



County of San Mateo

Inter-Departmental Correspondence

Department: HOUSING

File #: 20-922

Board Meeting Date: 12/8/2020

Special Notice/Hearing: None

Vote Required: Majority

To: Honorable Board of Supervisors

From: Raymond Hodges, Director, Department of Housing

Subject: Approval of Declaration of Intent to Purchase and Execution of a Purchase and Sale Agreement for the Acquisition of Coastside Inn in Half Moon Bay, and Allocation of CARES Act Funds for Acquisition Plus Closing Costs

RECOMMENDATION:

Adopt a resolution:

- A) Declaring the Board of Supervisors' intention to purchase the Coastside Inn, located at 230 South Cabrillo Highway, in Half Moon Bay (Assessor Parcel Number 056-141-610) ("Property") from Property owner Keet Nerhan for a total purchase price of \$8,000,000; and
- B) Authorizing the President of the Board of Supervisors to execute a Real Estate Purchase and Sale Agreement and Escrow Instructions ("Agreement") for the County's acquisition of the Property for a total purchase price of \$8,000,000; and
- C) Authorizing and directing the County Manager, or designee, to execute the Certificate of Acceptance attached to the resolution upon the satisfaction of all conditions of escrow, to consummate the County's purchase of the Property as required by California Government Code Section 27281, and all other documents and notices required to facilitate the acquisition; and
- D) Authorizing an allocation of up to \$8,035,000 in federal Coronavirus Aid, Relief and Economic Security (CARES) Act funds for the purchase of the Property plus closing costs.

BACKGROUND:

The COVID-19 pandemic has exacerbated existing community needs and inequalities. In many communities, homelessness was already experienced disproportionately by race and other protected classes. Persons experiencing homelessness are at greater risk of infection and death due to COVID-19.

Project Roomkey

In response to COVID-19, 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 and others who are at a greater risk of infection due to COVID-19. The State provided funding and technical assistance related to non-congregate shelter programs via an initiative known as Project Roomkey.

In San Mateo County, there are two Project Roomkey, non-congregate shelter programs serving vulnerable people experiencing homelessness.

The first Project Roomkey program, Offsite Temporary Shelter Program, provides shelter to up to 94 households at various hotel sites throughout the County. Clients in this program receive case management and other supportive services from one of the homeless shelter providers, LifeMoves, Project WeHOPE, or Samaritan House. This program serves individuals who had been staying in one of the congregate shelters and were moved into this program in order to have a safer sheltering environment. This allowed the existing shelter sites to reduce the number of clients being served at the shelter location and thus facilitate social distancing at all shelters.

The second Project Roomkey program is Bayfront Station. Bayfront Station is a non-congregate shelter program located at a local hotel that provides up to 83 rooms. Bayfront Station is coordinated by the County Human Services Agency (“HSA”) and is operated by Samaritan House. Clients residing at Bayfront Station receive wrap-around services, case management services, and on-site security. In order to ensure integration with the overall homeless crisis response system and that eligible vulnerable clients are served; these programs are accessible through the County’s Core Service Agencies as the coordinated entry points for homeless services.

Our local hospitality industry has suffered financially from the pandemic, and the Roomkey program provided hotels some relief through the County’s use of emergency funding to secure hotel rooms to provide shelter to those affected most by the pandemic. Those efforts have resulted in a heightened awareness of the County’s housing shortages and importance of increasing available housing for the most vulnerable County residents. To help address this issue, the County Department of Housing (“DOH”), the Human Services Agency (“HSA”), and Real Property have been coordinating to identify hotels and similar facilities that might be purchased and converted to temporary and/or permanent housing opportunities.

Homekey Program

The Homekey Program (“Homekey”), administered by the California Housing and Community Development Department (“State HCD”), provided 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 provided an opportunity for local public agencies to purchase 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. Homekey was designed to build on the success of Project Roomkey.

Working in collaboration, HSA, DOH and Real Property applied to State HCD for Homekey Program funding to acquire one or more motels, hotels, hostels, or other eligible housing types. The County obtained approval from the Board to apply. The County of San Mateo was awarded approximately

\$33 million in Homekey funding on October 29, 2020. As a result of the award, the County will use the funding to acquire two properties; the Pacific Inn and TownePlace Suites, both in Redwood City. Match funding will come from the federal Coronavirus Aid, Relief and Economic Security (CARES) Act Coronavirus Relief Fund (“CARES Act funds”).

Additional Opportunities

Although all Homekey funding awarded by the State will be applied to the purchase of the Pacific Inn and TownePlace Suites, there will be remaining CARES Act funds with a December 30, 2020 expenditure deadline. The search for appropriate hotels and other facilities to accommodate the Homekey Program has also facilitated the discovery of other opportunities to use CARES Act funds to further address the homelessness crisis in San Mateo County, which has been further exacerbated by to the COVID-19 pandemic. One such opportunity is the acquisition of the Coastside Inn in Half Moon Bay.

