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REPORT TO COUNCIL

SUBJECT

Study Session on the City Activity to Address an Unhoused Population: California Department of Housing and Community Development’s (HCD) Project HomeKey and Provision of Basic Services for the City’s Unhoused

COUNCIL PILLAR

Promote and Enhance Economic, Housing and Transportation Development

BACKGROUND

The City Council held a study session on August 24, 2021 to discuss issues related to the unhoused population in Santa Clara, including homeless encampments and vehicle dwellings. The City Council provided feedback to staff, requested additional information regarding potential short-term, basic services that the City could provide to the unhoused, and inquired about the potential formation of a community Taskforce to provide input on these issues. Later at the same Council meeting, the Council deferred action on an ordinance to formally establish a Housing Commission that had been brought forward to the Council based on direction from the December 2020 Council Governance and Ethics Committee. The City Council deferred the discussion of a Homeless Taskforce to a later date to address commission membership criteria and to evaluate the duties for both the Housing Commission and Housing Taskforce to see if there would be overlap. The City Council also requested that staff return with further analysis and a potential proposal for a transitional housing project in Santa Clara, utilizing Project HomeKey, and next steps to deliver basic services to the unhoused.

DISCUSSION

The goal of the November 9 study session is to address two separate but interrelated discussion

topics: 1) Updates on Project HomeKey proposals, and 2) next steps for providing short-term basic services to Santa Clara's unhoused populations. Discussion about the formation of a Housing Taskforce will occur under a separate item on the same Council agenda which will introduce an ordinance to amend Chapter 2.120, entitled Boards and Commissions, to create the City's Housing Commission and discussion about a Homelessness Taskforce.

Topic #1: Update on Project HomeKey proposals

Project HomeKey is a State level initiative to fund projects which will rapidly provide housing for homeless individuals. In response to the popular reception of the first round of the State's Project HomeKey, the State has brought forward HomeKey Round 2 to continue a statewide effort to sustain and rapidly expand the housing available for persons experiencing homelessness or at risk of homelessness, and who are, thereby, inherently impacted by COVID-19 and other communicable diseases.

Administered by the California Department of Housing and Community Development (HCD), approximately \$1.4 billion (FY 2021-22) in grant funding is being made available to local public entities, including cities, counties, or other local public entities to develop a broad range of housing types, including but not limited to hotels, motels, hostels, single-family homes and multifamily apartments, adult residential facilities, and manufactured housing, and to convert commercial properties and other existing buildings to Permanent or Interim Housing for the Target Population.

Background Information on Project Home Key Round 1

On July 16, 2020, the California State Department of Housing and Community Development (HCD) announced the release of the Project HomeKey Notice of Funding Availability (NOFA) for \$600 million to purchase and rehabilitate housing, including hotels, motels, vacant apartment buildings, and other buildings, and convert them into interim or permanent, long-term housing. The program's purpose was to expand and diversify housing options for homeless persons at high-risk for serious illness and impacted by COVID-19. Cities, counties, or other local public entities, including housing authorities or federally recognized tribal governments within California, were eligible to apply independently or jointly as the lead applicant with a non-profit or a for-profit corporation.

By Dec. 29, 2020, Project HomeKey 1.0 had resulted in the acquisition of 94 projects, representing 6,029 units of permanent housing for individuals experiencing homelessness. Approximately 8,264 individuals, of which at least 1,207 are seniors, are housed or will be housed in 2021 within the nearly 6,000 units created by this first round of HomeKey. In addition, as many as 24 of the awarded projects (25 percent of the total number of projects) have or intend to house Transitional Age Youth (TAY) residents between the ages of 18-24 who are at risk of or experiencing homelessness.

HomeKey Round 2

Given the success of Project HomeKey 1.0, the Governor's proposed FY21-22 budget, released in January of 2021, included another \$1.4 billion in grant funding to local public entities, including cities, counties, or other local public entities to develop a broad range of housing types, including but not limited to hotels, motels, single-family homes and multifamily apartments, adult residential facilities, and manufactured housing, and other existing buildings for Permanent or Interim Housing for Homeless Youth or Youth At Risk of Homelessness, Chronically Homeless, and Homeless Family Units (HomeKey Round 2).

The HomeKey Round 2 Notice of Funding Availability (NOFA) was released on September 9, 2021, and the HomeKey Round 2 Application became available at the end of September 2021. HCD will

accept completed applications on a rolling basis until funds are exhausted or May 2, 2022, whichever comes first.

