



Legislation Text

File #: 23-149, Version: 1

Adopt a Resolution to Authorize Joint Application to and Participation in the Homekey Program Round 3 (for an interim shelter/navigation center and conversion to permanent supportive housing) and Approving a \$7.1 Million Operating/Supportive Services Subsidy Guaranty from General Fund Monies over Five Years

COUNCIL PRIORITY

- Housing and Homelessness
- Race and Equity Initiatives

SUMMARY

The City, and its nonprofit partners, applied in May 2022 for State Homekey Round 2 (2.0) for a proposed interim shelter/navigation center and longer-term conversion into permanent supportive housing. The State did not approve the City's Homekey 2.0 application; the City began preparing to apply for Homekey Round 3 (3.0). The City changed several of its nonprofit partners for Homekey 3.0 to strengthen its application. The City will jointly apply with a regional nonprofit developer, Housing Consortium of the East Bay, Inc., (HCEB), which will serve as developer and property manager of the proposed interim shelter/nav center. The local homeless and domestic violence services nonprofit, Cornerstone Community Development Corporation (aka Building Futures or BF) will once again be the on-site services provider.

The State released the Homekey 3.0 Notice of Funding Availability (NOFA) on March 29, 2023. The Homekey application form was released on April 24, 2023. The application deadline is July 28, 2023, or until funds are exhausted, whichever occurs first. Upon Council approval of this resolution, staff and its nonprofit partners will submit the Homekey 3.0 application by or before June 9 because this round will be highly competitive, and there is less total funding than in Homekey 2.0.

RECOMMENDATIONS

Staff recommends City Council approve the Resolution 1) authorizing joint application to and participation in the State Project Homekey Program for acquisition and rehabilitation of the Nimitz Motel at 555 Lewelling Blvd for a proposed short-term navigation center/shelter and later conversion to permanent supportive housing for the unhoused and 2) approving a \$7.1 million operating/supportive services subsidy guaranty from General Fund monies over five years (or approximately \$1,420,000.00 annually) to ensure the interim nav center/shelter can adequately operate for the first five years of operation. Previously, City Council approved a \$5.6 million operating/services subsidy guaranty over the first 5 years for the City's Homekey Round 2 application.

BACKGROUND

On March 21, 2022, the City Council approved entering into a purchase and sale agreement to

acquire the 33-unit Nimitz Motel at 555 Lewelling Boulevard. The City identified the Nimitz Motel as the target site to address the City Council's policy priority to establish a short-term homeless navigation center with shelter and permanent supportive housing that will be affordable to the homeless or at-risk homeless population. For Homekey 2.0, the City partnered with the regional nonprofit developer, Eden Housing, Inc., to be the permanent supportive housing provider and the local nonprofit Building Futures to be the on-site supportive services provider. The City planned to develop the interim shelter/nav center itself and outsource the property management. The City, and its partners applied for Homekey 2.0 in early May 2022, but the State denied the application.

The City enhanced the project team by adding the nonprofit developers, Allied Housing, Inc., and HCEB to replace Eden Housing, Inc. BF remains as the supportive services provider. One recent team change is that Allied Housing and HCEB determined that the latter would serve as the lead project developer to better consolidate the role and because HCEB had more capacity. HCEB, which is an experienced regional affordable housing developer with a specialty in special needs and at-risk populations, will serve as project developer and property manager for the interim nav center/shelter. Allied Housing, given its deep experience in affordable, supportive housing, will serve as a technical advisor to the City for the Homekey 3.0 application.

A change that State HCD made in the Homekey 3.0 notice of funding availability (NOFA) was to eliminate the "Interim to Permanent Housing" eligibility category from prior Homekey rounds. Consequently, the City and its partners will apply in Homekey 3.0 under the "Interim Shelter" category, which must be kept as interim for at least five years before grantees can convert the property into permanent supportive housing as the City had originally envisioned.

Analysis

The Homekey 3.0 application retains generally the same proposed project as its Homekey 2.0 application last year: Interim shelter/navigation center with later conversion to permanent supportive housing:

I. Interim Shelter with Navigation Center (Years 1 through 5)

After acquisition of the Property and approval of State Project Homekey funding, the City will undertake necessary renovations to begin operating the navigation center/shelter as soon as possible. During this interim period, the City will also find a more permanent site for the navigation center/shelter to move to and to explore additional public financing to convert the Property into long-term permanent supportive housing. Homekey requires capital grant funding to be expended within 8 months from date of grant award to facilitate the approved project's operations as soon as possible. Homekey allows grantees to operate the interim shelter option for 15 years, but the City will work towards the permanent supportive housing option sooner (which would be after 5 years)

Notable Interim Shelter/Nav Center Improvements:

- 1) *Conversion of 4 of the existing 33 motel units into management and services offices, meeting/conference spaces, community room, and laundry room.*
- 2) *Necessary life safety (such as fire safety), electrical, mechanical, plumbing and accessibility improvements.*
- 3) *Resurfacing parking lot for accessibility and added open/recreation space for*

clients.

