

Folsom City Council Staff Report

MEETING DATE:	9/8/2020
AGENDA SECTION:	New Business
SUBJECT:	Resolution No. 10524 – A Resolution of the City Council of the City of Folsom Authorizing Joint Application with Hirani Family Foundation and Sacramento Commercial Properties, Inc. to the Homekey Program
FROM:	Community Development Department

RECOMMENDATION / CITY COUNCIL ACTION

Move to approve Resolution No 10524 - A Resolution of the City Council of the City of Folsom Authorizing Joint Application with Hirani Family Foundation and Sacramento Commercial Properties, Inc. to the Homekey Program.

BACKGROUND / ISSUE

In February of this year, the Hirani Family Foundation purchased the Folsom Lodge Motel and Mini Storage located at 501 East Bidwell Street with the intent of converting the 22-room motel into an affordable housing project and continuing operations of the storage facility. With regards to the motel conversion, the Hirani Family Foundation, in partnership with Sacramento Commercial Properties, Inc.(its Managing Partner) (Developer), has proposed to complete both interior and exterior renovations necessary to convert the existing 22-room motel into a 24-unit low-income studio apartment project, Bidwell Street Studios. Development of the Bidwell Street Studios as an affordable housing project will require a financial subsidy and in July the partnership reached out to the City regarding a request for financial assistance to support the proposed project.

On July 17, 2020, the State Department of Housing and Community Development (HCD) issued a Notice of Funding Availability (NOFA) for the Project Homekey Program, intended at producing housing to build on the success of the Project Roomkey Program which focused on the provision of temporary shelter for COVID high-risk homeless populations. As

outlined in the NOFA, the Homekey Program, administered by HCD, provides \$600 million in grant funding available to local public entities, including cities, counties, or other local public entities within California to purchase and rehabilitate housing (including hotels, motels, vacant apartment buildings, manufactured housing, and other buildings) to quickly convert them into interim or permanent, long-term housing. Most of the grant funding (\$550 million) is from the State's portion of federal Coronavirus Relief Funding (CRF) and \$50 million is from the State's General Fund. Pursuant to the CRF requirements, the \$550 million must be spent by end of December 2020 and the General Fund amount can be used through June 2022 and is available for operating funds. In the initial application period from July 17, 2020, through August 13, 2020, the state set aside \$27,409,175 in funding for the Sacramento Region. Applications submitted by August 13, 2020 are prioritized into two tiers. Tier One projects are projects that can provide housing for occupancy within 90 days of funding and all other projects are Tier Two projects. Tier Two projects will be ranked based on the application submittal date stamp and overall points.

The availability of the state's Homekey funds, provides the City with a unique opportunity to obtain \$2,451,132 in State funding as a Tier Two project to support the Folsom Lodge Motel conversion and create twenty-four (24) new affordable housing units in the City of Folsom that will serve extremely low income who are homeless or at risk of homelessness. Because the short window of opportunity and application deadline of August 13, 2020 occurred during City Council annual recess, City staff, with support from HCD, the City Manager and City Attorney submitted a Homekey application to HCD on August 13, 2020. In order for the Homekey application to proceed through the review process, City Council approval of this resolution is required.

POLICY / RULE

The Homekey Grant Program application requires the applicant's governing body to certify by resolution the approval of the application.

ANALYSIS

According to the Homekey Program NOFA, eligible Homekey Projects include:

- Acquisition or rehabilitation of motels, hotels, or hostels
- Master leasing of properties
- Acquisition of other sites and assets, including purchase of apartments or homes, adult residential facilities, residential care facilities for the elderly, manufactured housing, and other buildings with existing residential uses that could be converted to permanent or interim housing
- Conversion of units from nonresidential to residential in a structure with a certificate of occupancy as a motel, hotel, or hostel
- The purchase of affordability covenants and restrictions for units
- Relocation costs for individuals who are being displaced as a result of rehabilitation or existing units

- Capitalized operating subsidies for units purchased, converted, or altered with funds provided pursuant to Health and Safety Code section 50675.1.1.