Pursuant to Section 601(d) of the Social Security Act, CARES Act funds can only be used on expenses that:

- Are necessary due to COVID-19; and
- Are not already accounted for in the budget approved before March 27; and
- Are incurred by December 30, 2020, with unused funds reverting back to the federal government.

The “Coronavirus Relief Fund Guidance for State, Territorial, Local and Tribal Governments” updated by the U.S. Treasury on September 2, 2020, confirms that CARES Act funds may be used to cover expenses for care for homeless populations provided to mitigate COVID-19 effects and enable compliance with COVID-19 public health precautions. Additionally, the U.S. Treasury’s responses to Frequently Asked Questions updated as of October 19, 2020, confirm that local governments may utilize CARES Act funds to acquire real property where, as with the acquisition of the Coastside Inn, (i) the use of such funds is consistent with the requirements of section 601(d) of the Social Security Act noted above; (ii) the local government is not able to meet the need arising from the public health emergency in a cost-effective manner by leasing property; and (iii) the acquisition is completed by December 30, 2020, and the property is put into use for the COVID-19 related purpose by December 30, 2020.

DISCUSSION:

Property

The Coastside Inn, located at 230 South Cabrillo Highway, in Half Moon Bay (the “Property”), is a fifty-two-room hotel, with independent HVAC serving each room. The property consists of .79 acres, with an approximately 17,000 square foot hotel, near downtown Half Moon Bay. The motel is within a half mile of numerous amenities including grocery stores, pharmacies, and a farmer’s market. Also, within a mile is the local library, a community center and senior center, a Boys and Girls Club, and several nonprofits providing services ranging from children and youth-based educational services to community-based adult health services. There are two SamTrans routes that service the area, with bus stops less than a half mile away. One route is a direct service to the Hillsdale Caltrain station. San Mateo County Health also has a dental clinic and a Behavioral Health and Recovery Services

clinic less than 1,000 feet away.

Planned Use

Staff has determined that purchasing the Property will allow the County to provide a highly service-enriched interim housing program to people experiencing homelessness and who are highly vulnerable to the COVID-19 virus and to do so in a more cost-effective manner than by leasing the Property. Staff plans to select a manager/operator of the Property in advance of the acquisition to ensure that pre-screening of potential program participants shall commence on-site as soon as feasible by December 30.

The County expects to prioritize local area populations for participation in the program where and to the extent feasible. In addition, some individuals currently residing in Project Roomkey programs may be transitioned into the Coastside Inn, where they will continue to receive shelter services and intensive support for their individualized plans to return to housing as quickly as possible. The interim housing will provide safe harbor to impacted individuals with the intent of utilizing resources made available through the County Rapid Rehousing Program and other resources to connect to appropriate affordable rental housing and/or permanent supportive housing. The Property could potentially be converted to permanent affordable housing in the future depending on the County's shelter and housing needs.

The Agreement between the County as Buyer, and Keet Nerhan, owner of the Coastside Inn, as Seller, establishes the purchase price for the Property of \$8,000,000. The Property consists of .79 acres, and includes the 17,000 square foot, fifty-two room motel, and 55 dedicated parking spaces. The acquisition includes a productive water well site and system that may be utilized in the future. Escrow is anticipated to close by December 22, 2020. There are several conditions to be satisfied prior to closing. Upon satisfaction of those conditions, a Certificate of Acceptance will be executed, to be recorded concurrently with the grant deed transferring title to the Property to County.

In order to consummate the transaction and allow the County to acquire the Property, the Board must declare its intention to acquire the Property for a purchase price of \$8,000,000, execute the Agreement with the Seller to acquire the Property, authorize the County Manager, or designee, to execute the Certificate of Acceptance attached to the resolution upon the satisfaction of all conditions of escrow and all other documents and notices required to facilitate the acquisition, and authorize the allocation of up to \$8,035,000 in CARES Act funds for the purchase of the Property plus closing costs.

Acquisition of the Property for the described purposes qualifies for streamlined treatment under California Health and Safety Code sections 50675.1.1 and 50675.1.2, which provide that certain projects using CARES Act funds are automatically deemed consistent with General Plan, zoning requirements, and CEQA; and are not subject to discretionary reviews or approvals.

Real Property prepared and negotiated the Agreement. County Counsel has reviewed and approved the Resolution, and the Agreement as to form. Notice of this hearing was published in the San Mateo County Times pursuant to Government Code Sections 6063 and 25350. Staff recommends adoption of the Resolution attached.

FISCAL IMPACT:

The purchase price of the Property and related costs and escrow fees in an amount up to \$8,035,000 will be funded by CARES Act funds. There will be no impact on the County General Fund for this purchase. Operating costs will be included in future budgets.