- 4) Two modular trailer units, one providing shower services for the navigation center and the other providing office space for shelter staff.

Navigation Center/Drop-in Services:

- 1) Open 5 days a week from 9 am to 5 pm with front desk greeting.
- 2) A minimum of two staff on-site at all times.
- 3) On-site facility property manager.
- 4) Food to go for homeless clients or on-site consumption.
- 5) Address for homeless clients to use for their mail.
- 6) Available supplies and clothing.
- 7) Access to showers.
- 8) Access to laundry room.
- 9) Interior (community room) and exterior (courtyards) recreation spaces.
- 10) Wraparound support services, including case management, coordinated entry access, mental health, substance use, and benefits advocacy, provided by Building Futures and other community partners.

Interim Shelter Program/Amenities:

- 1) Of the 33 total original motel studio units, 29 units will be used as shelter.
- 2) This program will be operated as “non-congregate shelter” meaning each room will be limited to one client, or in some cases, a couple. There will be about 29 residents at any given time.
- 3) There will be at least two shelter staff on duty at all times.
- 4) The shelter program will have two dedicated case managers, ensuring a client caseload of 1:15 (in line with state and national best practices).
- 5) Shelter staff will be located in a new modular trailer unit that will be placed outside of the navigation center in the existing parking lot area.
- 6) There will also be an on-site property manager.
- 7) BF staff will assist in moving shelter residents into permanent affordable housing, and clients will typically be allowed to stay until they reach housing (up to 2 years).
- 8) Shelter program would be overseen by a full time Shelter Coordinator and supervised by a Manager and a Director. Program staff will meet weekly and case conferences will be run by a clinician.
- 9) Residents will receive three meals a day.
- 10) The shelter will include ADA access for three residents with hearing and visual disabilities and another four units for residents with mobility issues.
- 11) In addition to intensive case management, residents will have full access to the navigation center.

II. Conversion to Permanent Housing (After Year 5)

Prior to Year 5, notify State HCD that the City intends to convert Phase 1 into permanent supportive housing. Options may include demolishing the existing interim shelter/nav center to build a higher density permanent supportive housing development. City will determine whether to continue working with HCEB or soliciting other experienced nonprofit developers through a Request for Proposals. Funding for this phase will involve a wholly separate planning and financing process separate from

Homekey 3.0.

The City intends to use Homekey 3.0 funding for acquisition and renovation of the motel units into code compliant shelter units and related common areas, shelter unit operations, and relocation assistance if applicable. The navigation center will primarily be funded through City and other County, State and/or federal funds.

The total estimated project cost is approximately \$22,000,000: \$6,200,000 acquisition, \$3,400,000 for rehabilitation/construction, \$10,200,000 in operating/services costs over five years (or \$2,000,000 annually) and \$2,200,000 in miscellaneous costs including predevelopment, soft costs, and relocation. The City proposes to provide matching fund commitments of up to approximately \$11,500,000.00 (see Attachment C for a summary of the City's committed funding sources for this project). The City is requesting about up to \$10,700,000 in grant funding in its Homekey 3.0 application. If awarded the \$10,700,000.00, about \$8,900,000 will be allocated for acquisition/construction, \$1,500,000 for operating subsidy, and \$300,000 in bonus funding for eligible costs. Note that these are current project cost estimates and are subject to minor changes prior to the City's planned Homekey 3.0 application submittal in early June as the project team continues to review plans and costs/pricing.

The \$11,500,000 in City subsidy includes up to \$7,100,000 over five years for an operating/services subsidy guaranty. Homekey 3.0 requires that applicants commit to operating the interim shelter for the first five years. For Homekey 2.0, the City Council approved up to \$5,600,000.00 for an operating/services subsidy guaranty. Staff recommends that the City Council approve an increase of about \$1,500,000, which would be an increase of the City's initial subsidy from \$5,600,000 to \$7,100,000 over the first five years of operations, or \$1,420,000 annually as the subsidy guaranty. See Attachment B for the operating/services gap analysis. A key factor for the increased subsidy is that the project team developed a more realistic and effective operations/services budget.

The City hired an experienced relocation consulting firm, Autotemp, to ensure compliance with State and federal relocation requirements. Autotemp has identified two eligible motel residents for relocation assistance from the City. The final Relocation Plan is under a separate City Council consideration.

The City is also in negotiation to purchase the existing restaurant in the motel. Autotemp determined the restaurant was ineligible for relocation assistance, but the restaurant has provided the City an offer to sell. Staff will return for City Council review in the coming months when the parties come to terms. The plan for the restaurant space is a conversion to a community room and food service area for use primarily by navigation center clients.

State HCD will notify Homekey applicants within 60 to 90 days from application submittal if they are approved or denied for funding. The City anticipates notification by August or September 2023.

There is no planning/zoning approval for Phase 1 because the proposed navigation center/shelter complies with Assembly Bill (AB) 101 (Low Barrier Navigation Center By Right Processing) approved by the State in 2019. However, the proposed Phase 1 (Interim) project will need to submit for building permits, which the City will expedite so that renovations can begin quickly. Homekey requires the Interim Shelter/Nav Center be open and operating within 15 months from date of award, but the

City and its partners plan to open within 12 months (Summer/early Fall 2024).

