

# County of Santa Clara

## Office of Supportive Housing

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August 31, 2020

TO: Honorable Members of the Board of Supervisors  
Jeffrey V. Smith, County Executive

FROM: Consuelo Hernandez, Acting Director, Office of Supportive Housing

DS  
C.H.

SUBJECT: Project Homekey Update – Amended

This report provides an update on Project HomeKey. Given the urgency by the State of California Housing and Community Development (HCD) to spend funds by December 30, 2020, the Office of Supportive Housing (OSH) mobilized quickly to submit applications that met the criteria of Tier 1 project as described below in partnership with the cities of Milpitas, Mountain View, and San Jose. Table 1 summarizes the list of applications submitted. On August 25, 2020, OSH was notified the Extended Stay America in Milpitas has received a reservation of \$29,200,000 in Project HomeKey grant funds towards acquisition and conversion to permanent housing. Given this preliminary reservation and the small pool of funding remaining in our geographic region, OSH does not anticipate receiving additional funding for the other projects listed in Table 1.

**Table 1. Summary of Applications Submitted**

Site	Lead Agency	Proposed Use	Status
Extended Stay America, Milpitas	County Co-applicant with Jamboree Housing	Permanent Housing	HCD has reserved \$29.2M for this site.
Casa De Novo, San Jose	County Co-Applicant with Allied Housing Inc.	Interim and Permanent Housing	Application Submitted; HCD has not provided any feedback.
Palm Tree Inn, San Jose	County Sole Applicant	Interim Housing.	Application Submitted; HCD has not provided any feedback.
SureStay Best Western, San Jose	City of San Jose Sole Applicant	Interim Housing.	Application Submitted; HCD has not provided any feedback.
2566 Leghorn Street, Mountain View	City of Mountain View Co-Applicant with LifeMoves	Interim Housing;	Application Submitted; HCD has not provided any feedback.

The Administration through OSH has actively been negotiating with hotel owners and developers on the possible acquisition of these sites and others throughout the County that can be used for interim housing for a ten-year period or available to be redeveloped into permanent housing. On August 25, 2020 (Item Nos. 64, 65, and 66), the Board adopted three resolutions needed to complete applications for Extended Stay America, Casa De Novo, and Palm Tree Inn. Given the short turnaround provided by HCD applications by eligible entities were accepted without the resolution. Applications are deemed complete when the County submits all the required documents, including but not limited to a resolution delegating authority to the County Executive or his designee. Unfortunately, the template resolution provided and required by HCD is structured to require a delegation of authority and they do not accept changes to the form of resolution. The County can at any stage in the approval process withdraw an application and/or reject acceptance of the funds.

#### *Next Steps*

Upon notification of a successful application, Administration would return to the Board with a recommendation for the match funds required under the Homekey Program for each application. In addition, Administration would still be required to obtain approval of the Board in connection with publishing a Notice of Intent to purchase any property that will be purchased by the County and an approval of each such purchase following the statutorily required publication period of the Notice(s) of Intent. The following is a summary of each site and the next steps:

- Extended Stay America, Milpitas  
OSH is working with the City of Milpitas, Destination:Home, the Santa Clara County Housing Authority and Jamboree Housing to discuss next steps and to finalize the County's match amount. OSH estimates presenting this item to the Board for funding consideration on September 22<sup>nd</sup> or October 6<sup>th</sup>. Through this action the Board would consider the application for funding as part of the Supportive Housing Development Program funded through the 2016 Measure A Affordable Housing Bond (Housing Bond). In addition, Administration would seek Board approval to enter into the documents necessary to provide loan(s) to Jamboree Housing, or its affiliate, and would enable the County to take ownership of the property.
- Casa De Novo, San Jose  
OSH has not received any information from HCD on the status of this application. The property is currently owned by Allied Housing and the County has a right of first refusal to acquire the property from Allied. This site is on the County's Housing Development Pipeline for the Supportive Housing Development Program funded through the Housing Bond. If we are not successful in receiving an award of funds, the proposal would continue its current land use and financing path. OSH anticipates presenting this project for Board consideration in calendar year 2021.

- Palm Tree Inn, San Jose

OSH has not received any information from HCD on the status of this application. The Administration entered into a non-binding letter of intent (LOI) with the owner to acquire the property and use it for interim housing as further described below. Based on the current timeline outlined in the LOI, if Project HomeKey funds are granted, OSH would return to the Board on October 5, 2020, with a notice of intent to acquire and on November 3, 2020, with approval for consummation of the sale. No penalty would be assessed if the County is successfully awarded Project HomeKey funds and later decided not to redevelop the parcel. If the County is not awarded Project HomeKey funds and if the Board is interested in pursuing acquisition of the site, proceeds from the Housing Bond could be used to acquire the parcel, but this would require redevelopment of the parcel at a future date. Should the Board approve rescinding Resolution No. BOS-2020-133 adopted on August 25, 2020, OSH will terminate the non-binding LOI, unless directed otherwise by the Board.

The Palm Tree Inn consists of 26 motel rooms, 15 of which are currently providing housing to residents experiencing homelessness, and one resident manager unit through OSH. Acquisition of the site would allow the County to purchase the project site and operate it fully as interim housing. Interim housing programs assist homeless men and women enrolled in supportive housing programs, but who are still in the process of finding an apartment to rent or who are waiting for a new supportive housing unit to finish construction. While the County's goal is to permanently house each person as quickly as possible, some supportive housing program participants are unable to move into permanent housing for months. OSH would hold and keep the site for use as interim housing for at least 10 years to fill this gap while the other Housing Bond projects are constructed.

