

Folsom City Council Staff Report

MEETING DATE:	12/8/2020
AGENDA SECTION:	New Business
SUBJECT:	Resolution No. 10573 –A Resolution Authorizing the City Manager to Accept the Homekey Grant in an Amount of up to \$4,000,000 from the State of California Department of Housing and Community Development and Appropriation of Funds
FROM:	Community Development Department

RECOMMENDATION / CITY COUNCIL ACTION

Move to approve Resolution No 10573 - A Resolution Authorizing the City Manager to Accept the Homekey Grant in an Amount of up to \$4,000,000 from the State of California Department of Housing and Community Development and Appropriation of Funds.

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 existing 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 motel into a 24-unit low-income studio apartment project, Bidwell Street Studios. In addition to the 24 low income units, the project will also include an on-site manager's unit for a total of 25 units. Development of the Bidwell Street Studios as an affordable housing project requires 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.

On September 8, 2020, the City Council approved 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. Under this application, Homekey funds were requested for capital expenditures and to purchase an affordability covenant that deed restricts the Bidwell Studios project for a 55-year term to provide housing for extremely-low income households. In addition, the application also requested a two year operating subsidy, as allowed under the NOFA.

The competition for the Homekey Program funds has been significant. By the application deadline of September 29, 2020 a total of 147 applications had been received from 73 entities statewide, with over \$1.06 billion requested – far exceeding the \$600 million originally allocated to the program. During September and October, City staff, the Hirani Foundation, Sacramento Commercial Properties Inc., and Hope Cooperative worked diligently with HCD to provide additional project documentation and refine the Bidwell Street Studios Homekey application, providing regular updates on the project's status. Despite these efforts, the City's Homekey application did not make the initial list of finalists receiving conditional funding commitments from HCD on or before the 7th and final round of award approval issued on October 29, 2020. Nevertheless, understanding that some of the projects with initial awards might not be able to fulfill their requirements for funding, city staff, along with the Developer and Hope Cooperative, continued efforts to reach out to HCD and provide project updates.

On November 24, 2020, the City and the Developer were notified that the City received a Homekey Conditional Reserve approval from HCD in an amount not to exceed \$4,000,000. What this means is that HCD is assigning its underwriting team to the project to determine the actual Homekey award amount and assist the project in meeting crucial milestones, including but not limited to the requirements that the City enter into the Homekey Standard Agreement no later than the third week of December 2020 and that the funds (if awarded) for capital expenditures and to purchase the affordability covenant must be spent by December 30, 2020.

In order for the City to accept a Homekey Grant for the Bidwell Street Studios project, 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 and authorization to accept Homekey funds.

ANALYSIS

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. In addition to housing, the proposed project will provide much needed supportive services required for the success of individuals transitioning from homelessness to permanent housing. To that end, the Developer has executed a Memorandum of Understanding with HOPE Cooperative (aka TLCS) to provide both tenant based vouchers and supportive services for the project's tenants. HOPE Cooperative has been providing mental health and supportive housing services for people with mental health challenges for nearly 40 years in Sacramento County, including the Folsom Oaks Apartments, which is an 18-unit affordable housing project located at 809 Bidwell Street. As a client-driven organization, Hope Cooperative is dedicated to the independence and empowerment of individuals with mental health disabilities and co-occurring substance use disorders including those experiencing homelessness. Their services include intensive case management, supportive housing, life skills education, mental health services, therapy, co-occurring substance use treatment, residential support services, opportunities for social connectedness and meaningful activities, and crisis intervention. In addition, to the supportive services, Hope Cooperative will provide tenant based vouchers. Under the voucher program, each tenant pays 30% of their income for a portion of rent and for utilities and Hope Cooperative provides the remaining rental subsidy for each tenant, allowing the Developer to receive the fair market rent for each of the units. It is also worth noting, that Hope Cooperative has secured a \$50,000 grant award from Bank of America to help furnish the Bidwell Street Studios units. It is important to point out that one of the biggest challenges identified by 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 has only been exacerbated in recent months as a result of the current COVID-19 health crisis.

