



Legislation Text

File #: 22-0449, **Version:** 1

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 \$45,000,000; and

Authorize City Manager, or designee, to execute all necessary documents, and any necessary subsequent amendments, including amending the terms or award amount, with HCD relating to the grant application and award of grant funds, for acquisition and conversion of a hotel property, and construction of modular non-congregate shelter units for interim housing, for persons experiencing homelessness. (Citywide)

On September 9, 2021, the State of California Department of Housing and Community Development (HCD) released a Notice of Funding Availability (NOFA) for approximately \$1.45 billion in grants as part of the Homekey Program (Homekey) Round 2. The program continues a statewide effort to rapidly sustain and expand housing for persons experiencing homelessness or at risk of homelessness and impacted by COVID-19 by partnering with local entities to acquire and rehabilitate a variety of housing types.

Eligible grant activities include, but are not limited to, acquisition or rehabilitation of motels, hotels, hostels, or other sites and assets such as vacant apartment buildings, and residential care facilities, master leasing of projects, acquisitions of other sites and assets, new construction of dwelling units, as well as other limited activities in support of those experiencing homelessness.

Specifically, projects include, but are not limited to, conversion of nonresidential or commercially zoned structures to residential units; adult residential facilities, residential care facilities for the elderly, manufactured housing, and other buildings with existing residential uses; multifamily housing projects; and other structures. Of the \$1.45 billion in Homekey grant funds, \$1.2 billion is derived from the Coronavirus State Fiscal Recovery Fund (CSFRF) established by the federal American Rescue Plan Act of 2021 (ARPA) and \$250 million is State General Fund to supplement the acquisition of, and to provide initial operating subsidies for, Homekey sites. Five percent of the \$1.45 billion in Homekey funds is for Department administrative costs. As a result, any award from the CSFRF funds must be expended within eight months of the date of award, while State General Funds must be expended by June 30, 2026.

Due to time constraints required by the grant, the City of Long Beach's (City) focus is on interim housing options for people experiencing homelessness. City staff intend to apply for funds to offset costs associated with the development and operation of modular non-

congregate shelter units as well as the acquisition, conversion, and operations of an existing motel into interim housing. A Resolution of the City Council is required by HCD before grant funds can be received.

Upon notification of potential availability of Homekey funds and considering the extensive need for interim and permanent housing opportunities within the City, the City's Affordable Housing Workgroup, comprised of representatives from the City Manager's Office and Development Services, Health and Human Services, and Economic Development Departments, discussed possible opportunities to leverage these funds. The City team identified the modular non-congregate shelter project (i.e., "Tiny Homes") as a high priority due to the immediate need for interim housing, relatively low cost, synergies with existing homeless services, and potential to pilot a model for future implementation in other locations.

Homekey Program funding applications are accepted and evaluated on a first-come, first-served basis at any time from the release of the application until May 2, 2022. Funds are awarded to applicants that meet the minimum threshold criteria. After the application has been certified to meet the minimum program requirements, each project must receive a minimum overall score of 120 points to be considered for funding. HCD will send an award letter to the successful Applicant and funds will be disbursed after the Standard Agreement has been fully executed and approved by HUD in the Standard Agreement specified conditions precedent to disbursement.

Proposed Project - Modular Non-Congregate Shelter Units

City staff will use Homekey Round 2 funds toward the purchase, assembly, installation, and operation of 25-35 modular non-congregate shelter units at the Long Beach Multi-Service Center. Funds will also be used towards necessary site improvements, such as plumbing, electricity, security, fencing, lighting, and laundry room enhancements and repairs. These Tiny Homes will be used as interim housing for people experiencing homelessness and will prioritize individuals or adult-only households who are experiencing chronic homelessness, have already been matched to a permanent housing resource and/or are high priority for housing match through the Coordinated Entry System (CES), or have underlying health issues that would make congregate shelter less appropriate. The modular shelters will also be used to house individuals requesting immediate shelter while awaiting connection to other interim housing options in the City.

The City will procure a service provider to operate the modular shelter village, who will provide 24-hour supervision, supportive services, security, maintenance, and sanitation. The service provider will be expected to work in collaboration with the broader Continuum of Care system in Long Beach. Clients will have full access to all services on-site at the Multi-Service Center during business hours, and City staff anticipate that this proximity to resources will improve connections to case management and permanent housing resources.

Proposed Project - Motel Acquisition and Conversion

Similar to the previous acquisition of the former Best Western location with Homekey Round

1, City staff will use Homekey Round 2 funds toward the acquisition or master lease, conversion, and operations of an existing motel into interim housing. The City is currently in negotiations to identify a hotel property, and depending on which property can ultimately be secured, the goal is to provide up to 76 units. Upon acquisition, the City will assess and execute all necessary improvements and upgrades to the building and surrounding site to ensure appropriate living conditions and operational space for interim housing and supportive services. As required by the Homekey grant, full occupancy of the facility will be achieved within 90 days of construction completion. In the near-term, the City will be the owner and operator of the facility through the assistance of a third-party contract property management provider.

