# Legislation Details (With Text)

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| **File #:** | 20-1037 | **Version:** 1 | **Name:** | DS/DHHS - Project Homekey | |
| **Type:** | Resolution | | **Status:** | Adopted | |
| **File created:** | 10/1/2020 | | **In control:** | City Council | |
| **On agenda:** | 10/20/2020 | | **Final action:** | 10/20/2020 | |
| **Title:** | Recommendation to adopt resolution to accept and expend grant funding from the California Department of Housing and Community Development (HCD), in an amount not to exceed $36,000,000; and<br><br>Authorize City Manager, or designee, to execute all necessary documents and any subsequent amendments, including amending the terms, or changing the amount of the award, with HCD relating to the grant application and award to the Long Beach Development Services and Health and Human Services Departments, for acquisition and operation of an existing hotel and conversion into interim housing options for persons experiencing homelessness. (Citywide) | | | | |
| **Sponsors:** | Development Services, Health and Human Services | | | | |
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| **Attachments:** | 1. 102020-R-11sr&att.pdf, 2. RES-20-0136.pdf | | | | |

| Date | Ver. | Action By | Action | Result |
|---|---|---|---|---|
| 10/20/2020 | 1 | City Council | approve recommendation and adopt | Pass |

Recommendation to adopt resolution to accept and expend grant funding from the California Department of Housing and Community Development (HCD), in an amount not to exceed $36,000,000; and

Authorize City Manager, or designee, to execute all necessary documents and any subsequent amendments, including amending the terms, or changing the amount of the award, with HCD relating to the grant application and award to the Long Beach Development Services and Health and Human Services Departments, for acquisition and operation of an existing hotel and conversion into interim housing options for persons experiencing homelessness. (Citywide)

On July 16, 2020, the State of California Department of Housing and Community Development (HCD) released a Notice of Funding Availability (NOFA) for approximately $600 million in grants as part of the Homekey Program (Homekey). The program is a statewide effort to rapidly sustain and expand housing for persons experiencing homelessness and impacted by COVID-19 by partnering with local entities to acquire and rehabilitate a variety of housing types, including, but not limited to, hotels, motels, vacant apartment buildings, and residential care facilities.

Eligible grant activities include, but are not limited to, acquisition or rehabilitation of motels, hotels, or hostels, master leasing of properties, acquisition of other sites and assets, as well

as other limited activities in support of housing for those experiencing homelessness.

Specifically, projects include nonresidential structures with a certificate of occupancy such as a motel, hotel, or hostel; adult residential facilities, residential care facilities for the elderly, manufactured housing, and other buildings with existing residential uses; multifamily rental housing projects; and, other structures. The City's focus is on using motel structures for conversion into interim housing for people experiencing homelessness.

Of the $600 million in Homekey grant funds, $550 million is derived from the state's direct allocation of the federal Coronavirus Aid Relief Funds (CRF) and $50 million is derived from the state's General Fund to supplement the acquisition of, and to provide initial operating subsidies for, Homekey sites. Any award from the CRF funds must be expended by December 30, 2020, while General Funds must be expended by June 30, 2022.

Staff intend to apply for funds to offset costs associated with acquisition, conversion, and operations of an existing motel into interim housing for people experiencing homelessness. A Resolution of the City Council is required by HCD before grant funds can be received.

## Actions Taken

Upon notification of potential availability of Homekey funds, and in light of the extensive need for interim and permanent housing opportunities within the City, a City team comprised of representatives from various departments was activated to research potential properties to target for acquisition. City staff commissioned a commercial real estate firm to gauge interest from hotel and motel owners in Long Beach. City staff evaluated the cost-effectiveness of each potential facility along various criteria such as total number of units, proximity to amenities such as transit, grocery stores, or libraries, physical condition, and potential nuisance abatement. For the most viable options, City staff then commissioned a "Broker Opinion of Value."

On August 11, 2020, in closed session, the City Council was presented with an update on progress and several acquisition opportunities. City staff submitted a grant application to HCD and pursued negotiations with potential acquisition opportunities.