Because Homekey Round 3 will be highly competitive, the City's alternative plan is to purchase the Nimitz Motel and return to City Council to seek direction on next steps including finding additional public funding to renovate and operate the motel as an interim shelter/navigation center or to move immediately towards building new higher density permanent supportive housing.

Previous Actions

- February 9, 2021 - City Council Work Session on proposal for a new navigation center and supportive housing for the homeless.
- March 21, 2022 - City Council approved purchase and sale agreement for acquisition of the Nimitz Motel at 555 Lewelling Blvd.
- April 18, 2022 - City Council approved submittal of application to State Project Homekey 2.0 Round.
- July 18, 2022 - Staff presentation on Project Homekey 2.0 application.
- October 17, 2022 - City Council approved extension of the PSA to March 15, 2022.
- March 6, 2023 - City Council approved final extension of the PSA to August 30, 2023 (with option to exercise two 30-day extensions to October 30, 2023).
- March 20, 2023 - City Council approved allocation of surplus funds to projects/activities including up to \$3,200,000.00 as bridge funding to acquire the Nimitz Motel if Homekey 3.0 funding has not been released to the City by the close of escrow in Fall 2023.

Applicable General Plan Policies

- **Goal 58: Special Needs Populations** - Proactively address the special housing needs of the community, including seniors, disabled individuals, single parents, large families, and the homeless.
 - Action 58.09-B Transitional/Permanent Supportive Housing - Continue to provide financial support to develop and operate supportive and transitional housing facilities, including those located in nearby communities that are accessible to persons who are homeless or at risk of homelessness in San Leandro.
 - Policy 58.11 Service Enriched Housing - Promote social services and programs in affordable housing projects that assist lower-income households in obtaining the financial resources needed to increase and stabilize their housing choices in the City.

Environmental Review

The proposed project for Project Homekey 3.0 application is exempt from the provisions of the California Environmental Quality Act ("CEQA"), pursuant to the Affordable Housing Exemption of Section 15194 of the CEQA Guidelines for a project consisting of the construction, conversion, or use of residential housing consisting of 100 or fewer units that are affordable to low-income households, and pursuant to the Class 1 Exemption of Section 15301 of the CEQA Guidelines for the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private

structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of existing or former use. City staff must file a notice of exemption as required by Section 21152.1 of the Public Resources Code, pursuant to Section 15062 of the CEQA Guidelines.

Prior to close of escrow in late Summer/Fall 2023, the City will complete required federal National Environmental Protection Act (NEPA) environmental review for the acquisition and rehabilitation of the Property.

Summary of Public Outreach Efforts

- May 24, 2022 - City, along with its nonprofit partners Building Futures and Eden Housing, Inc., conducted a community meeting at the Main Library to present and receive public feedback/comments on the State Homekey 2.0 application, and the proposed interim homeless navigation center/shelter to permanent supportive housing project for the Nimitz Motel. The meeting was conducted in person at the Main Library and online via Zoom.

Legal Analysis

The City Attorney's Office reviewed and approved as to form this staff report and resolution and drafted the purchase and sale agreement, including all amendments.

Financial Impacts

City Council should consider approving a \$7,100,000 operating/services subsidy guaranty over five years (or approx. \$1,420,000 per year) from General Fund monies. Previously, City Council approved up to \$5,600,000 over five years as a subsidy commitment guaranty. The annual pro-rata share of the \$5,600,000 is included in the two year FY2023-2025 City Budget that City Council approved on May 15, 2023. The additional \$1,500,000 in subsidy guaranty is based on a more thorough budget analysis completed by the Homekey 3.0 project team to meet the mandatory five-year operating requirement for the State Homekey Interim Shelter category. Staff anticipates there will be public funding (e.g., County, State) in the coming years for homeless services operations and shelter to reduce the \$7,100,000, such that the additional subsidy gap funding would not be needed at all, or until Year 5, assuming the City is awarded Homekey funding.

On March 20, 2023, the City Council approved up to \$3,200,000 in surplus funds, if needed, to be allocated as bridge funding, if Homekey funds are not released or available to the City at the escrow closing deadline in late Summer/Fall 2023.

Beyond the \$7,100,000 operating/services subsidy guarantee for operations and supportive services for the proposed Interim Shelter/Nav Center, the remaining funding that the City commits to the acquisition, rehab, operations/services, and relocation assistance are from targeted City, State and federal funds. See Attachment C for a listing of City Committed Funding Sources to the Nimitz Motel conversion.

ATTACHMENTS

Attachment A - Resolution of the City of San Leandro City Council Authorizing Joint Application

to and Participation in the Homekey Program

Attachment B - Operating/Services Funding Gap Analysis Homekey 3.0 Application/Interim Shelter & Navigation Center

Attachment C - City Committed Funding Sources

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