Homekey funding for and implementation of this project would assist in creating 24 new permanent supportive housing units and one manager unit. Additionally, these 24 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. Finally, this project will benefit the City's Central Business District by providing much needed interior and exterior renovations to the building and site which will complement the recently approved neighboring Bidwell Place affordable housing project and Bank of America renovations.

FINANCIAL IMPACT

There is no General Fund fiscal impact associated with the grant. The total Homekey Grant Program funding request is for an amount not to exceed \$4,000,000, 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 the submitted grant application, the City requested \$100,000 per unit 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 requested additional 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. The amount actually received from the Homekey Grant Program will most likely be somewhat less than \$4,000,000 and once the amount has been finalized the grant will be appropriated to the Community Housing Fund (Fund 238).

ENVIRONMENTAL REVIEW

The project does not constitute a project under the California Environmental Quality Act (CEQA) pursuant to Government Code 65651(b)(2) and is therefore exempt from (CEQA) analysis.

ATTACHMENTS

1. Resolution No. 10573 – A Resolution Authorizing the City Manager to Accept the Homekey Grant in an Amount of up to \$4,000,000 from the State of California Department of Housing and Community Development and Appropriation of Funds
2. Bidwell Street Studios Project Rendering
3. Conceptual Interior Renovations

Submitted,

A handwritten signature in blue ink, appearing to read "Pam Johns", with a long horizontal flourish extending to the right.

Pam Johns, Community Development Director

Attachment 1

Resolution No. 10573 – A Resolution Authorizing the City Manager to Accept the Homekey Grant in an Amount of up to \$4,000,000 from the State of California Department of Housing and Community Development and Appropriation of Funds

RESOLUON NO. 10573

A RESOLUTION AUTHORIZING THE CITY OF FOLSOM TO ACCEPT THE HOMEKEY PROGRAM GRANT IN AN AMOUNT OF UP TO \$4,000,000 FROM THE STATE OF CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT AND APPROPRIATION OF FUNDS

WHEREAS, the Department of Housing and Community Development (HCD) issued a Notice of Funding Availability (NOFA), dated July 16, 2020, for the Homekey Program (Homekey or Homekey Program). HCD issued the NOFA for Homekey grant funds pursuant to Health and Safety Code section 50675.1.1; and

WHEREAS, on September 8, 2020, the Folsom City Council authorized the City Manager or his/her designee to submit on behalf of the City of Folsom (City or Co-Applicant) a joint application, with the Hirani Foundation and Sacramento Commercial Properties, Inc., to the Homekey Program for the Bidwell Street Studios affordable housing project (Application); and

WHEREAS, on November 24, 2020, HCD notified the City, Hirani Family Foundation and Sacramento Commercial Properties, Inc. that the City's Homekey Application received a conditional reserve of grant funds; and

WHEREAS, HCD is authorized to administer Homekey pursuant to the Multifamily Housing Program established by the Health and Safety Code; and

WHEREAS, Homekey funding allocations are subject to the terms and conditions of the NOFA, the Application, the HCD-approved STD 213 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. The City, as Co-Applicant, is hereby authorized to accept Homekey grant funds in a total amount not to exceed \$4,000,000. That amount includes funds to purchase an affordability covenant and restrictions for units (as allowed under Health and Safety Code, § 50675.1.1, subd. (a)(5)) and funds for a capitalized operating subsidy (as allowed under Health and Safety Code, § 50675.1.1, subd. (a)(7)).
2. If the Application is approved, the City Manager or her designee, on behalf of the City of Folsom as Co-Applicant, is hereby authorized and directed to ensure that any funds awarded for purchasing an affordability covenant and restrictions for units are spent by December 30, 2020 and that any funds awarded for capitalized operating subsidies are similarly spent by June 30, 2022.
3. If the Application is approved, the City Manager or her designee, on behalf of the City of Folsom as Co-Applicant, is hereby authorized and directed to enter into, execute, and deliver a Standard Agreement in the total amount not to exceed \$4,000,000, 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. The City of Folsom, as 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 Bidwell Street Studios affordable housing project does not constitute a project under the California Environmental Quality Act (CEQA) pursuant to Government Code § 65651(b)(2) and is therefore exempt from CEQA review.