On August 13, 2020, City staff submitted an application to HCD for Homekey funds to support both acquisition and operations of a property for use as interim housing. On August 28, 2020, HCD notified City staff that the application had passed threshold and funds had been reserved, pending completion of certain milestones of acquisition.

*Proposed Project*

City staff will use Homekey funds toward the acquisition and conversion of an existing hotel into units of interim housing, with the goal of up to 110 units depending on which property can ultimately be secured. The facility will be prioritized for adult-only households with multiple underlying health issues who have been supported by current Project Roomkey operations,


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have already been matched to a permanent housing resource, and/or are high priority for housing match through the Coordinated Entry System (CES). Interim housing provides temporary housing for people transitioning to permanent housing solutions within 24 months. While some residents may live in interim housing for only a short period of time, there is no maximum length of stay and the units functionally serve as permanent supportive housing and housing for rapid entry. The City currently lacks this type of facility within its portfolio of homelessness and housing services; therefore, the ability to acquire and operate this facility-type is expected to substantially improve the City's ability to shelter individuals experiencing homelessness. The City may sell or transfer the asset to an affordable housing developer or operator at a future date, but the City is contemplated as the near-term owner and operator through the assistance of a third-party contract property management provider.

The City will sponsor the acquisition of the proposed site with the support of Homekey funding and other grant programs including the Homeless Emergency Aid Program (HEAP), the Federal Emergency Solutions Grant (ESG), and the State's CARES Act allocation. City staff will partner with its on-call property management provider to manage the property immediately after acquisition. The tenant population will be primarily people experiencing homelessness with incomes at or below 30 percent of Area Median Income (AMI) who are engaged in the City's Continuum of Care Coordinated Entry System. The goal of the City's transitional housing program is to facilitate the movement of people experiencing homelessness into permanent housing within 24 months by using the housing first model to enable stability toward defined housing goals. There are no anticipated age restrictions on this site, but future operations may include provisions in that regard depending on projected market demands.

## Project Impact

Lack of affordable housing in Long Beach remains a barrier for people to transition out of homelessness. To alleviate these barriers, transitional housing provides a bridge housing model using housing first and supportive services to provide stability toward defined housing goals. Supportive services that aid participants with housing and stability include client-centered case management, Individual Stability Plan development, employment development, domestic violence support (including military sexual trauma), stress/anger management, health education, wellness, and mental health treatment.

The COVID-19 pandemic has increased the need for shelter, interim housing, and permanent housing solutions, as it poses an additional public health threat to unsheltered people experiencing homelessness in Long Beach, especially seniors and those with underlying health conditions. In response, the City utilized the Project Roomkey program to provide temporary shelter for over 200 individuals, but more support is needed beyond this opportunity. Among other challenges, the COVID-19 pandemic has exacerbated the shortage of available permanent housing solutions, in part due to low turnover of units stemming from eviction moratoriums and delays in acquiring necessary documentation due to closure of agency locations. Fair market rentals and other permanent supportive housing options have also been reduced.

Interim housing options in Long Beach remain extremely limited due to lack of resources - the current interim housing model operates through motel vouchers, and are currently limited to veteran, family, and domestic violence subpopulations. Adult-only or single adult households who do not meet these requirements often cycle through shelters or end up living in locations not suitable for human habitation. Lack of interim housing options also contribute to a lack of continuity of care. Without local interim housing options, case managers often lose touch with clients as they move out of the area to access other temporary housing options.

The proposed project would begin to fill a crucial gap in the City's Homeless Services. The proposed units, which could be up to 110 depending on the property selected, represent 6.3 percent of the unsheltered population in Long Beach and will ensure more effective transitions into permanent housing. After acquisition and minor renovation, the proposed project site would be temporarily operated by an on-call property management service, leveraging the Long Beach Multi-Service Center and the Long Beach Continuum of Care to provide wraparound services. City staff would simultaneously conduct a competitive request for proposals (RFP) for ongoing site management and wraparound service provision from local providers with experience in operating housing programs focused on supporting people experiencing homelessness with multiple special needs.

