

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: August 24, 2020

Approved



Date

8/24/2020

INFORMATION

SUBJECT: HOUSING AND COMMUNITY DEVELOPMENT PROJECT HOMEKEY APPLICATION

The purpose of this information memorandum is to update the City Council of the Housing Department's efforts to apply to the State's Housing and Community Development's ("HCD") project HomeKey Notice of Funding Availability ("NOFA") and acquire a hotel/motel for the conversion and creation of new supportive housing opportunities for families or individuals impacted by COVID-19.

Project HomeKey

On June 16, 2020 HCD announced the availability of approximately \$600 million of HomeKey Program grant funding through their NOFA. Project HomeKey is a statewide effort to quickly maintain and expand housing opportunities for individuals or families experiencing homelessness or at risk of homelessness and for those impacted by COVID-19.

Of the \$600 million in Homekey funding, \$550 million is derived from the state's direct allocation of the federal Coronavirus Relief Fund (CRF) and \$50 million is state General Fund. The \$50 million in state General Fund money is intended to provide operating subsidies for the proposed developments. Projects receiving an award from the state's direct allocation of the federal CRF must expend the funds by December 30, 2020. The portion of a Project's award associated with state General Fund must be expended by June 30, 2022. Depending on the funding award, the successful applicant must close escrow by the expenditure deadline.

Due to an extremely aggressive timeline to expend project HomeKey funding by December 30, 2020, and the potential for program oversubscription, HCD strongly encouraged applicants to submit their completed application as soon as possible. HCD has begun accepting application as of July 22, 2020 in an over-the-counter fashion. Since the probability of program oversubscription is high and funds are limited, HCD has included a Priority Application Period which translates in a first come, first serve strategy for applicants to target. The Priority

Application Period is from July 22, 2020 – August 13, 2020. The larger program timeline for all applicants is as follows:

Table 1: Anticipated timeline for HomeKey applications	
NOFA Release	July 16, 2020
Applicant pre-application consultations with HCD	July 16, 2020 - August 13, 2020
Online application available	July 22, 2020
Priority Application Period	July 22, 2020 - August 13, 2020
Webinar (2:00-4:00 p.m.)	July 24, 2020
Priority Applications Due	August 13, 2020
Awards made on a rolling basis through fall 2020	August/September 2020
All applications due	September 29, 2020
HCD redeploys unawarded funds	Late November 2020

Maximum Grant Amounts (Acquisition & Operating Subsidy)

For acquisition, project Homekey will generally fund up to \$100,000 per motel room, as supported by an appraisal. However, to offset acquisition opportunities that may have higher per-room appraised value in certain high cost areas, HCD will support projects up to \$200,000 per room. Maximum per room contribution can be applied as follows:

State Contribution Table		
HomeKey	Eligible Applicant Contribution	Total Per Hotel Room
First \$100,000	No Match Required	\$100,000
Next \$50,000	1:1, Up to \$50,000	\$200,000
Next \$50,000	2:1, Up to \$100,000	\$350,000

In addition to acquisition proceeds, the state is offering a \$1,000 per room for up to 24 months in operating subsidy.

Housing Department Request for Information and Selected Hotel

On July 29, 2020, the Housing Department issued a Request for Information to solicit information to bring forth potential property acquisition opportunities that will immediately provide units to meet the goals of HCD’s project HomeKey requirements. The Request for Information stipulated that all proposals be submitted by Monday, August 3, 2020 for consideration. Housing Department staff focused on the applicant’s ability to provide a competitive proposal for the project Homekey funding.

The Housing Department received six RFI responses. On August 6, 2020, the Housing Department selected the Sure Stay Hotel by Best Western as the most competitive application.

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The property consists of 76 units with a detached two-bedroom manager's unit and community room. The City is working to finalize an appraisal and contract for the purchase of the hotel.

Project HomeKey NOFA Application

On August 10, 2020, the Housing Department successfully submitted its application for HCD funding. If awarded, the City stands to generate a significant amount of funding for the acquisition of the motel and a two-year operating subsidy in state grant funds.

Next Steps

State HCD plans on announcing awardees in early September for project Homekey applicants who have applied by the August 13, 2020 priority period deadline. The Housing Department will return to the City Council for all required approvals as it relates to this exceptional funding opportunity.

/s/

JACKY MORALES-FERRAND
Director, Housing Department

For questions, please contact Rachel VanderVeen, Deputy Director, at (408) 535-8231.