



Legislation Text

File #: 22-263, **Version:** 1

Resolution of the City of San Leandro City Council Authorizing a Joint Application to and Participation in the Homekey Program (for acquisition & rehabilitation of the Nimitz Motel at 555 Lewelling Blvd for a short-term navigation center/shelter and conversion to permanent supportive housing for the unhoused)

SUMMARY AND RECOMMENDATIONS

Staff recommends City Council approve the Resolution authorizing joint application to and participation in the State Project Homekey Program Round 2 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.

The State Homekey Round 2 deadline is May 2, 2022. The City will be jointly applying with the local homeless and domestic violence services provider, Cornerstone Community Development Corporation, aka Building Futures with Women and Children (BFWC), which will be the on-site services provider for the interim navigation center and shelter.

BACKGROUND

The State of California created Project Roomkey and Project Homekey (Round 1) in 2020 to address the critical and urgent housing and services needs for unhoused persons and persons at-risk of homelessness due to the COVID-19 pandemic impacts. The Homekey Round 2 Request for Proposals (RFP) opened in September 2021.

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. The City is working with BFWC and the nonprofit housing developer Eden Housing, Inc., to prepare the Homekey application. Eden Housing will partner with the City to develop the property into permanent supportive housing.

Analysis

At the March 21 City Council meeting staff proposed a two-phase interim housing to permanent housing development proposal for its planned Project Homekey grant application:

- Phase 1 - Interim Housing with Navigation Center (2 to 4 years estimated)
After acquisition of the Property and approval of State Project Homekey funding, the City will undertake necessary renovations in order to begin operating the navigation center/shelter as soon as feasible. 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 supportive and affordable rental housing. Homekey requires capital grant funding to be expended within 8 months from date of grant award to facilitate the approved project's operating as soon as possible. Homekey allows grantees to operate the interim housing option for 15 years, but the City will work towards the Phase 2 permanent option much sooner (less than 5 years)

Notable Phase 1 Renovations:

- 1) *Conversion of an estimated 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 space usable by clients. This would involve removal of about 6 to 8 existing parking spaces.*

Proposed Phase 1 Navigation center/drop-in services:

- 1) *Open five days a week from 9-5 with front desk greeting.*
- 2) *Staffed by 2 on-site services staff and a case manager.*
- 3) *On-site facility property manager to be outsourced and managed by the City. BFWC focuses on support services and therefore does not have capacity to property manage. City is currently exploring qualified property management firms.*
- 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) *Mental health provider to engage and educate clients on mental health, a support group and one on one services (to be subcontracted).*
- 11) *Substance abuse provider to engage and educate clients on substance abuse issues they might be experiencing, a support group and one on one services (to be subcontracted).*

Proposed Phase 1 Shelter Program/Amenities:

- 1) *29 shelter units. Of the 33 total original motel studio units, 4 to be converted into office, meeting and community space.*
- 2) *The shelter program is expected to shelter about 25-30 clients at a time. Best practices though are one client per room.*
- 3) *One manager for the shelter. Two staff on duty at all times.*
- 4) *On-site property manager - See Item #2 above.*
- 5) *Shelter stay will typically be until housed (up to 2 years) which BFWC staff will assist in moving shelter residents into permanent affordable housing.*
- 6) *1-2 case managers for the shelter depending on number of clients served. Case Managers would need an office and an individual meeting room.*
- 7) *Shelter program would be overseen by a full time Shelter Coordinator and*

supervised by a Manager and a Director. Program staff meet weekly and case conferences are run by a clinician.

- 8) *Provide three meals a day.*
- 9) *Community room for dining and resident meetings.*
- 10) *Kitchen area to store and cook/heat up food.*
- 11) *Security options may include video cameras on the property particularly the driveway area, a guard, driveway gate, etc.*
- 12) *Mental health provider to engage and educate clients on mental health, a support group and one on one services (to be subcontracted)*
- 13) *Substance abuse provider to engage and educate clients on substance abuse issues they might be experiencing, a support group and one on one services (to be subcontracted)*

- Phase 2 - Permanent Housing

Convert Phase 1 into permanent supportive housing for the homeless.

Homekey grant funding will help cover eligible costs for the Phase 1 proposal, but not Phase 2 because the latter will not occur for a few years and would involve a separate planning and financing process/ Homekey eligible costs primarily focus on acquisition and/or renovation/construction costs for housing. The City expects to use Homekey funding for acquisition and renovation of the motel units into code compliant shelter units and related common areas, shelter unit operations and/or relocation assistance if applicable. The navigation/drop-in services center will primarily be funded through City and other County, State and/or federal funds excluding Homekey.

The total project cost for Phase 1 is approximately \$16 million, which includes acquisition of the Nimitz Motel for \$6.2 million (including approximately \$85,000 in closing costs), \$2.5 million for renovations, \$7.5 million in operating/services costs (or \$1.5 million annually) and \$300,000 in miscellaneous costs including relocation. The City proposes to provide local match of approximately \$8.5 million (including up to \$5.5 million for operating/services subsidy over 5 years), which will leverage approximately \$7.3 million in Homekey grant funding. The project team is still refining the project and financing costs at the time this staff report was prepared.

The City has hired an experienced relocation consulting firm to ensure compliance with State and federal relocation requirements. The relocation consultant is in the process of notifying and meeting with longer term motel residents and the on-site restaurant to determine eligibility for relocation assistance and will prepare a relocation plan that must be included in the City's Homekey application.

State HCD will notify Homekey applicants within 45 days if they are approved for funding. Therefore, the City expects to hear a decision from the State by mid to late June (or 45 days from the May 2 deadline).

The City is currently in escrow with the motel owner. The initial deposit of \$184,500 becomes non-refundable after July 30, 2022. Escrow is set to close on October 1, 2022; the City has up to 3 thirty day extensions.

As Homekey Round 2 will be highly competitive, the City's alternative financing plan will be to re-apply for Homekey Round 3, which is due to release its RFP in Fall/Winter 2022. Homekey funding is essential to the development of the Nimitz Motel into the interim housing with navigation center

project that the City desires.

There is no planning/zoning approval for Phase 1 as 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 may begin quickly. The City estimates that Phase 1 (Interim) may be operable within 3 to 5 months after the City closes escrow on the motel.

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.

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 proposed project under its forthcoming Project Homekey 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 on October 1, 2022, the City will complete required federal National Environmental Protection Act (NEPA) environmental review for the acquisition and rehabilitation of the Property.

Legal Analysis

The City Attorney's Office reviewed and approved the staff report and resolution.

Fiscal Impacts

See Attachment B, City Homekey Local Matching Fund Sources. After City Council approved the purchase and sale agreement for the Nimitz Motel on March 21, the City deposited \$184,500 from the City Affordable Housing Trust Fund (Fund 167) into escrow. The initial deposit of \$184,500 becomes non-refundable after July 30, 2022. Escrow is set to close on October 1, 2022 and City has up to 3 thirty day extensions. If the City exercises its second extension, then it must deposit an amount not to exceed \$75,000 that becomes non-refundable.

Budget Authority

See Attachment B, City Homekey Local Matching Fund Sources.

ATTACHMENT(S)

Attachment(s) to Staff Report

- Attachment A - Resolution of the City of San Leandro City Council Authorizing Joint Application to and Participation in the Homekey Program
- Attachment B - City Homekey Local Matching Fund Sources

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