

MEMORANDUM

Building & Housing Department



DATE: August 25, 2020
TO: Mayor and Councilmembers
THROUGH: Steve McHarris, City Manager *Steve McHarris*
FROM: Sharon Goei, Building Safety and Housing Director
SUBJECT: Project Homekey – Convert Extended Stay America Hotel into Permanent Housing

The purpose of this memorandum is to provide information regarding the state's Project Homekey grant program and a proposed permanent supportive housing project in Milpitas.

Background

After Governor Newsom launched Project Roomkey in April, the California Department of Housing and Community Development (HCD) recently launched the next phase – Homekey – as part of the state's response to protecting individuals and families experiencing homelessness or who are at risk of experiencing homelessness and are impacted by the COVID-19 pandemic.

A total of \$600 million in grant funding will be made available to local public entities to purchase and rehabilitate housing, including hotels, motels, and vacant apartment buildings, and convert them into interim or permanent housing. Local entities may apply jointly with development partners. Of the \$600 million, \$550 million is for acquisition and is derived from California's allocation of the federal Coronavirus Aid Relief Funds (CRF), and \$50 million is for operations cost and is derived from the state's general fund. The \$550 million in CRF must be expended by December 30, 2020 as a requirement of federal CRF funding. The \$50 million must be expended by June 30, 2022.

As COVID-19 impacts people experiencing homelessness throughout California, HCD has divided the state into eight regions for funding. The eight regions are generally aligned with the various Council of Governments (COGs). Of the \$550 million in CRF, the San Francisco Bay Area was allocated \$91.1 million, coming in second behind Los Angeles County. Of the \$50 million in state general fund, the Bay Area was allocated \$8.3 million. Since the rapid expenditure deadline is challenging, the program timeline is correspondingly challenging as well. Priority application due date was August 13, while all applications are due September 29, 2020. HCD also requires a pre-application consultation to discuss any proposed project and is seeking projects to achieve occupancy within 90 days from the date of acquisition.

Proposed Project and Homekey Application

The Santa Clara County Office of Supportive Housing ("County") has taken the lead to identify potential projects in the County that could compete successfully for the Homekey grant funds and meet the strict program performance requirements. After considering various possibilities, the Extended Stay America hotel located adjacent to I-680 at 1000 Hillview Court was considered the priority candidate by the County for the funds. Earlier this year before the state Homekey program was announced, Jamboree Housing Corporation ("Jamboree") had approached the County about the possibility of securing affordable housing funds to acquire the property and convert the hotel to permanent supportive housing. The City was also consulted on required land use approvals. After the County confirmed the

interest of Jamboree to pursue Homekey funds for acquiring the hotel, both parties agreed to be co-applicants on the Homekey grant application.

The first step for applying for the grant is holding a required pre-application consultation with HCD. On July 24, 2020, the City of Milpitas, Santa Clara County Office of Supportive Housing, and developer Jamboree Housing Corporation met pre-application consultation requirement with HCD. The three organizations agreed that the application would be simplified with the County and Jamboree Housing as co-applicants (as County would provide matching funds) and the City would not be an applicant but would provide facilitation. The County and Jamboree Housing subsequently submitted a Homekey application on August 7, while City staff has been providing support and facilitation.

The proposed project is to convert the existing 146-room Extended Stay America hotel into a 132-unit permanent supportive housing facility with two additional managers' units and onsite supportive services. The team presented the project vision to HCD, noting that it is a newer existing building that will not require significant code upgrades and where all rooms have kitchenettes. This will significantly reduce construction time and allow occupancy to be achieved sooner. Several existing ground floor rooms would be converted into community space featuring a kitchen, laundry area, multipurpose rooms for resident services and supportive services, case management offices, counseling rooms, and large rooms for social events such as community-wide resident meetings, programs on life skills, wellness classes, educational programs, and holiday celebrations.

The proposed project will move the facility from a transient hotel guest population to a more stable residential population. The targeted population per the Homekey grant requirements will be individuals and households that are experiencing homelessness or have been adversely affected by the COVID-19 pandemic. The proposed project will work closely with the Santa Clara County Coordinated Assessment System to evaluate individuals and families experiencing homelessness or are at risk of homelessness to match them with resources that best fit their situation. As the grant program moves forward, more details such as referrals to Milpitas residents will be forthcoming and further details will be provided as the project progresses. The project partners submitted their Homekey application prior to the August 13 priority application due date, applying for \$200k per room for acquisition funding. This will be \$29.2 million of grant funds for the project with the County anticipated to match the amount. The project partners did not choose to apply for an operating subsidy.