The City will procure a service provider to operate the non-congregate interim housing facility, who will provide client services and building operations, including individual case management, mental and physical health services, substance use disorder services, transportation, meals, site security, and transportation. The service provider will be expected to work in collaboration with the broader Continuum of Care system in Long Beach, including participation in the Long Beach CES to ensure referrals to appropriate homeless services. The units will be used as interim housing for people experiencing homelessness and will prioritize individuals or adult-only households who are experiencing chronic homelessness, have already been matched to a permanent housing resource and/or are high priority for housing match through the CES, or have underlying health issues that would make congregate shelter less appropriate.

Before submitting the grant application, City staff will conduct appraisals, inspections, and continue negotiations with all identified motel properties of interest before selecting a single property to pursue and include in the application. Properties will be prioritized based on owner interest, overall cost, cost-effectiveness, total number of units created, physical condition, operational expediency of site layout, and proximity to amenities such as transit, grocery stores, libraries, and supportive services.

Tenant Population

The target tenant population for both projects will be people experiencing chronic homelessness with incomes at or below 30 percent of Area Median Income (AMI) who are engaged in the City's Continuum of Care CES. The goal of the City's interim housing program is to provide temporary housing for people transitioning to permanent housing within 24 months using a housing first model to ensure stability toward defined housing goals. While some residents may only live in interim housing for a short period of time, there is no maximum length of stay.

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 health and economic impacts of the COVID-19 pandemic have 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 has utilized Project Roomkey, Project Homekey, and FEMA funds to purchase one hotel and lease several hotels and motels, providing interim housing opportunities for hundreds of individuals, but further support is needed. 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.

While the City currently offers interim housing resources through the Atlantic Bridge Community, Project Roomkey, Project Homekey, and motel vouchers, these resources do not meet the full need for people experiencing unsheltered homelessness in Long Beach. Individuals experiencing unsheltered homelessness may cycle through shelters or end up living in locations not suitable for human habitation. Consistent with the principles of Housing First, lack of interim housing options also contributes to a lack of continuity of care and may create barriers to stability. 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 two proposed projects would continue to fill this crucial gap in the City's Homeless Services system, by adding between 25 and 110 units of interim housing. The modular shelter proposed project also differs from other interim housing solutions due to the proximity to the Multi-Service Center. These modular shelters will provide extremely low-barrier temporary housing options for individuals requesting immediate housing and will ensure easy access to all the services and resources available at the MSC. The modular nature of these shelters also represents a relatively quick, low-cost solution that the City could potentially replicate in other areas.

This matter was reviewed by Deputy City Attorney Anita Lakhani and Budget Analysis Officer Greg Sorensen on March 31, 2022.

EQUITY LENS

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.

City Council action is requested on April 19, 2022, to ensure both project applications will be

submitted by the Project Homekey Round 2 deadline of May 2, 2022.

This recommendation authorizes the City to receive up to \$45,000,000 in grant funds to support costs associated with 1) the purchase, construction, and operation of modular shelter units at the Long Beach Multi-Service Center and, (2) the acquisition or lease and conversion of an existing hotel facility into interim housing. HCD recommended that the City Resolution and action request greater than the anticipated grant funds. The actual anticipated grant amount will depend on the actual cost of construction and operation of the modular shelter units (up to \$8,764,000) and the final acquisition cost and operation of the selected motel (up to \$27,580,000), for a total of \$36,344,000.

Homekey Round 2 will provide up to \$200,000 per door in capital costs for the modular shelter development and the motel acquisition and upgrades. For the first motel under Project Homekey, the General Fund in the next fiscal year, Fiscal Year 2023 (FY 23), will need to expend between \$4.4 and \$9.5 million, depending on the motel selected, on a one-time basis for acquisition and rehabilitation. This one-time cost was not included in the General Fund expenditure and fund balance projections presented to the City Council at the March 8, 2022 Study Session on the FY 23 Budget, so would need to be addressed during the FY 23 Budget development process. The current plan is to utilize Measure A to address the required one-time costs for City infrastructure.

Appropriation required to facilitate the project will be included in future City Council action authorizing the purchase of the modular shelters. Existing budgeted positions within the City Manager's Office and Departments of Development Services, Economic Development, and Health and Human Services, will administer this grant and pursue acquisition.

Homekey Round 2 will also provide \$1,400 per door per month in operations subsidies for the first three years of operation if the City demonstrates funding commitment for four years beyond those first three years. Annual City operating costs not covered by grants would range from only \$0.2 million to \$0.4 million, depending on the motel selected, for FY 24 through FY 26 (assuming an opening date of October 1, 2023), but jump to \$1.7 million each year, unadjusted for inflation, from FY 27 onward. These costs will be added to the General Fund structural expenditures in future long-term projections. Similar General Fund costs can be expected for each additional motel the City may acquire in the future under Project Homekey.

This Council action obligates the City to a multi-year enforceable funding commitment for the non-congregate modular shelter program at the Long Beach Multi-Service Center and an interim housing program for a motel conversion and will meet this obligation through a combination of future City and/or grant funding for this purpose.

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

Approve recommendation.

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