The list of eligible uses for HomeKey funding is as follows:

- Acquisition or Rehabilitation, or acquisition and Rehabilitation, of motels, hotels, hostels, or other sites and assets, including apartments or homes, adult residential facilities, and other buildings with existing uses that could be converted to permanent or interim housing.
- Master leasing of properties for non-congregate housing.
- Conversion of units from nonresidential to residential.
- New construction of dwelling units.
- Relocation costs for individuals who are being displaced as a result of the Homekey Project.

Round 2 of HomeKey is similar to Round 1, but includes some additional features based on the State's experience with the first round. Key Features include:

- Capital Award Per Door - \$150,000 - \$200,000. Higher level of support for Homeless Youth or Youth at Risk of Homelessness, Chronically Homeless, and Family Units.
- Capital Match - 1:1 up to an additional \$100,000 per door.
- Operating Award per Unit - \$1,000 - \$1,400 per Assisted Unit per month. Higher level of support for Homeless Youth or Youth at Risk of Homelessness and Chronically Homeless.
- Operating Match - Two (2) years if Applicant commits three (3) years of operating funding; Three (3) years if Applicant commits four (4) years of operating funding.
- Capital Expenditure Deadline - Eight (8) months from the date of the award, per statute.
- Operating Expenditure Deadline - June 30, 2026
- Occupancy Deadline - Within 90 days of construction or rehab completion.
- Bonus Awards - For applications submitted by January 31, 2022; for expedited occupancy within eight (8) months of award.

Project HomeKey Application Process

One of the key requirements of Project HomeKey is that applications must either originate with local government agencies or submitted by a developer with a local government agency acting as a co-applicant or project sponsor. Applicants must submit an authorizing resolution as part of the application. Cities, counties, and all other State, regional, and local public entities may apply independently, or each entity may apply jointly with a non-profit or for-profit corporation as a co-applicant. If the City of Santa Clara is the applicant or co-applicant, the City Council would need to authorize a resolution to authorize staff to negotiate and execute all documents required or deemed necessary or appropriate to secure the HomeKey funds from HCD and to participate in the HomeKey Program. However, the County of Santa Clara can apply as the co-applicant, eliminating the need for any City Council action related to the formal application for HomeKey funds.

As noted, Project HomeKey applications may be submitted to the State independently by a local public agency. City staff evaluated the City's portfolio of city-owned land and determined there

weren't any city-owned sites suitable for HomeKey Round 2.

Land Use and Public Approvals

State law exempts all HomeKey funded projects from local land-use regulations. Accordingly, any HomeKey project will not go through a City of Santa Clara land use approval process. Specifically, as stated by the State in CA Health & Safety Code § 50675.1.1 (2020), funds appropriated in the 2020 Budget Act or an act related to the 2020 Budget Act, including, but not limited to, moneys received from the Coronavirus Relief Fund established by the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act (Public Law 116-136), to provide housing for individuals and families who are experiencing homelessness or who are at risk of homelessness, including any HomeKey project (a) shall be 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.

City of Santa Clara HomeKey Proposals

The award of HomeKey funds is directed toward private/public partnerships, generally initiated by a private developer/provider of housing for the unhoused. Staff is aware of two potential HomeKey projects being proposed by a private developer within the City of Santa Clara. The County has decided to act as the co-applicant for the first project, (Bella Vista on El Camino Real), but has communicated that they are not acting as co-applicant for the second project, (LifeMoves on White Oaks Lane). In both cases, the site selection process was purely developer-led and dependent on properties available for purchase through market channels and deemed feasible for financing and construction. Given that these proposed sites are privately owned, there are no agreements relating to land purchase or lease agreements, proposals, or discussions of the same between the City of Santa Clara and agents or owners for the proposed property sites. The two projects are summarized below.

Project #1 - Bella Vista, El Camino Real

The developer, Resources for Community Development (RCD) is proposing to repurpose the property currently known as Bella Vista Inn, located at 3550 El Camino Real, Santa Clara, CA 95051, for residential use. RCD will serve as the co-applicant with the County Office of Supportive Housing for HomeKey Round 2 funds for this project. For more than 37 years, RCD has created and preserved affordable housing for very low- and low-income individuals and families, to build and enrich community throughout the Bay Area.

