



Legislation Text

File #: 22-565, **Version:** 1

Adopt a Resolution to Approve and Authorize the City Manager to Execute Amendment No. 4 to the Purchase and Sale Agreement (PSA) for the Nimitz Motel Located at 555 Lewelling Boulevard, Assessor's Parcel Number: 412-1-4-1

COUNCIL PRIORITY

- Housing and Homelessness
- Race and Equity Initiatives
- Community & Business Development

SUMMARY

The existing purchase and sale agreement (PSA), which the City Council approved on March 21, 2022, to acquire the Nimitz Motel located at 555 Lewelling Blvd expires on October 28, 2022. Therefore, the City and motel owner, Parshotam, Inc., seek to extend the PSA through March 15, 2023 to continue negotiations, re-apply for State Project Homekey funding, and move closer to purchasing the motel for the interim navigation center/shelter and eventual longer-term permanent supportive housing.

RECOMMENDATIONS

Staff recommends that the City Council adopt the resolution to approve Amendment No. 4 to the PSA for the Nimitz Motel to extend the existing PSA through March 15, 2023. There is no additional deposit or funding to release by the City as part of this extension.

BACKGROUND

On March 21, 2022, the City Council approved the existing PSA to acquire the Nimitz Motel for a total estimated cost of \$6.235 million: \$6.15 million sales price plus estimated \$85,000 in due diligence/closing costs. Upon opening escrow, the City deposited \$184,500 from its Affordable Housing Trust Fund as required by the PSA. The City also conducted an appraisal, which appraised the value of the property at \$5.8 million.

On April 18, 2022, the City Council approved submittal of a Project Homekey 2.0 application to the State Housing and Community Development Department (HCD) to convert the motel into a short-term navigation center with shelter for approximately 3 to 5 years. During this interim period, the City and its nonprofit partners would seek additional public financing to convert the Property into long-

term supportive and affordable rental housing for the homeless. Before conversion to the long-term permanent supportive housing model, the City would ensure the navigation center and shelter at the Property would be relocated to a new, permanent site.

Prior to the May 2 Project Homekey deadline, the City expended approximately \$70,000 for the following diligence reports/studies that were budgeted for under the City's Adopted FY2021-2022 Budget: appraisal, relocation consultant, property condition assessment, Phase I environmental, ALTA survey, lead in water testing, lead based paint & asbestos, Americans with Disabilities Act (ADA) survey, and termite report.

The City will ensure full compliance with State and/or federal relocation laws regarding motel guests who may be determined to be eligible for relocation financial assistance. The City entered into contract in early 2022 with AutoTemp, an experienced relocation consulting firm, to administer proper noticing, interviews and technical assistance, and prepare a relocation plan required for inclusion in the Project Homekey 2.0 application. City staff will publicly seek City Council approval on how much additional relocation funding assistance is needed for eligible motel guests and AutoTemp will manage the relocation assistance process. To date, AutoTemp has estimated only 3 households who may be eligible for relocation as longer-term motel guests.

The City submitted its Homekey 2.0 application to the State HCD in early May 2022. The City partnered and co-applied with local nonprofit service provider, Building Futures, and partnered with the nonprofit housing developer, Eden Housing, Inc. Due to the high volume of applicants and highly competitive nature of the Homekey 2.0 grant application process, State HCD informed the City in Summer 2022 that it was not awarded Homekey funding.

Under the existing PSA (which was originally to end on July 31, 2022) approved by City Council in March 2022, the City had the right to exercise up to three (3) 30-day extensions with additional deposits from the City Affordable Housing Trust Fund not to exceed \$75,000. The City executed all three extensions as follows:

- Amendment No. 1 - extension through August 29, 2022 and additional deposit of \$25,000.
- Amendment No. 2 - extension through September 28, 2022 and additional deposit of \$50,000.
- Amendment No. 3 - extension through October 28, 2022. (Note: the \$75,000 deposits became non-refundable for the final extension and shall be applied towards the purchase price at close of escrow. The \$75,000 is in addition to the initial \$184,500 good faith deposit, which is still refundable.)

