



# County of San Mateo

## Inter-Departmental Correspondence

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**Department:** HOUSING

**File #:** 21-782

Board Meeting Date: 10/5/2021

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**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors  
**From:** Raymond Hodges, Director, Department of Housing  
**Subject:** State Form Resolution Authorizing County to Apply for Homekey Program Funding from the State of California of Housing and Community Development; Authorization of Local Match Contributions

### **RECOMMENDATION:**

Recommendation to:

A) Adopt a resolution:

1. Approving and adopting a form resolution from the State Department of Housing and Community Development, authorizing the County's application to the Homekey Program for funding in a total amount not to exceed \$81,656,315 to cover capital and operating expenses for the Navigation Center in the City of Redwood City; and
2. Authorizing an allocation of up to \$11,336,075 in federal American Rescue Plan Act ("ARPA") funds, or other funds as determined by the County Manager, as a match of local funds from the County required by the Homekey Program, in the event the County's application for funds from the Homekey Program for the Navigation Center is approved; and
3. Authorizing and directing staff to file a notice of exemption for the Navigation Center under the California Environmental Quality Act; and

B) Adopt a resolution:

1. Approving and adopting a form resolution from the State Department of Housing and Community Development, authorizing the County's application to the Homekey Program for funding in a total amount not to exceed \$20,689,183 to cover capital and operating expenses for a 44-unit hotel in the City of San Mateo; and

2. Authorizing an allocation of up to \$7,697,170 in ARPA funds, or other funds as determined by the County Manager, as a match of local funds from the County required by the Homekey Program, in the event the County's application for funds from the Homekey Program for the 44-unit hotel in the City of San Mateo is approved; and

C) Adopt a resolution:

1. Approving and adopting a form resolution from the State Department of Housing and Community Development, authorizing the County's application to the Homekey Program for funding in a total amount not to exceed \$26,118,495 to cover capital and operating expenses for a 57-unit hotel in the City of San Mateo; and
2. Authorizing an allocation of up to \$9,846,415 in ARPA funds, or other funds as determined by the County Manager, as a match of local funds from the County required by the Homekey Program, in the event the County's application for funds from the Homekey Program for the 57-unit hotel in the City of San Mateo is approved; and

D) Adopt a resolution:

1. Approving and adopting a form resolution from the State Department of Housing and Community Development, authorizing the County's application to the Homekey Program for funding in a total amount not to exceed \$22,713,333 to cover capital and operating expenses for a 51-unit hotel in the City of Redwood City; and
2. Authorizing an allocation of up to \$13,266,000 in ARPA funds, or other funds as determined by the County Manager, as a match of local funds from the County required by the Homekey Program, in the event the County's application for funds from the Homekey Program for the 51-unit hotel in the City of Redwood City is approved.

**BACKGROUND:**

Last year, in response to the COVID-19 pandemic, San Mateo County, in partnership with community-based homeless service providers, implemented new homeless shelter services in the form of hotel-based non-congregate shelter programs, to provide additional shelter capacity for vulnerable people experiencing homelessness during COVID-19 who are at risk of severe illness if they were to contract COVID-19. The State provided some funding and technical assistance related to non-congregate shelter programs via an initiative known as Project Roomkey. In San Mateo County, there were two Project Roomkey non-congregate shelter programs serving vulnerable people experiencing homelessness: the Offsite Temporary Shelter Program and Bayfront Station. In order to ensure integration with the overall homeless crisis response system and that eligible vulnerable clients were served, these programs were accessible through the County's Core Service Agencies as the coordinated entry points for homeless services.

Building off the success of Project Roomkey, the State created the Homekey Program ("Homekey"), administered by the California Department of Housing and Community Development ("State HCD"), to provide funding to rapidly sustain and expand the inventory of housing for people experiencing homelessness or at risk of homelessness and impacted by COVID-19. Homekey has created an opportunity for local public agencies to purchase hotels, motels and a broad range of other housing types in order to increase community capacity to respond to homelessness and the ongoing COVID-

19 pandemic.

State HCD issued its first Notice of Funding Availability (NOFA) for \$600 million in Homekey funding on August 13, 2020. Working in collaboration, the Human Services Agency (“HSA”), the Department of Housing (“DOH”) and Real Property Services submitted two successful applications to State HCD for Homekey funding to acquire two hotels, Pacific Inn and Towneplace Suites in the City of Redwood City (“Redwood City”), and were awarded Homekey funds to acquire both hotels. Pacific Inn, now known as “Pacific Shelter”, is a service-enriched, 74-unit interim housing site, which serves San Mateo County residents experiencing homelessness who are highly vulnerable to COVID-19. Towneplace Suites, now known as “Shores Landing,” is a service-enriched 95-unit permanent affordable housing site for extremely-low income (“ELI”) seniors who may be at risk of homelessness or previously experienced homelessness and at heightened risk for COVID-19 related complications.

On September 9, 2021, State HCD issued a second round or Round 2 NOFA for \$1.45 billion of Homekey funding, of which \$1.2 billion is derived from the State’s direct allocation of the federal Coronavirus State Fiscal Recovery Fund, which was established by the American Rescue Plan Act of 2021 (“ARPA”). In addition, \$250 million is derived from the State’s General Fund to supplement the acquisition of, and to provide initial operating subsidies for, Homekey sites.

