



DATE: August 25, 2020

CATEGORY: Consent

DEPT.: Community Development

TITLE: **Project HomeKey**

RECOMMENDATION

1. Adopt a resolution of the City of Mountain View authorizing joint application to the Project HomeKey Program, to be read in title only, further reading waived. (Attachment 1 to the Council Report.)
2. Authorize the City Manager or her designee to execute an agreement with the State of California to participate in the Project HomeKey Program.

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 is 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, may apply independently or jointly as the lead applicant with a non-profit or a for-profit corporation. The NOFA includes an August 13, 2020 submittal deadline for priority applications and a later deadline for regular applications.

After release of the NOFA, staff reviewed the program and reached out to several developers to proactively identify potential projects and interest in submitting a joint application, but did not get a connection.

On August 10, 2020, LifeMoves contacted City staff with a potential interim housing strategy to align with Project HomeKey requirements. Staff reviewed the information and determined that the City should participate with LifeMoves in a joint application,

along with Sares Regis (a project description and participant roles are outlined in the Analysis section below). An inter-departmental staff team from Community Development, the City Manager's Office, Finance and Administrative Services, the City Attorney's Office, and Public Works worked diligently with LifeMoves to complete and submit an application to meet the August 13 priority submittal deadline. The joint application and proposal was submitted subject to Council approval and authorizing resolution, and will be referred to as Project HomeKey for the remainder of the report.

One of the key requirements of the NOFA is that applicants must submit an authorizing resolution as part of the application. Although the priority application deadline was August 13, HCD recognizes that the submittal deadline was on a short timeline and that applicants may need additional time to work out project details and to provide other information, including scheduling meetings with their Council or Boards to approve a resolution. Therefore, the purpose of this agenda item is for Council to adopt a resolution authorizing the City's co-application with LifeMoves for the Project HomeKey program (See Attachment 1).

ANALYSIS

Project Description

The proposed project is the rapid deployment of modular housing for the purpose of providing interim housing opportunities for homeless seniors and families in the City of Mountain View. The project location is 2566 Leghorn, a one-acre site zoned industrial with an existing use of automotive repair and vehicle storage, and bordered on all sides by other industrially zoned sites. The proposed use for emergency shelter is a by-right use of the site. The property is currently listed for sale at \$4.25 million. If HCD awards the submittal, site acquisition would be one of the project activities, and the purchase of the site would need to be completed by December 30, 2020. Sares Regis would facilitate the site acquisition. The vision for this project is that the City would receive title to the site. However, additional details still need to be determined, including what the site acquisition and title process would specifically entail and, should environmental remediation be required, completing the remediation prior to the City's taking title. Under the roles and responsibilities of this proposal, Sares Regis, as the development lead, would complete any remediation work as part of the project's site development process. Additionally, should the project move forward, staff may need to return to Council as needed for authority to acquire title to the property.

The modular units are pre-fabricated structures designed specifically for residential use. The primary vendor is Connect Homes, with the potential use of a supplemental vendor, IndieGo, as needed. Each Connect Home structure is approximately 8' by 40' and

contains three separate units, with each unit approximately 80-100 square feet with a bed and bath. The site work would be primarily composed of demolition, utility connections, grading and hardscape, security fence, and landscape.

The focus on homeless seniors and families is based on: 1) the State's program requirement to serve vulnerable homeless populations and 2) Council priorities, including serving families. The site would be operated for at least ten years as interim housing per the program's durational requirement, and would include both on-site and off-site/mobile personnel to operate the project staffed by LifeMoves, including a property manager, case management, and the provision of other services. The proposed number of units/beds submitted in the application is 112, but staff will need to meet with LifeMoves/Sares Regis to review the site plan in detail to confirm that number. Given the fast moving nature of this process, staff was not able to conduct a detailed site plan review or to provide LifeMoves/Sares Regis with detailed comments prior to the application submittal. The number of operations staff will depend on the total number of structures/units ultimately determined for the site.

State Subsidy Request

The total subsidy requested from the State in the joint application is \$12.35 million. Of that total, \$9.95 million is for the capital/construction costs, including site acquisition, purchase, and installation of the modular units, and the site work. The remaining \$2.4 million is for half of the operating costs in the first two years of operation. 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 years three through five of the program.

The joint application does not include any financial contribution from LifeMoves, Sares Regis, or the City. Staff have indicated to LifeMoves that the City currently does not have resources or a program to fund operations, and its housing impact fees are fully committed and are for permanent housing. To fully fund the operations for five years (as required by HomeKey), the team will apply for other State funding, and seek philanthropic donations. To the extent that local, regional, or other funds become availability, those sources may be considered as well. The HCD has communicated that it understands that proposals may not have all of their funding lined up at the time of application submittal, and allows applicants to articulate a plan for how the funding will be secured going forward. If sufficient additional funding is not secured, LifeMoves and the City would be responsible for funding any gap.

Transition to Permanent Housing

Project HomeKey prioritizes projects that ultimately place persons into permanent housing. Project HomeKey includes a strategy to place tenants in permanent housing in coordination with the County Continuum of Care (“CoC”), which submitted a letter of interest in support of the joint application. At the end of the Program’s requirements, residents will be placed into permanent affordable housing within the City of Mountain View or in the County, depending on factors such as availability of units, suitability of units, and proximity to resources/amenities, among other factors. To the extent that residential use might be continued on the Leghorn site in conjunction with the exit strategy, whether as transitional or permanent housing, that scenario may be evaluated as appropriate as the Program nears the end of the ten-year term. If the application is selected for State funding, a detailed operations plan will be developed as part of this project.