### *HomeKey Program Background*

On July 16, 2020, HCD released a Notice of Funding Availability (NOFA) to announce the availability of approximately \$600 million of Homekey Program funding. The Homekey Program expands on the success of Project RoomKey and is a statewide effort to rapidly sustain and expand housing for persons experiencing homelessness and impacted by the COVID-19 pandemic. Under the NOFA, people experiencing homelessness or who are at risk of experiencing homelessness are considered inherently impacted by COVID-19 as they are most likely to have a lower life expectancy, be at a higher risk of infectious and chronic illness and suffer from substance abuse and poor health.

HCD will divide Homekey Program funds into eight regions during a 30-day priority review application period, which begins August 13, 2020. The eight regions are generally aligned with the various Council of Governments (COGs). As detailed in Table 2, 3, and 4 below, each region has funding reserved on a time-limited basis during the priority application period. Each region's share of the Homekey allocation is calculated based on its proportionate share of the persons experiencing homelessness of both the sheltered and unsheltered 2019 Homeless Point-in-Time

counts and extremely low-income (ELI) renter households that are paying more than 50 percent of their income for rent.

Table 2: Homekey Counties by Region

<b>Counties by Geographic Distribution</b>
<b>Los Angeles County</b>
<b>Bay Area:</b> Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, Sonoma
<b>Southern California:</b> Imperial, Orange, Riverside, San Bernardino, Ventura
<b>San Joaquin Valley:</b> Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare
<b>San Diego County</b>
<b>Sacramento Area:</b> Amador, El Dorado, Placer, Sacramento, Sutter, Yolo, Yuba
<b>Central Coast:</b> Monterey, San Benito, San Luis Obispo, Santa Barbara, Santa Cruz
<b>Balance of State:</b> Alpine, Butte, Calaveras, Colusa, Del Norte, Glenn, Humboldt, Inyo, Lake, Lassen, Mariposa, Mendocino, Modoc, Mono, Nevada, Plumas, Shasta, Sierra, Siskiyou, Tehama, Trinity, Tuolumne

Table 3: Estimated Homekey Allocations by Region

<b>Geographic Regions</b>	<b>PIT Count</b>	<b>Severely Rent-burdened ELI</b>	<b>CRF Allocation</b>	<b>GF Allocation</b>
Los Angeles County	58,936	415,970	\$161,572,217	\$14,688,383
SF Bay Area	35,028	213,910	\$91,134,470	\$8,284,952
Southern California (w/o LA)	15,360	200,095	\$55,577,540	\$5,052,504
San Joaquin Valley	10,271	105,370	\$32,987,450	\$2,998,859
Central Coast	8,439	38,395	\$20,025,927	\$1,820,539
Sacramento Area	8,381	73,780	\$25,125,077	\$2,284,098
San Diego County	8,102	94,480	\$27,690,283	\$2,517,298
Balance of State	7,254	32,140	\$17,087,036	\$1,553,367

Table 4: Estimated Homekey Allocations

Funding Categories	CRF	General Fund
Total Homekey Allocation	\$550,000,000	\$50,000,000
Administrative at 2%	\$11,000,000	\$1,000,000
Discretionary Set Aside at 20%	\$107,800,000	\$9,800,000
Total Geographic Regional Allocation	\$431,200,000	\$39,200,000

Projects identified in Homekey Program applications submitted during the priority review period (by August 13, 2020) must meet conditions to be occupied within 90 days from the date of acquisition. Any funds remaining after the initial 30-day priority review application period will be distributed among all remaining applications based on a rating and ranking system.

#### *HCD Application Submission, Review and Award Process*

Eligible Applicants who apply within the 30-day priority application period will be grouped into one of the eight geographic regions. The Department will further sort the applications into one of two tiers. In selecting sites for recommendation, OSH used the active pipeline of Housing Bond-eligible development sites and identified three sites that best fit the requirements of the tier 1 category.

#### Tier One:

1. Tier One applications will be those Projects that: (1) can be occupied within 90 days from the date of acquisition; and (2) are permanent housing or will result in permanent housing as indicated on the application; or
2. Tier One projects include Projects that can be occupied within 90 days and used for Interim Housing, provided the project is expected to be developed into permanent housing at a later date **OR** Interim Housing with a coordinated exit strategy adopted by the Continuum of Care to support transitions into other permanent housing. Interim Housing projects shall submit a letter of support from the local Continuum of Care that demonstrates the coordinated exit strategy of the Target Population.

#### Tier Two:

Tier Two projects are all other Projects and uses, including housing that will be used for interim only and with no expectation of development into permanent housing.

For Projects received within the priority application period, the Department will award Tier One projects meeting the program requirements on a rolling basis, up to the regional cap, on a first-come, first-served basis. Tier Two projects meeting the program requirements will be waitlisted and awarded funding if funds are available, after the priority application period, according to the

date stamp. Applications that were received after the priority application period, and that met the specified program requirements, will be awarded according to date stamp, as funds are available.

Cc: Chief Board Aides  
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Megan Doyle, Clerk of the Board  
Kathryn Kaminsky, Acting Deputy Director, Office of Supportive Housing  
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