



## Agenda Report

21-933

Agenda Date: 7/13/2021

### REPORT TO COUNCIL

#### **SUBJECT**

Study Session on the California Department of Housing and Community Development's (HCD) Project HomeKey

#### **COUNCIL PILLAR**

Promote and Enhance Economic, Housing and Transportation Development

#### **BACKGROUND**

On July 16, 2020, the California 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 purpose of the program was to expand and diversify housing options for homeless persons who are 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 December 29, 2020, Project HomeKey had resulted in the acquisition of 94 projects, representing 6,029 units of permanent housing for individuals experiencing homelessness. Approximately 86 percent of funds were awarded to acquisition or rehabilitation of motels, hotels, hostels and other types of buildings. 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, there are as many as 24 of the awarded projects (25 percent of the total number of projects), that have or intend to house Transitional Age Youth (TAY) residents between the ages of 18 -24 who are at risk of or experiencing homelessness.

Given the success of Project HomeKey 1.0, in January of 2021, the Governor's proposed FY21-22 budget included another \$750 million allocation for Project Homekey 2.0. While this funding has yet to be approved by the Legislature, if the speed of Homekey 1.0 is any indication, approval and a new call for applications could come as early as September and applications could be due soon after.

#### **DISCUSSION**

The study session will provide an overview of Project HomeKey 1.0, focusing on a case study of the LifeMoves Homekey project located in Mountain View. Staff is also asking for input on the City Council's potential interest for the City of Santa Clara to participate in Project Homekey 2.0 to advance a similar project after a discussion of the advantages and disadvantages of this approach in comparison to other approaches to providing affordable housing.

LifeMoves and the City of Mountain View partnered to build a new interim site at 2566 Leghorn St. in Mountain View, which provides rooms for 100 households: 88 individuals and 12 families (approximately 124 people) for people experiencing homelessness. The project utilizes modular housing to serve families, seniors, and couples in interim housing on an approximately 1-acre site. LifeMoves is one of the largest and most respected homeless services agencies operating in Silicon Valley.

The project location, 2566 Leghorn, is zoned industrial and had an existing use of automotive repair and vehicle storage and bordered on all sides by other industrially zoned sites. In the industrial zoning district, an emergency shelter is a by-right use of the site (emergency shelters are also permitted in the City of Santa Clara's light industrial zoning). The property was privately owned with site acquisition funded by HCD funds and facilitated by Sares Regis. The total subsidy requested from the State in the joint application was \$12.35 million. Of that total, \$9.95 million funded capital/construction costs, including site acquisition, purchase, and installation of the modular units, and the site work. The remaining \$2.4 million was dedicated to operating costs in the first two years of operation.

One of the core challenges for HomeKey proposals is the financing required for operations. The annual operating cost for HomeKey Mountain View is \$2.4 million for each of the first five years (\$12 million over 5 years). The HomeKey Mountain View application requested \$1.2 million for the first two years, leaving \$2.4 million remaining for years one to two, and \$7.2 million for years three to five (for a total operating cost gap of \$9.6 million). It is the responsibility of the joint applicants to identify additional funding for the other half of the operating costs in the first two years, plus the full amount of operating costs for program years three through five. The joint application did not include any financial contribution from LifeMoves, Sares Regis, or the City. If sufficient long-term operating funding is not secured, LifeMoves and the City would be responsible for funding any gap.

One of the key requirements of the HomeKey 1.0 NOFA was that applicants must submit an authorizing resolution as part of the application. City Council may direct staff to bring back a draft resolution at the August 17<sup>th</sup> City Council meeting. The draft resolution would authorize staff to submit a joint Application to HCD in response to the anticipated NOFA, and to jointly apply for Homekey grant funds with LifeMoves or any other qualified non-profit or for-profit corporation. Additionally, if the potential Application would be approved, the resolution would authorize staff to negotiate and execute any and all other documents required or deemed necessary or appropriate to secure the Homekey funds from HCD and to participate in the Homekey Program.

### **ENVIRONMENTAL REVIEW**

The action being considered 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 or administrative activity that will not result in direct or indirect changes in the environment.

### **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) <<mailto:clerk@santaclaraca.gov>>.

**FISCAL IMPACT**

There is no impact to the City other than administrative time.

**COORDINATION**

This report has been coordinated with the City Attorney's Office.

Reviewed by: Andrew Crabtree, Director of Community Development

Approved by: Deanna J. Santana, City Manager

**ATTACHMENTS**

HCD Sample Resolution