State HCD has established a four-month priority application period from the release date of the Homekey application on September 30, 2021 through January 31, 2022. During this prioritization period, State HCD will group applications into one of eight geographic regions, each of which have been allocated a share of Homekey funds based on its proportionate share of persons experiencing homelessness as indicated by the 2019 Homeless Point-in-Time (PIT) counts plus its proportionate share of ELI renter households that are paying more than 50 percent of their income for rent. San Mateo County is grouped in the Bay Area region which includes all nine Bay Area counties. After January 31, 2022, State HCD will stop grouping applications by geographic region and instead deploy unused funds from any undersubscribed geographic region(s) to fund subsequent applications statewide until May 2, 2022 or until the available funds are exhausted. Given that applications will be accepted on a first-come, first-served basis, eligible applicants are encouraged to submit applications as soon as possible

Working in collaboration, HSA, DOH, Real Property Services, the Project Development Unit, and the Department of Public Works intend to submit four applications to State HCD for Homekey funding in response to the Round 2 NOFA.

Staff anticipates that Homekey funds, if awarded by State HCD through its Round 2 NOFA, will be used (1) to acquire one or more hotels, motels, or other eligible housing types to continue providing shelter (also known as interim housing) to vulnerable people experiencing homelessness with a linkage to rapid rehousing services in order to support a transition into permanent housing or to provide service-enriched permanent affordable housing to people experiencing homelessness, and (2) for the new construction of dwelling units to provide interim housing to vulnerable people experiencing homelessness with a linkage to rapid rehousing services in order to support a transition into permanent housing. The County will evaluate any property acquired with Homekey funding for the feasibility of conversion to affordable rental housing and/or permanent supportive housing.

#### **DISCUSSION:**

On September 28, 2021, by Resolution No. 078452, your Board authorized (1) the County to submit

one or more applications, singly or in collaboration with a co-applicant, for Homekey funds, and (2) authorized the County Manager, or designee(s), acting in consultation with the County Counsel, to negotiate and execute on behalf of the County all appropriate agreements with the State and other forms and documents required by the State, and take any and all other actions necessary for the County to apply for Homekey funding through its Round 2 NOFA. At this time, the County intends to submit applications for the following four (4) sites: the Navigation Center in the City of Redwood City, a 44-unit hotel in the City of San Mateo ("San Mateo"), a 57-unit hotel in San Mateo, and a 51-unit hotel in Redwood City. The Navigation Center is the proposed new construction of a 240-unit state-of-the-art facility on a 2.5-acre undeveloped site in Redwood City to provide shelter and intensive support services to help persons experiencing homelessness move back into permanent housing as quickly as possible.

On September 30, 2021, State HCD announced that applications must include a resolution adopted by the applicant's governing board using a form resolution developed and distributed by State HCD, which authorizes the local entity to apply for Homekey funding. For every application submitted, there must be a separate State HCD form resolution. Accordingly, staff is presenting to your Board a State HCD form resolution for each of the four sites the County intends to apply for Homekey Funding as identified above, which are included as Attachment A to the County resolution for each site. Each form resolution, which conforms to State HCD's specifications, has been appropriately modified to include information specific to the County, including the amount of Homekey funds requested for the specific application. State HCD recommends identifying an authorized dollar amount that is double the anticipated award since award amounts are subject to change. At this time, staff recommends requesting an amount per application that is one and a half (1.5) times the anticipated award.

Further, per Homekey Program requirements, applicants are required to demonstrate local matching contributions. These contributions are calculated by using a formula provided in the Round 2 NOFA. Based on these calculations, the County, if awarded Homekey funding, will be expected to provide a one-time local match contribution for capital expenditures as well as a local match contribution for one-year of operating subsidies. The ceilings on these local match contribution amounts reflect 1.5 times the amounts required for local match contributions because they are based on amounts that are 1.5 times each anticipated award. Accordingly, at this time, staff is requesting an allocation of local match funds as follows: up to \$11,336,076 for the Navigation Center, up to \$7,697,170 for the 44-unit hotel in San Mateo, up to \$9,846,415 for the 57-unit hotel in San Mateo, and up to \$13,266,000 for the 51-unit hotel in Redwood City. If awarded Homekey funds for any or all of these projects, State HCD also requires a demonstrated commitment to a local match contribution of operating expenses for each project on an annual basis for three additional years, subject to Board authorization.

In order to fulfill State HCD requirements for Homekey funding application, staff requests that your Board (1) authorize and adopt State HCD forms resolutions for each of the four sites, and (2) authorize a one-time local match contribution for capital expenditures and a local match contribution for one-year of operating expenses for each of the four sites, as described above.

Finally, staff also requests the authorization to file a notice of exemption for the Navigation Center under the California Environmental Quality Act. This action provides financial assistance to, or otherwise approves, a Low Barrier Navigation Center within the meaning of California Government Code section 65660-65662, and the California Environmental Quality Act (CEQA) does not apply to this action pursuant to California Government Code section 65660(b).

County Counsel has reviewed and approved the resolutions as to form.

**FISCAL IMPACT:**

In the event the County is awarded Homekey funds for the four sites, County will need to provide a local match of up to \$11,336,075 for capital expenditures and operating subsidies for the Navigation Center in Redwood City, up to \$7,697,170 for capital expenditures and operating subsidies for the 44-unit hotel in San Mateo, up to \$9,846,415 for capital expenditures and operating subsidies for the 57-unit hotel in San Mateo, and up to \$13,266,000 for capital expenditures and operating subsidies for the 51-unit hotel in Redwood City. The source of funds will be ARPA funds, or other funds determined by the County Manager.