Land-Use Streamlining

On June 29, 2020, Governor Newsom signed AB 83, which provides significant land-use streamlining for projects utilizing Homekey grant funds. In addition, AB 83 will allow project units to be counted toward the Regional Housing Needs Allocation (RHNA). For the proposed project, if Homekey grant funding is received, 132 extremely low-income units will be counted toward Milpitas' RHNA goals.

In accordance with AB 83, all Homekey projects are “deemed consistent and in conformity with any applicable local plan, standard, or requirement, and allowed as a permitted use, within the zone in which the structure is located, and shall not be subject to a conditional use permit, discretionary permit, or to any other discretionary reviews or approvals” (Health and Safety Code, Section 50675.1.1(g)).

This means that any project awarded Homekey funds is deemed consistent with all applicable local regulatory plans and regulations such as the local general plans and zoning ordinances. Such projects are allowed “by-right” and are not subject to discretionary local permit review or approval process (e.g., a discretionary use permit process) before being able to proceed with the project. Projects may still be

subject to CEQA review, but for this proposed project, it would pertain to the extent of proposed building alterations, which could qualify for a categorical exemption.

Building Permit Process, Construction, and Occupancy

Homekey has incorporated habitability, accessibility, and equity into its requirements. Projects must adhere to the accessibility requirements set forth in California Building Code and the Americans with Disabilities Act Title II. Units with features accessible to persons with mobility disabilities, as well as units with features accessible to persons with sensory (hearing or vision) disabilities, will be required. Accessible units are to be dispersed among the various types of dwelling units per code and will be demonstrated on the plans and carried out during construction.

Projects awarded Homekey funds must be acquired by December 30, 2020 and achieve occupancy within 90 days from the date of acquisition. City staff and the developer have discussed the critical timeline for the project and have developed a plan for meeting these requirements. The strategy includes submitting unit remodel plans in phases to allow steady unit occupancy and submitting one package for accessibility upgrades and the other for common space and exterior renovations. In addition, construction phasing of units and inspections will be planned in blocks to further streamline the process. This will allow units to be occupied when life safety and accessibility requirements are met, while other portions of the building continue to be rehabilitated and access to required building exits and life safety features be maintained for residents of the building.

Staff also recommended that Jamboree Housing obtain a temporary permit which allows non-structural work to proceed prior to full permit issuance. Many rooms only require minimal work of a non-structural nature, so the temporary permit will help the developer meet the critical deadline for occupancy.

Community Engagement

HCD will make grant awards on a rolling basis through fall 2020. After HCD indicates that the proposed project's application has been favorably received, a collaborative outreach process will be implemented to educate and engage the community. In addition to supporting the County and Jamboree Housing, the City is a resource for Destination: Home, other community stakeholders the County and Jamboree Housing as they provide education and outreach to surrounding neighborhoods and residents. In addition to discussing permanent supportive housing as a safe and proven solution for addressing chronic homelessness, Jamboree will answer specific questions about their proposed project. While projects funded with Homekey funds are allowed "by-right" under AB 83, City staff will coordinate with Destination: Home and Jamboree to ensure proactive community outreach.

The U.S. Department of Housing and Urban Development, the Substance Abuse and Mental Health Services Administration (SAMHSA), and the United States Interagency Council on Homelessness (USICH) all agree that permanent supportive housing provides effective housing solutions and supportive services for people who have experienced chronic homelessness, as well as others with disabilities, including those with mental illness and also those living in institutional settings.

Project as Part of Housing Collaboration

The proposed project will coordinate the move-in and work closely with the Santa Clara County Coordinated Entry System to ensure that the future composition of the project reflects the varying levels of need in Milpitas and the County. This project will combine safe, stable, and permanent housing, with

supportive services for those who are chronically homeless and/or experiencing mental illness, the most vulnerable homeless populations. This project, along with potential affordable housing projects on S. Main Street, comprise a larger overall strategy for Milpitas' housing solutions in keeping everyone housed long term.

These discussions have been part of the ongoing City-County collaboration in response to a referral from Supervisor Cortese to seek homeless housing solutions in northern Santa Clara County in the Milpitas area. City and County teams have been partnering to explore many options as opposed to the County developing a temporary shelter program on the site north of Piercey Honda. Collaborative discussions are continuing among the City, County, and the Milpitas Unified School District to examine alternative sites for interim or permanent housing, supportive services, and outreach needs to develop a comprehensive housing plan.

Staff will keep Council informed of any HCD Homekey grant allocation announcement regarding the proposed project and provide further details as the project progresses.