Analysis

City must now extend through Amendment No. 4 the due diligence and escrow period under the existing PSA in order to re-apply for the next Homekey, Round 3 (3.0), which is expected to open up in early Spring 2023. The City is also exploring alternative options in addition to re-applying to Project Homekey to acquire the motel and finance the proposed interim to permanent housing model during

this extension period through March 15.

Since the State disapproval of the City's Project Homekey 2.0 application, City staff has undertaken the following work:

- Continued internal meetings among City Human Services Department, Housing Division, and nonprofit partner staff to debrief on the Homekey 2.0 application process including lessons learned, to re-assess the proposed project for feasibility, and to determine next steps.
- Continued research for additional public funding sources to make this proposed project financially feasible.
- Continued meetings with the motel owner regarding acquisition.
- Contracted with Andrew Hening Consulting to lead the Homekey 3.0 application process for the City and its partners. Hening Consulting has experience in helping jurisdictions in Marin and Sonoma Counties successfully receive State Homekey funding.
- Re-assessed the existing project development team. The City and Eden Housing, Inc., mutually determined that Eden Housing would not be involved in the next Homekey submittal. Therefore, City staff held meetings with other experienced nonprofit developers with more experience in both homeless services and development of shelters and permanent affordable housing. Abode Services/Allied Housing based in Fremont has expressed serious interest in serving as co-applicant with the City for Homekey 3.0.
- Re-assessed the existing project management and services team. The City will continue working with the local nonprofit Building Futures, which will focus on being the supportive services provider for the interim navigation center/shelter. The City met with experienced property management organizations during the summer and the nonprofit Housing Consortium of the East Bay (HCEB) based in Oakland has expressed serious interest in serving as property manager for the interim navigation center/shelter since Building Futures does not have the capacity to be the property manager. HCEB has experience providing housing for persons with disabilities and/or who are homeless.
- Preparing a memorandum of understanding (MOU) with the City's nonprofit partners for Homekey 3.0 to enable the revised project team and City staff to begin planning the Homekey 3.0 application with Andrew Hening Consulting. Similar to the MOU previously executed with the City, Building Futures, and Eden Housing, Inc, this updated MOU with Abode Services, HCEB and Building Futures will memorialize a non-financial partnership to work together. Any substantial funding agreements with the nonprofit partners will be presented to City Council for approval.
- Preparing a community engagement plan with key stakeholders (homeless population, nonprofit service providers) which will be required under the next State Project Homekey application guidelines.

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 Levee Blvd.
- April 18, 2022 - City Council approved submittal of application to State Project Homekey 2.0 Round.
- July 18, 2022 - Staff provided a presentation to notify and explain to Council why the City was

not awarded Project Homekey 2.0 funding which the City applied for in early May 2022.

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 City's acquisition of the Property pursuant to the purchase agreement 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, the City will complete required federal National Environmental Protection Act (NEPA) environmental review for the acquisition 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 the recently submitted State Homekey 2.0 application and proposed interim homeless navigation center/shelter to permanent supportive housing project for the Nimitz Motel and to receive public feedback/comments. The meeting was conducted in person at the Main Library and online via Zoom.

Legal Analysis

The City Attorney's Office reviewed and approved the staff report and resolution. The City Attorney's Office has worked closely with staff and the City's realtor throughout the real estate negotiations to acquire the Nimitz Motel.

Financial Impacts

Amendment No. 4 is only an extension of the existing PSA through March 15, 2023 and does not involve additional deposits or release of funds by the City. Therefore, this Council action tonight will not impact fund balance.

ATTACHMENT

- ***Attachment A: Resolution Authorizing the City Manager to Approve and Execute Amendment No. 4 to the PSA for the Nimitz Motel***
 - *Ex A1: Fourth Amendment to the PSA*

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