



County of San Mateo

Inter-Departmental Correspondence

Department: HOUSING

File #: 24-344

Board Meeting Date: 5/7/2024

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Raymond Hodges, Director, Department of Housing

Subject: Resolution Authorizing Third Amendment to Management Agreement for Operations and Services for Casa Esperanza

RECOMMENDATION:

Adopt a resolution approving and authorizing the Director of the Department of Housing, or designee, to execute a third amendment to the County's predevelopment and property management agreement with AH 1818 ECR LLC to operate the Casa Esperanza permanent supportive housing project (the "Project") to revise the fiscal commitment, approve the budget and make other amendments, and ratifying said agreement and prior amendments thereto.

BACKGROUND:

Building off the success of Project Roomkey, the State created Project Homekey to sustain and expand the inventory of housing for those experiencing homelessness, or at risk of homelessness, and disproportionately impacted by COVID-19. Homekey provides local public agencies with funding to purchase a broad range of housing types, such as hotels, motels, vacant apartment buildings, and other properties, and convert them into permanent or interim housing for the target population.

In 2021, the County applied for and received funding under Homekey Round 2 to purchase two additional hotels: (1) Stone Villa Inn in San Mateo, now known as El Camino House, which was converted to a service-enriched 44-unit non-congregate shelter; and (2) Comfort Inn in Redwood City, now known as Casa Esperanza, which was converted to a service-enriched 51-unit permanent affordable housing site for extremely low-income households experiencing homelessness or at risk of homelessness. In addition, the County received Homekey Round 2 funding for the Navigation Center, a 240-unit new construction non-congregate shelter in Redwood City with a comprehensive set of on-site services, including medical, dental, and substance abuse treatment, for people experiencing homelessness or at risk of homelessness.

On October 5, 2021 by Resolution No. 078472, further to direction by the California Department of Housing and Community Development (CA HCD), this Board (1) authorized the County's application to the Homekey Program and adopted a form of resolution required by CA HCD for this application; and (2) authorized an allocation of up to \$7,697,170 in American Rescue Plan Act (ARPA), or other

funds as determined by the County Executive, as 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 was approved.

On January 4, 2022, this Board authorized the President of the Board to execute a Real Estate Purchase and Sale Agreement and Escrow Instructions for the acquisition of the Property for a total purchase price of \$17,000,000 for the purpose of operating permanent supportive housing to the County's most vulnerable residents, including those who are experiencing chronic homelessness. Escrow for the purchase of this property closed in April 2022.

On February 9, 2022, CA HCD notified the County that it was awarded \$15,978,232 to finance the acquisition, rehabilitation, and operation of Casa Esperanza.

DISCUSSION:

With the rehabilitation of the property completed, Casa Esperanza has been successfully operating and providing permanent supportive housing to the target population. To fund the Project and ensure its effective management until a long-term ground lease with the operator (AH 1818 ECR LLC) is completed and approved by CA HCD, the Department of Housing has entered into a management agreement with the operator. The agreement is set to terminate upon execution of the anticipated long-term ground lease, likely later this year.

Pursuant to the management agreement, the Department of Housing has approved a budget to provide funding for the current year of Project operations. The budget will entail expenditure of previously authorized Homekey Program funds and County matching funds (ARPA and other funds) for property operations and resident services and therapeutic supports.

Staff recommends that this Board approve and authorize the Director of the Department of Housing, or designee to execute a third amendment to the County's predevelopment and property management agreement with AH 1818 ECR LLC to operate the Project to revise the fiscal commitment, approve the budget and make other amendments, and ratifying said agreement and prior amendments thereto.

The County Attorney has reviewed and approved the resolution and proposed amendment as to form.

FISCAL IMPACT:

The County was awarded Homekey funds for the Project and entered into a Standard Agreement with CA HCD in the amount of \$15,978,323 (Agreement 21-HK-17082: \$13,054,723 in capital expenditures; \$2,923,600 in operating expenditures). The application committed the County to provide a match of local funding in the amount of \$6,475,003 in capital funding and \$5,102,464 to demonstrate a positive operating cash flow for up to 5 years. The source of funds will be ARPA funds, or other funds determined by the County Executive. The funds for this amendment are provided through Homekey funds and local matching funds previously authorized by this Board.