The proposed Folsom Lodge Motel conversion project is an eligible activity under the Homekey NOFA. And, while one option under the NOFA is for local public entities, including cities, counties, or other local public entities within California to purchase and rehabilitate housing (including hotels, motels, vacant apartment buildings, manufactured housing, and other buildings), the City's proposal is to provide funding to the Developer via the Homekey Grant for the conversion of the motel units to studio apartments and to purchase an affordability covenant that deed restricts the site for a 55-year term for extremely-low income housing units.

The proposed project will assist the City's response to local rapid housing needs for individuals who are homeless or who are at risk of homelessness and at-risk of contracting COVID-19. Furthermore, the Developer proposes to work closely with local homeless outreach and service providers, including HART of Folsom, Powerhouse Ministries and Sacramento Self Help Housing (SSHH) to identify individuals who are candidates for housing provided by this project. Based on conversations with the homeless service providers, there are approximately 70 homeless individuals in Folsom. As a result of the Roomkey temporary housing solution, the City's Homeless Navigator with SSHH was able to place 17 of Folsom's homeless individuals into temporary housing. Of those 17 individuals, the Navigator has indicated that at least half of them would be eligible for supportive housing offered by this proposed project. Furthermore, one of the biggest challenges pointed out by the local homeless outreach and service providers is the lack of available affordable supportive permanent housing units for individuals in Folsom who are at risk of homelessness or who are ready to transfer out of transitional housing into permanent housing. This lack of available housing will only be exacerbated in the coming months as a result of the current COVID-19 health crisis.

Homekey funding for and implementation of this project would assist in creating 23 new permanent supportive housing units and one manager unit. Additionally, these 23 permanent supportive units would contribute towards meeting the City's Regional Housing Needs Allocation goals and would be counted toward the very low-income household category, which is one of the most difficult categories to satisfy.

Project Funding

The Developer has prepared preliminary project costs to assist the City with securing Homekey funds from HCD. This preliminary budget is currently being refined by the Developer in order to identify the additional sources of funds for rehabilitation costs, rental assistance, and operating subsidies. The City proposes that \$1.5 million dollars in Homekey Grant funds would be used to pay down the \$1,746,829 "mortgage" on the project in exchange for the 55-year Low Income affordability covenant and an additional \$900,000 of the Homekey grant funds would be used for rehabilitation costs. Additionally, \$51,132 in Homekey funds have been requested to pay for the first two years of operating expenses. If

awarded the Homekey funds, the City and the Developer will be required to submit a detailed budget to HCD and provide evidence that all necessary financing and funding to pay for development of the project have been secured. It is important to note that at this point in time, the proposed project budget does not include any additional City contribution of funds.

FINANCIAL IMPACT

There is no General Fund fiscal impact associated with the grant. The total Homekey Grant Program funding request is \$2,451,132, which will provide the City with much-needed resources to provide permanent supportive housing for individuals who are homeless or at-risk of homelessness. Under this grant application, the City is seeking \$100,000 per unit for the grant application to cover capital expenses associated with the motel conversion renovations and to purchase the affordable covenant for a total of \$2.4 million. Furthermore, the City is seeking an additional \$51,132 in funding to cover the first two years of operating expenses. Under the Homekey Program, applications seeking \$100,000 per unit or less do not require a financial match. The operating expense portion is not subject to the \$100,000 per unit or less amount to require a match.

ENVIRONMENTAL REVIEW

The project does not constitute a project under the California Environmental Quality Act (CEQA) pursuant to Health and Safety Code § 50675.1.2 and is therefore exempt from (CEQA) analysis.