RCD Phase 1 Project HomeKey Proposal

If approved through Project HomeKey, RCD will undertake minor renovations to the existing hotel to create approximately 64 units of transitional housing through the Project HomeKey program. The interim transitional housing use is expected to begin in the summer of 2022 and then will be converted to a permanent supportive housing use in 2024. The City does not have an application for this rehab and no planning permit is required. RCD is not planning to ask the City for funding for the Phase 1 project.

On October 5, 2021, the County Board of Supervisors (Board) approved a resolution providing public notice to the public of the County's intent to purchase the Bella Vista Inn and set the public hearing to acquire for the acquisition to November 2, 2021. On October 19, 2021, the Board adopted a resolution delegating authority to County Administration to take all necessary actions deemed necessary for the HomeKey Program application. The County proposes to purchase the property for

\$14,000,000, using approximately \$11,000,000 in Homekey funds and \$3,000,000 million in Housing Bond funds. It is anticipated that Homekey and the County will also fund the minor renovations for the interim use.

On November 2, 2021, the County Board of Supervisors approved the acquisition of The Bella Vista Inn and delegated authority to County Administration to acquire it. RCD has engaged in community outreach, including meetings with local organizations, stakeholders, neighbors, and held a community meeting on August 30, 2021. They will continue to outreach to the community throughout the process.

At this time, no City Council action is required to move the project forward. Interim financing would be provided through the Homekey program and Housing Bond funds. The project is pursuing entitlements from the Community Development Department under several different housing laws that were recently adopted or amended. For the first phase of development, AB 83 (2020) exempts motel conversion transitional housing projects that utilize Project HomeKey funds from both general plans and zoning ordinances, and related policies and standards. Thus, the use of the motel as an interim transitional housing project requires only issuance of a ministerial building permit in this case. The interim transitional housing project would not require any additional entitlements or city funding.

RCD Phase 2 Project Measure A Proposal

This second Phase is proposed as a new permanent housing development, "Clara Gardens", that would add a 7-story building next to the remodeled two-story motel building, resulting in 120 total affordable housing units. These apartments will be available to extremely low and low-income individuals and families, with 25% of the set aside for those experiencing chronic homelessness and 50% sized for families. In addition, the proposed development will include 81 parking spaces, property management and support services offices, laundry facilities, a secure bike room, approximately 1,200 square feet of ground-floor commercial space, two community rooms, two outdoor spaces, and a roof deck.

The proposed permanent housing development would fall under the scope of SB 35 (2017), the housing "streamlining" law. SB 35 facilitates and expedites the construction of housing by providing a streamlined ministerial approval process for certain housing developments. Like many cities in the Bay Area, Santa Clara has made considerable progress toward facilitating the development of market-rate housing but has not yet achieved its regional housing needs allocation for lower-income households. For localities that have not yet made sufficient progress towards their regional housing need for low-income households, a development project will be subject to SB 35 streamlining if it is at least 50% affordable. Here, the proposed project would provide 100% of the units at affordable rents.

There are several requirements a project must meet to qualify as a SB 35 project. For example, the developer must commit to record covenants to maintain the rental units as affordable for at least 55 years; and the developer must pay construction workers prevailing wages. Under recent amendments to the law, SB 35 requires consulting with the Native American tribes culturally affiliated with the area.

Unlike HomeKey projects, SB 35 projects must also be consistent with the City's General Plan designation (Regional Mixed Use in this location), as well as objective zoning, subdivision, and objective design review standards, except that the project may receive a density bonus and other incentives under the density bonus law (discussed below). If the project meets all those requirements, it is (1) not subject to the California Environmental Quality Act (CEQA), and (2) must

be approved within 90 calendar days of submittal of the formal application to the local government. Once completing review of RCD's SB 35 submittal, the City will verify that the project is compliant with the City's objective zoning, subdivision, and design review standards, including the City's General Plan. Additionally, under SB 35, conditional use permits are not required because those would require discretionary action, although the project will still be required to go to a Design Review Hearing (DRH), which would be based upon objective design standards only.

The project would be eligible for a density bonus under the state density bonus law (DBL). Because the Project is providing 100% affordable units and will be located within ½ mile of a major transit stop, under the DBL, it will be eligible for an unlimited density bonus, subject to a maximum height increase of three stories or 33 feet over the base height for the zone.

