

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: August 7, 2020

CAO File No. 0220-05762-0000
Council File No. 20-0941
Council District: All

To: The City Council

From: *for* Richard H. Llewellyn, Jr., City Administrative Officer *Yolanda Chavez*

Reference: Homekey NOFA

Subject: State of California Department of Housing and Community Development Homekey Program Notice of Funding Availability Recommendations

SUMMARY

This report responds to Council Motion (Cedillo-Martinez; C.F. 20-0941) in relation to the State of California Department of Housing and Community Development Homekey Program Notice of Funding Availability (NOFA), which will allocate \$550 million in Coronavirus Aid Relief Funds and \$50 million in General Fund dollars statewide for property acquisitions that will expand the housing inventory for people experiencing homelessness or at risk of homelessness and impacted by COVID-19. This report outlines recommendations to ensure the submission of the City's application by August 13, 2020. This NOFA provides the City the opportunity to increase its interim housing inventory to meet its Homelessness Roadmap commitment of creating 6,000 new beds over 18 months. For your information, the City's participation in the State's Homekey Program is addressed also in the City Administrative Officer's report (C.F. 20-0841), dated August 5, 2020, pending in Council Committee.

RECOMMENDATIONS

That the City Council, subject to approval by the Mayor:

1. AUTHORIZE the City Administrative Officer to apply on behalf of the City to the State of California Homekey Program Notice of Funding Availability, with the Housing Authority of the City of Los Angeles serving as the lead applicant, for a maximum award of \$250 million. The City will prioritize properties that:
 - a. may be occupied within 90 days for interim housing
 - b. have minimal or no rehabilitation needs for operation as interim housing; and
 - c. could be converted to permanent housing units within three (3) to five (5) years.
2. AUTHORIZE the City Administrative Officer to enter into an Agreement, reviewed and

approved by the City Attorney, with the Housing Authority of the City of Los Angeles outlining the roles and responsibilities as co-applicants to the State of California Homekey Program Notice of Funding Availability;

3. APPROVE up to \$150 million in COVID-19 Federal Relief Fund monies for the matching funds for successful Homekey Program applications;
4. AUTHORIZE the City Administrative Officer to transfer up to \$150 million in COVID-19 Federal Relief Fund to the Housing Authority of the City of Los Angeles at closing for all approved Homekey Program applications;
5. APPROVE \$30,000,000 in Emergency Solutions Grant - COVID to fund urgent rehabilitation of successful Homekey Program properties;
6. APPROVE \$100,000 from COVID-19 Federal Relief Fund No. 63M, Department No. 10 Account No. 10T695 to the Department of General Services, No. 40, General Fund 100, Account No. 003040, Contractual Services to conduct appraisals on approved Homekey properties;
7. AUTHORIZE the City Administrative Officer, with the assistance of the Housing and Community Investment Department, to issue a Request for Proposals to select qualified owner/operators for approved Homekey Program properties;
8. REQUEST that the City Attorney work with the City Administrative Officer, with the assistance of the Housing and Community Investment Department, to develop a deed of trust, regulatory agreement and any other necessary legal document to transfer ownership of approved Homekey Program properties to the selected owner/operators ensuring the City's interests and the sites' use meet the goals of the City and the Homekey Program;
9. REQUEST that Housing Authority of the City of Los Angeles lease the units it acquires under the Homekey program in compliance with the Homelessness Roadmap Plan;
10. DIRECT the General Manager of the Housing and Community Investment Department, or designee, to develop the Emergency Solutions Grant-COVID Consolidated Plan amendment and post for public comment immediately following the approval of this report;
11. INSTRUCT the General Manager of the Housing and Community Investment Department or designee, to amend the necessary contract with the Los Angeles Homeless Services Authority for the Emergency Solutions Grant;
12. ADOPT the authorizing resolution attached to this report, as required by the State of California Department of Housing and Community Development, in or order to submit the Homekey Program application;

13. DIRECT the City Administrative Officer to report back on successful properties and request the individual authorizing resolutions for each successful project, prior to executing the Standard Agreement with the State of California; and
14. AUTHORIZE the City Administrative Officer to prepare Controller Instructions or make necessary technical adjustments, including to the names of the Special Fund accounts recommended for this report, consistent with the Mayor and Council action in this matter, and authorize the Controller to implement these instructions.

DISCUSSION

Acquisition - State of California: Notice of Funding Availability HomeKey Program

The State of California Department of Housing and Community Development (state) issued a Notice of Funding Availability Homekey Program (Homekey) for approximately \$600 million of grant funding to expand the inventory of housing for people experiencing homelessness or at risk of homelessness and impacted by COVID-19 on July 16, 2020. The \$550 million is from the state's direct allocation of the federal Coronavirus Aid Relief Funds (CRF) and \$50 million is derived from the state's General Fund to supplement the acquisition fund and provide initial operating subsidies for Homekey sites. The state will fund up to \$200,000 per door on these acquisitions if the jurisdiction provides a match of \$150,000 per door. The state has set-aside \$161.5 million as the allocation for the Los Angeles County Region, but has indicated additional funding beyond this amount may be available.