BE IT FURTHER RESOLVED THAT, if the Homekey grant Application is approved in a total amount not to exceed \$4,000,000, the Finance Director is authorized to appropriate an additional amount up to the amount of the Homekey grant received to the Community Housing Fund (Fund 238).

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

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

MAYOR

ATTEST:

Christa Freemantle, CITY CLERK

Attachment 2

Bidwell Street Studios Project Rendering



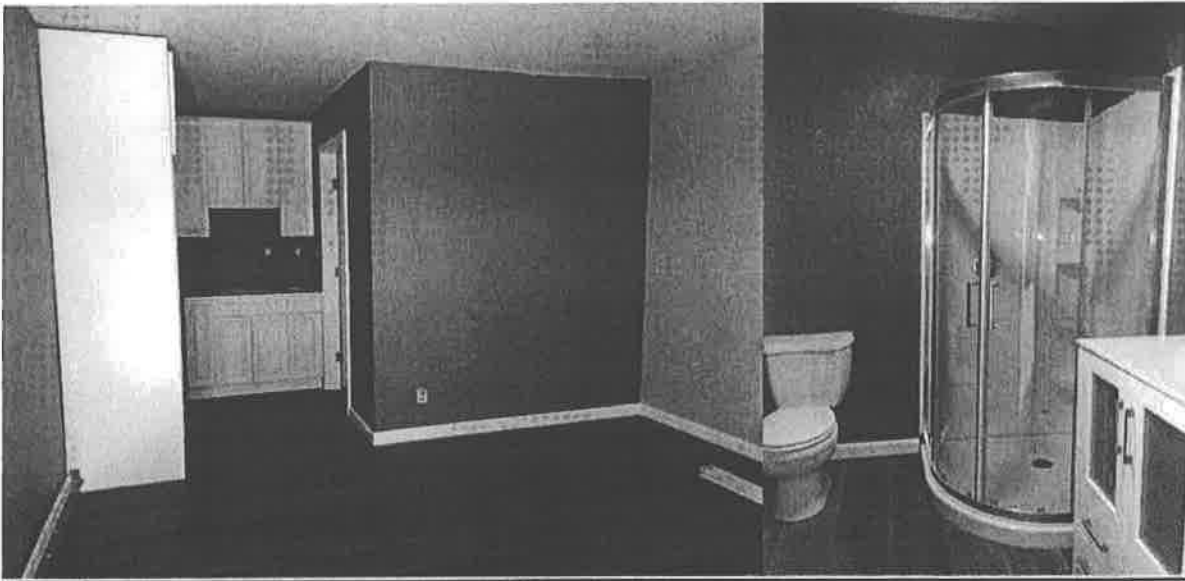
ARTIST'S RENDERING BY
stevhubbardstudios.com