Finally, AB 3194 (2019) would allow the Project to proceed under the General Plan's land use designation of Regional Mixed Use, which allows residential uses with a commercial component at a 0.15 FAR, notwithstanding the existing zoning designation of Community Commercial, which disallows residential uses. AB 3194 provides that when a zoning classification is inconsistent with a General Plan land use designation, a residential development project may proceed under the General Plan designation, despite the inconsistency with the zoning."

At this time, no City Council action is required to move the project forward. Longer term, RCD is expected to apply to the County for Measure A funds to support the future development of new permanent housing, which would be subject to separate funding approval. RCD also plans to apply for 4% tax credits and request funding from the City of Santa Clara. Staff will schedule the Phase 2 project for further consideration in the future if RCD proceeds with the long-term project and requests a City subsidy as anticipated.

Project #2 - LifeMoves, White Oak Lane

The City does not currently have an application for this project. As noted above, the project would be exempt from local land use control and would not be subject to a discretionary Planning permit. The developer has informally communicated to the City that they will be seeking City funding for the project if it goes forward. The developer and staff are still exploring feasibility at this time, as directed by the Santa Clara City Council.

The project applicant, LifeMoves, is proposing a project at 2035 White Oak Lane, Santa Clara, CA 95051 that would create 60 transitional housing units for families. Since families typically stay 90-120 days, the proposed site would aim to serve at least 200 families per year or 200 adults and 400 children currently experiencing homelessness. The site is currently a vacant lot bordered by a residential neighborhood with a mix of apartment buildings and single-family residences, a 7/11 convenience store, and Lawrence Expressway (G2).

One of the key requirements of HomeKey is that applicants must submit an authorizing resolution as part of the application. If the City of Santa Clara is the applicant or co-applicant, the City Council would need to authorize a resolution to authorize staff to negotiate and execute all documents required or deemed necessary or appropriate to secure the HomeKey funds from HCD and to participate in the HomeKey Program. The city cannot be the designated co-applicant until the City Council approves a resolution delegating such authority. Neither the Santa Clara City Council nor the County Board of Supervisors has approved a resolution that would allow LifeMoves to apply to Project HomeKey yet.

The proposed developer for 2035 White Oak Lane would be LifeMoves together with Sares-Regis/XL Construction, who have broad development experience throughout Silicon Valley. LifeMoves owns nine of the twelve emergency housing sites it operates, including a new HomeKey Round 1 funded project in Mountain View. LifeMoves also owns three long-term transitional housing sites and two permanent supportive housing sites (located in San Jose and San Mateo).

Unlike the Bella Vista Inn site, the 2035 White Oak Lane project would be new construction, including site work and construction of infrastructure and utilities, to provide an interim housing use. Also, the 2035 White Oak Lane project would need a significant financial contribution from the city to fund operations. At this time, there is no formal request to the City from the applicant for funding and any budget action would require City Council approval in the future.

Preliminary construction and operating estimates for the project are higher than experienced in other LifeMoves facilities, and the developer team is currently working to reforecast the numbers to form a feasible construction and operating plan. Initial estimates would require a \$14 million operating contribution from the City of Santa Clara, which is greater on a per unit basis than what was expected for this type of project. If the City Council would like to continue to pursue this project, Staff will return to Council with an update once other operating sources are secured, and a feasible project is ready to move forward with an application to Project HomeKey. Any City funding and corresponding budget action would also require City Council approval in before moving forward.

Community Concerns

A significant number of community members, including residents of both Santa Clara and Sunnyvale, have contacted the City to voice their concerns and opposition to the both of the proposed HomeKey projects. These concerns have been communicated through email, phone calls and testimony at the recent City Council meeting on October 26th. The HomeKey items were not on the agenda at the October 26th meeting so the testimony took place during the Public Presentation section of the agenda.

In summary, the community opposition to these projects is based upon their anticipated negative impact upon the adjacent community in terms of public safety and potential nuisance issues. Community members also expressed concerns with the HomeKey process and a lack of public notification.

Project HomeKey: Next Steps

As discussed above, the City does not currently have a decision-making role related to the Bella Vista Project HomeKey project. The City Council, however, may give direction to staff to continue discussion with LifeMoves regarding the proposed White Oaks Lane site, including the placement of a Resolution on an upcoming City Council agenda should the City Council want to consider acting as a co-applicant for the project. Alternatively, the City Council could request additional community outreach in partnership with LifeMoves, as well as additional staff analysis of the financial feasibility of the project and return to the City Council in the future for additional direction.