ATTACHMENTS

1. Resolution No. 10524 – A Resolution of the City Council of the City of Folsom Authorizing Joint Application with Hirani Family Foundation and Sacramento Commercial Properties, Inc. to the Homekey Program
2. Bidwell Place Studios Project Rendering
3. Conceptual Interior Renovations

Submitted,



Pam Johns, Community Development Director

Attachment 1

Resolution No. 10524 – A Resolution of the City Council of the City of Folsom Authorizing Joint Application with Hirani Family Foundation and Sacramento Commercial Properties, Inc. to the Homekey Program

RESOLUTION NO. 10524

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FOLSOM
AUTHORIZING JOINT APPLICATION WITH HIRANI FAMILY FOUNDATION AND
SACRAMENTO COMMERCIAL PROPERTIES, INC. TO THE HOMEKEY
PROGRAM**

WHEREAS, the Department of Housing and Community Development (HCD) has issued a Notice of Funding Availability (NOFA), dated July 16, 2020, for the Homekey Program (Homekey or Homekey Program). HCD has issued the NOFA for Homekey grant funds pursuant to Health and Safety Code section 50675.1.1 (Assembly Bill No. 83 (2019-2020 Reg. Session), § 21.); and

WHEREAS, the City of Folsom (Co-Applicant) desires to jointly apply for Homekey grant funds with Hirani Family Foundation and Sacramento Commercial Properties, Inc. (Corporations). Towards that end, Co-Applicant is joining Corporations 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). Homey funding allocations are subject to the terms and conditions of the NOFA, the Application and the HCD-approved STD 213, Standard Agreement (Standard Agreement), and all other legal requirements of the Homekey Program.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Folsom that:

1. Co-Applicant is hereby authorized and directed to submit a joint Application to HCD in response to the NOFA, dated July 16, 2020, and to jointly apply for Homekey grant funds in a total amount not to exceed \$2,451,132. That amount includes \$2,400,000 for capital expenditures (as allowed under Health and Safety Code, § 50675.1.1, subd. (a)(1)-(6)) and \$51,132 for a capitalized operating subsidy (as allowed under Health and Safety Code, § 50675.1.1, subd. (a)(7))
2. If the Application is approved, Co-Applicant is hereby authorized and directed to ensure that any funds awarded for capitalized expenditures are spent by June 30, 2022 and that any funds awarded for capitalized operating subsidies are spent by June 30, 2022.
3. If the Application is approved, Co-Applicant is hereby authorized and directed to enter into, execute, and deliver a Standard Agreement in the total amount not to exceed \$2,451,132, any and all documents required or deemed necessary or appropriate to secure Homekey funds from HCD and to participate in the Homekey Program, and all amendments thereto (collectively, the Homekey Documents).
4. Co-Applicant acknowledges and agrees that it shall be subject to the terms and conditions specified in the Standard Agreement, and 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.

5. The City Manager of Co-Applicant or his/her designee is authorized to execute the Application and the Homekey Documents on behalf of Co-Applicant for participation in the Homekey Program.
6. The project does not constitute a project under the California Environmental Quality Act (CEQA) pursuant to Health and Safety Code § 50675.1.1 and is therefore exempt from (CEQA) analysis.

PASSED AND ADOPTED this 8th day of September 2020, by the following roll-call vote:

AYES: Council Member(s):
NOES: Council Member(s):
ABSENT: Council Member(s):
ABSTAIN: Council Member(s):

Sarah Aquino, MAYOR

ATTEST:

Christa Freemantle, CITY CLERK

Attachment 2

Bidwell Place Studios Project Rendering



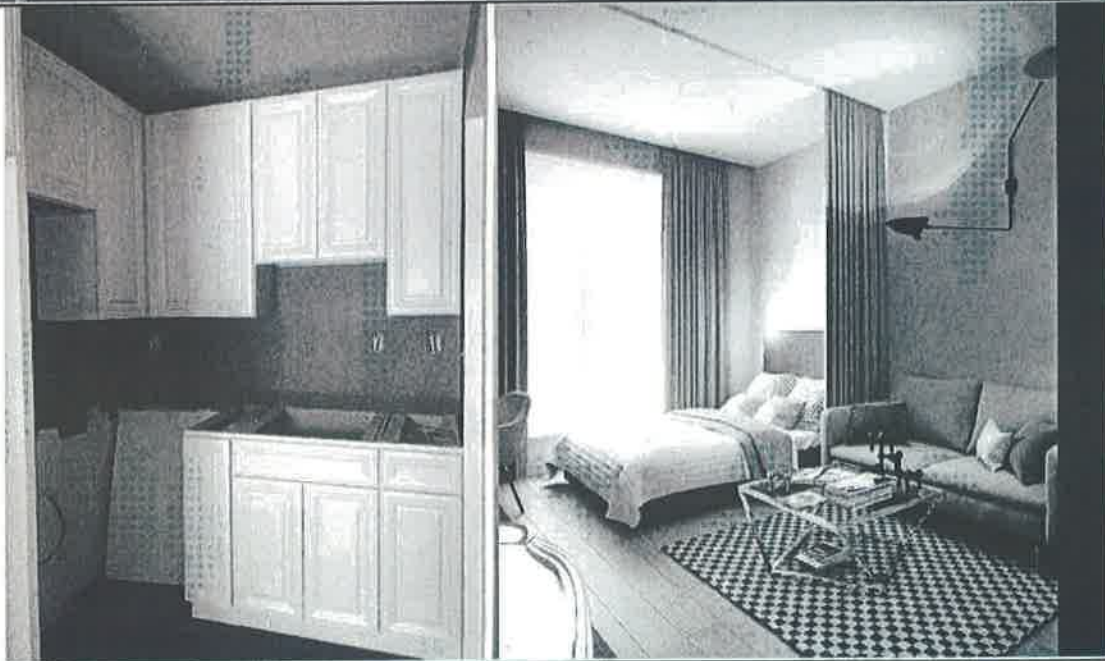
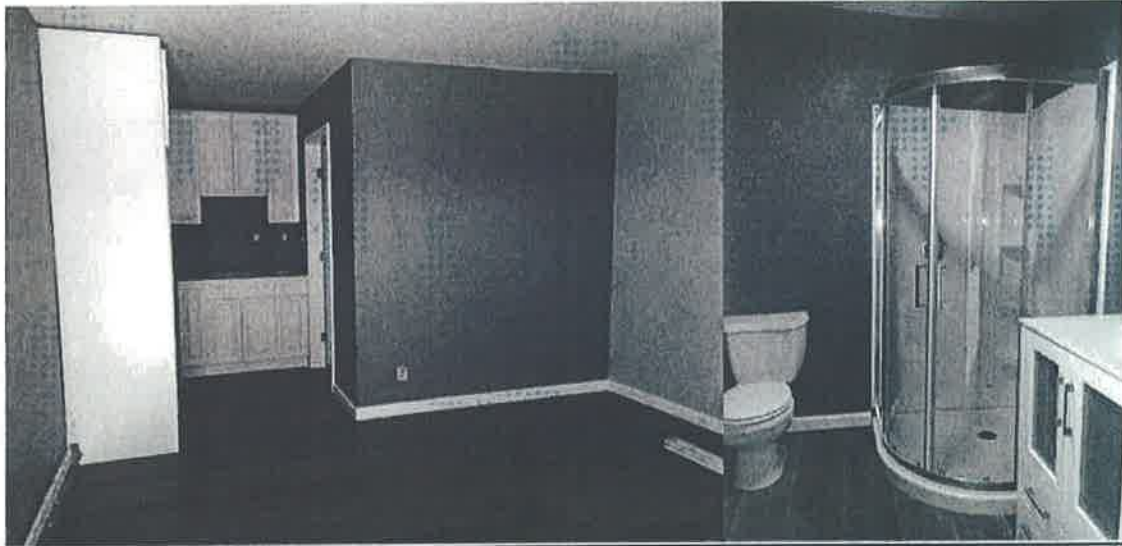
ARTIST'S RENDERING BY
stevehubbardstudios.com

Attachment 3

Conceptual Interior Renovations

CONCEPTUAL AND CURRENT 2 MODELS IN PROCESS

Unit A



Unit B