Given the CRF expenditure deadline of December 30, 2020, the state's priority application deadline is August 13, 2020, with a final deadline of September 29, 2020. Because of this short turn around, my Office recommends that the City partner with the Housing Authority of the City of Los Angeles (HACLA), to apply for feasible properties. HACLA has existing real estate acquisition capabilities and has agreed to work with the City on this acquisition effort. HACLA will acquire the properties on behalf of the City, which thereafter, would be transferred to a qualified service provider/owner/operator selected by the City through a competitive Request for Proposals (RFP). The City will place a Deed of Trust and a Regulatory Agreement on the property to ensure the City's control over the use of the site.

As we are proposing to use the CRF funds allocated to the City as the matching source for this effort, the City Attorney has advised that we prioritize properties that can be occupied within 90 days, given that this is a COVID-response program. We also recommend that properties be prioritized in the following manner:

1. Properties for interim housing use only given the lack of operating (rental vouchers), that could be occupied immediately and within 90 days;
2. Prosperities with no or minimal rehabilitation need; and

3. Properties that could be converted to permanent housing within three (3) to five (5) years.

The CAO received over 100 properties from Council Offices, Project Roomkey service providers and the County for acquisition vetting. The Department of General Services initiating the vetting process by ensuring the owner's interest in selling the property. Given the tight deadline for priority applications, and capacity, the CAO submitted 31 properties to HACLA for vetting, ensuring Council District priority sites, Project Roomkey sites, and a Council District mix. The goal is for the HACLA and the City to submit its applications by August 13th to ensure properties are considered on the rolling basis.

In addition to assisting the City with its acquisition efforts, HACLA proposes to acquire properties that HACLA will own and operate as permanent housing units. HACLA will cover the matching funds for any properties that the agency intends to own and operate, but will prioritize the City's 6,000 new bed target population for occupancy of these HACLA units.

This report recommends approval for applying for up to \$250 million in state funds. This would allow the City and HACLA to apply for up to 1,250 units. The City's estimated match if all properties are successful would be a maximum of \$150 million. Included in the recommendation is authority for the CAO to enter into an Agreement with HACLA outlining roles and responsibilities. We are also requesting an allocation of \$30 million in ESG-COVID for any emergency rehabilitation that may be needed for City acquired properties. We will report on the need for these funds once the properties have been acquired.

The Mayor's Office and the Housing and Community Investment Department (HCID) are working on a potential second round of City of Homekey applications. The Mayor's Office and HCID will work with HACLA and selected development partners, if state funding and City matching funds are available, to submit these applications by the final Homekey September 29, 2020 deadline. HCID will report on the process and timeframe for this effort.

FISCAL IMPACT

There is no impact to the General Fund as a result of the recommendations in this report at this time. All of the recommendations in this report will be funded with CARES Act funding.

FINANCIAL POLICIES STATEMENT

The recommendations in this report comply with the City Financial Policies.

RHL/YC

Attachment: Authorizing Resolution

AUTHORIZING RESOLUTION

A RESOLUTION OF THE GOVERNING BODY OF THE CITY OF LOS ANGELES AUTHORIZING JOINT APPLICATION TO THE HOMEKEY PROGRAM

WHEREAS:

- A. The Department of Housing and Community Development (Department) has issued a Notice of Funding Availability ("NOFA"), dated July 16, 2020, for the Homekey Program ("Homekey" or "Homekey Program"). The Department has issued the NOFA for Homekey grant funds pursuant to Health and Safety Code section 50675.1.1 (Assem. Bill No. 83 (2019-2020 Reg. Sess.), § 21.)
- B. The City of Los Angeles ("Co-Applicant") desires to jointly apply for Homekey grant funds with The Housing Authority for the City of Los Angeles ("Corporation") as the lead applicant. Towards that end, Co-Applicant is joining Corporation in the submittal of an application for Homekey funds ("Application") to the Department for review and consideration.
- C. The Department 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). Homekey funding allocations are subject to the terms and conditions of the NOFA, the Application, the Department-approved STD 213, Standard Agreement ("Standard Agreement"), and all other legal requirements of the Homekey Program.

THEREFORE, IT IS RESOLVED THAT:

1. Co-Applicant is hereby authorized and directed to submit a joint Application to the Department in response to the NOFA, dated July 16, 2020, and to jointly apply for Homekey grant funds in a total amount not to exceed \$ 250 million. That amount includes \$ 250 million for capital expenditures (as allowed under Health and Safety Code, § 50675.1.1, subd. (a)(1)-(6)) and \$700,000 for a capitalized operating subsidy (as allowed under Health and Saf. 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 capital expenditures are spent by **December 30, 2020**, 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 a total amount not to exceed \$ 250 million any and all other documents required or deemed necessary or appropriate to secure the Homekey funds from the Department 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 that 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. Richard H. Llewellyn, Jr., City Administrative Officer, or his designee is authorized to execute the Application and the Homekey Documents on behalf of Co-Applicant for participation in the Homekey Program.

PASSED AND ADOPTED this _____ day of _____ 2020, by the following vote:

AYES: _____ NAYES: _____ ABSTAIN: _____ ABSENT: _____

The undersigned, City Clerk does hereby attest and certify that the foregoing is a true and full copy of a resolution of the governing body adopted at a duly convened meeting on the date above-mentioned, and that the resolution has not been altered, amended, or repealed.

City of Los Angeles

Date

Clerk's Signature

Print or Type the Clerk's Name