assistance in the form of a low-interest, deferred loan to the Sponsor of the Project, and such loan shall be evidenced through a Promissory Note secured by a Deed of Trust and a Regulatory Agreement shall restrict occupancy and rents in accordance with a Local government-approved underwriting of the Project for a term of at least 55 years.

BE IT FURTHER RESOLVED that the City of Berkeley shall be subject to the terms and conditions as specified in the Standard Agreement, the PLHA Program Guidelines and any other applicable SB 2 Guidelines published by the Department.

BE IT FURTHER RESOLVED that the City Manager and/or her designee is authorized to execute the PLHA Program Application, the PLHA Standard Agreement and any subsequent amendments or modifications thereto, as well as any other documents which are related to the Program or the PLHA grant awarded to Applicant, as the Department may deem appropriate.

**NOTICE OF PUBLIC HEARING
BERKELEY CITY COUNCIL**

PERMANENT LOCAL HOUSING ALLOCATION FUNDING APPLICATION

The Department of Health, Housing, and Community Services is proposing submit an application, including a five-year funding plan, in response to the California Department of Housing and Community Development’s (“HCD”) Notice of Funding Availability under the Permanent Local Housing Allocation (“PLHA”) Program.

The hearing will be held on, JULY 14, 2020 at 6:00 p.m. The hearing will be held via videoconference pursuant to Governor’s Executive Order N-29-20.

A copy of the agenda material for this hearing will be available on the City’s website at www.CityofBerkeley.info as of **July 2, 2020**. **Once posted, the agenda for this meeting will include a link for public participation using Zoom video technology.**

For further information, please contact Mike Uberti at (510) 981-5114 or muberti@cityofberkeley.info.

Written comments should be mailed or delivered directly to the City Clerk, 2180 Milvia Street, Berkeley, CA 94704, in order to ensure delivery to all Councilmembers and inclusion in the agenda packet.

Communications to the Berkeley City Council are public record and will become part of the City’s electronic records, which are accessible through the City’s website. **Please note: e-mail addresses, names, addresses, and other contact information are not required, but if included in any communication to the City Council, will become part of the public record.** If you do not want your e-mail address or any other contact information to be made public, you may deliver communications via U.S. Postal Service or in person to the City Clerk. If you do not want your contact information included in the public record, please do not include that information in your communication. Please contact the City Clerk at 981-6900 or clerk@cityofberkeley.info for further information.

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I hereby certify that the Notice for this Public Hearing of the Berkeley City Council was posted at the display case located near the walkway in front of the Maudelle Shirek Building, 2134 Martin Luther King Jr. Way, as well as on the City’s website, on July 2, 2020.

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Mark Numainville, City Clerk