Topic #2: Short-term basic services for Santa Clara's unhoused populations

In June 2019, Santa Clara County, Destination: HOME, and other cities and non-profits, embarked on a collaborative strategic planning and an extensive community engagement process to develop a new five-year Community Plan to End Homelessness for Santa Clara County. On March 16, 2021, the Santa Clara City Council endorsed the Santa Clara County Community Plan to End Homelessness 2020-25 ("Community Plan"). The Community Plan provides a county-level roadmap

to address homelessness and its root causes, with local jurisdictions tailoring the roadmap to meet local needs.

According to the 2019 Point-in-Time count, there are 9,706 individuals experiencing homelessness on any given night in Santa Clara County. The 2019 Point-in-Time count identified 326 individuals experiencing homelessness in Santa Clara. Families with children, seniors, individuals with disabilities, veterans, youth, and young adults are all represented in the county's diverse homeless population. More than 80% of these individuals are unsheltered - sleeping outside, in cars, or other places not meant for human habitation.

The Community Plan to End Homelessness for Santa Clara County identified 14 strategies that fall into three focus areas:

1. Address the root causes of homelessness through system and policy change;
2. Expand homelessness prevention and housing programs to meet the need; and,
3. Improve quality of life for unsheltered individuals and create healthy neighborhoods for all.

The first two strategies of the plan seek to end and prevent homelessness for as many people as possible over the next five years through medium to long-term solutions. However, the reality is that many people will remain unhoused due to the current severity of the housing crisis. To address this immediate crisis in our community and ensure healthy neighborhoods for all, we must increase investment in health, safety, and other basic services to better meet the needs of people living in unsheltered conditions.

At the August 24, 2021 Council meeting, the City Council requested that staff further explore short-term basic services that the city can provide to its unhoused populations, which fall under focus area #3, improving the quality of life for unsheltered individuals and creating more healthy neighborhoods. According to the Community Plan to End Homelessness, potential short-term interventions include:

- Increase access to basic hygiene resources, including bathrooms, showers, and laundry.
- Increase the number of free public transit passes and other transportation options for people who are unhoused to access services.
- Engage the private sector to contribute funding to support health and safety services and shelter for people who are unhoused.

Many of Santa Clara's neighboring jurisdictions, including the County Office of Supportive Housing, San Jose, Milpitas, Mountain View, and Sunnyvale, contract with Dignity on Wheels to provide these types of short-term services. Dignity on Wheels is an initiative created by the staff and board members of Project WeHOPE, a 501(c)3 nonprofit located in East Palo Alto, California. Project WeHOPE, which stands for "We Help Other People Excel," is a unique Emergency and Supportive Housing Shelter for the unhoused, homeless and at-risk adults in East Palo Alto and surrounding San Mateo County and Santa Clara County communities.

In August 2015, WeHOPE launched Dignity on Wheels (DoW), a mobile hygiene service that provides free showers and laundry services to the homeless in 5 counties and 20 cities throughout the Bay Area and Los Angeles. Comprehensive case management support is provided to address a variety of individual challenges including job loss, illness, and food insecurity.

Program services and costs may vary but in general, the cost for mobile hygiene is around \$850 per session if utility hook-ups for electrical, water, and sanitary disposal are provided. Otherwise, the cost per session is around \$1,000. Weekly service at one 4-hour session per week would cost the City approximately \$52,000 annually.

Short-term Services: Next Steps:

As a next step, staff recommends issuing an RFP for basic hygiene resources, including bathrooms, showers, and laundry service and would request a budget amendment from a Housing Special Revenue fund at the time a vendor is selected, and an agreement is brought back to Council.

ENVIRONMENTAL REVIEW

The purchase of supplies does not constitute a “project” within the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(b)(5) in that it is a governmental organizational policy making or administrative activity that will not result in direct or indirect changes in the environment.

FISCAL IMPACT

While there are no costs to present the information in this report other than staff and administrative time, costs would be incurred depending on the recommendations or direction provided by Council in this Study Session to bring back proposals for funding consideration.

COORDINATION

This report was coordinated with the City Attorney’s Office and City Manager’s Office

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City’s official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City’s website and in the City Clerk’s Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk’s Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>> .

RECOMMENDATION

The purpose of this report is to support a Study Session on this topic and to receive input from the City Council on further policy development. Possible next steps for Council consideration are discussed in the report.

Reviewed by: Andrew Crabtree, Community Development Director

Approved by: Deanna J. Santana, City Manager