Roles

The following is a summary of the key roles of the City, LifeMoves, and Sares Regis:

- City:
 - Lead applicant;
 - Facilitation of project approval/permit process;
 - Potential owner of site, pending additional details and actions as noted above, including environmental remediation, if any, may be subject to Council approval; and
 - Monitors performance and compliance.
- LifeMoves:
 - Co-applicant;
 - Receives/expends funds; and
 - Staffs and operates the project.
- Sares Regis:
 - Facilitation of site acquisition; and
 - Site development, including environmental remediation, if any.

Policy Alignment

The Project HomeKey proposal strongly aligns with the State’s goals for the program. Additionally, it aligns with the City’s affordable housing and homelessness response strategies by facilitating the rapid deployment of much needed transitional

housing. While the ultimate goal is to place homeless individuals and families in stable and permanent housing, such housing takes much longer to create, and demand far exceeds existing resources to build the needed supply. However, transitional housing can more quickly be created at a lower cost per unit to house persons in the interim. There is also a dearth of such housing along the continuum of housing supply.

The following is a summary of key local/regional policy priorities and goals that Project HomeKey advances:

1. City Council Major Goals: “Promote a Community for All with a Focus on Strategies to Protect Vulnerable Populations and Preserve Mountain View’s Socioeconomic and Cultural Diversity Protecting Vulnerable Populations” and “Improve the Quantity, Diversity, and Affordability of Housing by Providing Opportunities for Subsidized, Middle-Income, and Ownership Housing”.
2. City of Mountain View 2020-25 Consolidated Plan, which includes priority goals to increase the supply of affordable housing as well as respond to homelessness.
3. City of Mountain View Housing Element, including:

- Program 5.5 – Senior Housing

The City of Mountain View has an array of housing options for its senior population, including subsidized units in senior residential communities, life-care facilities, and assisted living facilities. Leveraging various federal, State, County, and private funding is critical to maximize the development of affordable units, including units for seniors. The City will continue to work with developers to leverage outside funding sources and will provide additional resources, such as permitting assistance, zoning tools, and land resources when feasible.

- Program 5.2 – Special Needs Housing

The City has historically partnered with organizations to develop special needs housing. City Staff will continue to build relationships with non-profit agencies, other jurisdictions, and developers on regional approaches to housing persons with physical or mental disabilities, victims of domestic violence, and the homeless with special needs to provide supportive or transitional housing.

4. County's Community Plan to End Homelessness, which includes creating transitional housing opportunities and 2,000 new shelter beds throughout the County.

NEXT STEPS

HCD has indicated that they expect to review applications and make a determination quickly. At the time of the writing of this report, HCD was still in the evaluation process. Staff anticipates that HCD will make a determination by the end of August or early September. Staff also understands that HCD received approximately 25 priority applications for the Bay Area, and that applications will be reviewed and funding reservations made on a first come, first served basis. This means that funding could be depleted by the time HCD reaches the Project HomeKey application, even if it scores highly.

If Project HomeKey is funded, there will be a very ambitious timeline to deliver the project per State requirements, which states that funds must be expended by December 30, 2020. This means expenditures for all related project activities, including site acquisition, site work, and delivery and installation of the modular units, must be completed by the end of the year, i.e., approximately four months from project award date.

Additionally, the site work cannot begin until the project has been reviewed by the City and permits are approved. It is estimated that the City would only have approximately ten weeks to review the project and approve the permits, and Sares Regis would only have approximately six weeks to complete the site development and deliver the project. Staff emphasizes that the timing is very short and could be a significant challenge to meet. Additionally, a significant amount of staff time will need to be redirected towards this project, if funded, resulting in a need for reprioritization of other projects.

Besides timing concerns, staff have identified additional challenges that may make it difficult to meet program requirements. First, staff is aware that the industrial site may have contamination that would need remediation before it is suitable for residential use. To the extent that remediation is required, that could add time and complexity to an already difficult timeline. Sares Regis has agreed that it is responsible for all site work, and that any remediation necessary would be completed prior to the City taking ownership of the site. The City anticipates that an agreement will be needed to document this responsibility and other details regarding taking title to the site. Second, the project has not yet identified how operational costs will be fully funded. To the extent that obtaining all of the necessary funds proves challenging, it may be difficult meet the State's requirements.

Ordinarily, the City would take the appropriate time to evaluate a proposed project, identify issues, and develop potential alternatives and solutions. In the case of the State's Project HomeKey program and this joint application, this was not possible. Staff will work closely with the entire team and endeavor to deliver the project in accordance with the Program's requirements, but it is important to be aware of the key issues at the outset. Although there is not a confirmed project unless and until the application is approved by HCD, the required timeframe for project completion is short.. As such, staff have already scheduled working meetings with the entire applicant team to begin working through the aforementioned issues in the event the project is funded.

FISCAL IMPACT

There is no direct fiscal impact to the City if the project is awarded by HCD. The funding award would go to LifeMoves and the proposal does not include any City funding. There would be an impact on staff time for this project, potentially requiring a reprioritization of, or delay, to existing City projects. The City is not contributing to the project at this time, and does not currently have operating resources to provide. Additional operating subsidies will need to be secured going forward. LifeMoves may ask the City for funding for operations in the future, and this request would be evaluated with other City projects as part of the City's process.

ALTERNATIVES

- Do not approve the authorizing resolution to participate in Project HomeKey.
- Provide other direction.

PUBLIC NOTICING

Agenda posting and a copy of the report to LifeMoves and Sares Regis.

Prepared by:

Kimberly Thomas
Assistant to the City Manager

Wayne Chen
Assistant Community Development
Director

Approved by:

Aarti Shrivastava
Assistant City Manager/
Community Development Director

Approved by:

Audrey Seymour Ramberg
Assistant City Manager/
Chief Operating Officer

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Attachments: 1. A Resolution of the City Council of the City of Mountain View
Authorizing Joint Application to the HomeKey Program