Attachment 3

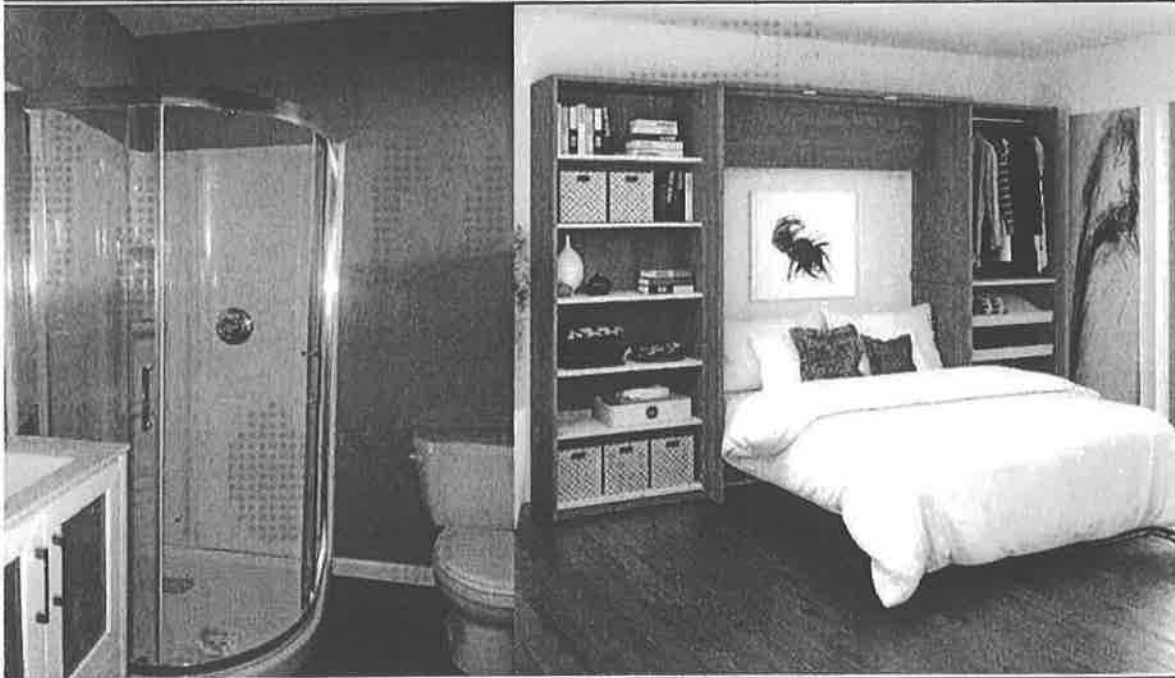
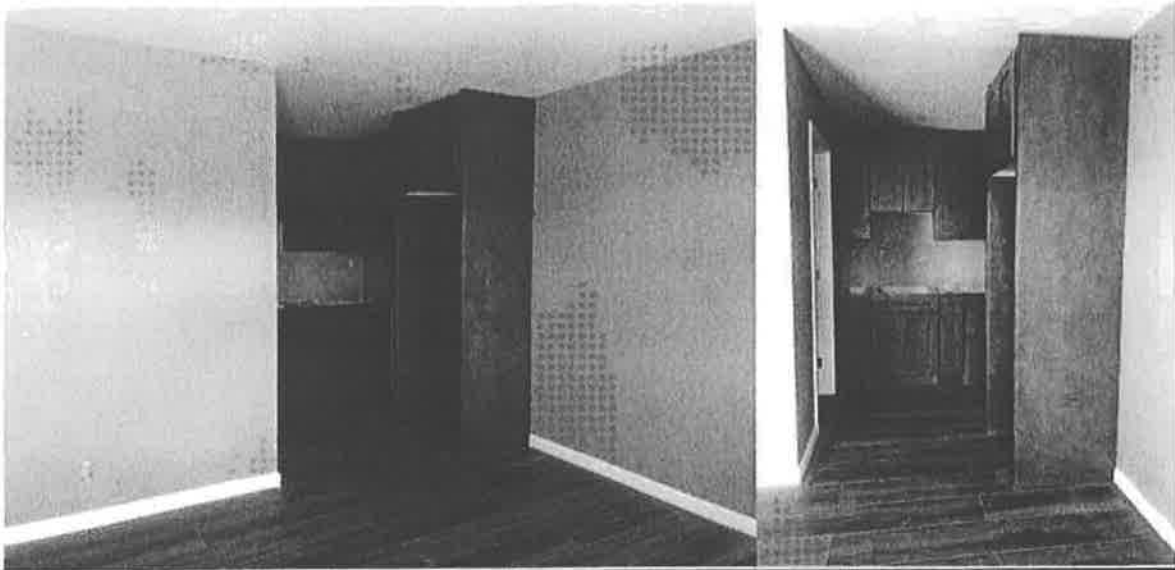
Conceptual Interior Renovations

CONCEPTUAL AND CURRENT 2 MODELS IN PROCESS

Unit A



Unit B



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