Property acquisition negotiations are ongoing and there is no guarantee that the City will be able to complete a motel acquisition. The provisions of the State's Homekey program, which limits reimbursement for acquisition to appraised value and the City's own financial constraints, place an upward limit on an acquisition. The real estate and hospitality market is currently facing uncertainty and not all seller expectations may be reasonable or within the City's constraints.

The Long Beach Homeless Outreach Network has created the Bridge Initiative, which is a focused effort of increased outreach and engagement within a mile radius of any newly opening homeless service program. The initiative brings together City departments including Health and Human Services Outreach Workers, Police Department Quality of Life Officers, Fire Department HEART Team, and Public Works Clean Team, as well as Outreach Workers from nonprofit organizations to coordinate outreach and clean-ups within the area. Persons experiencing homelessness are educated on the services that will be provided once the program opens as well as engaged for their interest in services available throughout Long Beach. Engagement activities consist of offering services and opportunities for housing, encouraging people to work with case managers who can support the establishment of a sustainable permanent housing plan, and addressing any health-related concerns and connecting them to care. The team will also focus on posting for cleanup followed by cleanup of outside spaces, and clearing debris and items used for outside habitation. For the opening of any new interim housing program, the Homeless Outreach Network will conduct outreach as well as respond to other requests as they arise in the mile radius surrounding the property.

This matter was reviewed by Deputy City Attorney Sarah E. Green on September 25, 2020 and by Budget Analysis Officer Julissa José-Murray on October 5, 2020.

EQUITY STATEMENT

The City has incorporated the Equity Toolkit into this recommendation as requested by the City Council on April 21, 2020. This recommendation will assist people experiencing homelessness in Long Beach who are at increased vulnerability for COVID-19 exposure by providing quality shelter services in a non-congregate shelter model.

Homekey funds must be expended by December 30, 2020. This timeline is challenging in light of the numerous milestones needed to close a purchase of this scope, but City staff are confident that acquisition can be completed by this deadline. An adopted Resolution of the City Council is required on October 20, 2020, to meet the December deadline set by HCD.

This recommendation authorizes the City to receive up to $36,000,000 in grant funds to support costs associated with the acquisition and conversion of an existing hotel facility into interim housing. HCD guidelines require the City resolution and action to request double the anticipated grant funds. The actual anticipated grant amount is $15,000,000 although staff will pursue up to the maximum grant of $30,000,000. A City match of up to $6,000,000 is required to support the acquisition activities. These funds will be drawn from existing homelessness funds as well as supplemental COVID-related state and federal dollars, the anticipated funding mix is found in the table below, these amounts are estimates subject to change:

| **Department** | **Amount** | **Funding Source** |
|---|---|---|
| Health | $ 700,000 | HEAP Grant |
| Health | $ 1,000,000 | States CARES Act allocated for Homeless Services |
| Development Services via Health | $ 2,600,000 | CDBG- ESG |
| Development Services | $ 1,700,000 | CDBG- CV3 |
| | | |
| Total (Up To) | $ 6,000,000 | |

Appropriation required to facilitate the acquisition will be included in future City Council action authorizing the purchase and sale agreement. Existing budgeted positions within the Departments of Development Services, Economic Development, and Health and Human Services will administer this grant and pursue acquisition. Property management services will be provided by an existing on-call firm with a contract already administered by Economic Development Department staff.

The Health Department anticipates the State will provide some level of funding for operating and maintenance costs for the first two years of operations. Current negotiations assume $1.2 million annually from the State for two years for a 100-room site or $600,000 annually for

a 50-room site. Staff estimate annual operating costs at $1.5 million for a 100-room site or $1.0 million for a 50-room site. The operating shortfall after the State contributions would range between $300,000 to $600,000 and is anticipated to be covered by a combination of the City's ESG CARES and State HHAP allocations for the first two years. At the end of initial two-year period, the State will cease supporting site operations and the City would need to find other funding to cover operation and maintenance costs for the site.

This recommendation has minimal staffing impact beyond the budgeted scope of duties, and no increase in personnel is requested. This action is consistent with existing City Council priorities, and there is no local job impact associated with this recommendation.

Approve recommendation.

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OSCAR W. ORCI
DIRECTOR OF DEVELOPMENT SERVICES

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APPROVED:

THOMAS B. MODICA
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