



County of San Mateo

Inter-Departmental Correspondence

Department: HOUSING

File #: 20-828

Board Meeting Date: 11/5/2020

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors
From: Raymond Hodges, Director, Department of Housing
Subject: Authorization to Apply for Project Homekey Funds from the State of California Department of Housing and Community Development and Approval of Purchase and Sale Agreement for the Acquisition of the Pacific Inn Hotel in Redwood City

RECOMMENDATION:

Recommendation to:

A) Adopt a resolution:

1. Authorizing and directing the County Manager, or the Director of the Department of Housing as his designee, to prepare and submit an application for grant funds from the Homekey Program administered by the State of California Department of Housing and Community Development ("State HCD"), in response to its Notice of Funding Availability, dated July 16, 2020, in a total amount not to exceed \$16,822,500, which includes \$15,000,000 for capital expenditures and \$1,822,500 for capitalized operating subsidy; and
2. Authorizing and directing the County Manager, or the Director of the Department of Housing as his designee, to ensure that any funds awarded for capital expenditures are spent by December 30, 2020, and that any funds awarded for capitalized operating subsidies are spent by June 30, 2022, in the event the County's application for funds from the Homekey Program is approved; and
3. Authorizing and directing the County Manager, or the Director of the Department of Housing as his designee, to enter into, execute and deliver a Standard Agreement in a total amount not to exceed \$16,822,500, any and all other documents required or deemed necessary or appropriate to secure the Homekey funds from State HCD and to participate in the HomeKey Program, and all amendments thereto, in the event the County's application for funds from the Homekey Program is approved;

and

4. Authorizing an allocation of up to \$12,750,000 in CARES Act Funds as a match of local funds from the County for capital expenditures required by the Homekey Program, in the event the County's application for funds from the Homekey Program is approved; and

B) Adopt a resolution:

1. Declaring the Board of Supervisors' intention to purchase the Pacific Inn Hotel, located at 2610 El Camino Real, in Redwood City (Assessor Parcel Number 059-162-520) ("Property") for a total purchase price of \$21,500,000; and
2. 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 \$21,500,000; and
3. Authorizing the County Manager, or his designee, to execute the Certificate of Acceptance, as well as any and all notices, escrow instructions, and documents required to facilitate the purposes of the Agreement.

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, and persons experiencing homelessness are at great risk of infection and death due to COVID-19.

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 during COVID-19 who are at risk of severe illness if they were to contract COVID-19. The State has provided some 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 includes 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 and allow 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.

Meanwhile, our local hospitality industry has suffered financially from the pandemic, and the Roomkey program provided 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.

DISCUSSION:

Homekey Funding Application

The Homekey Program ("Homekey"), administered by the California Housing and Community Development Department ("State HCD"), will 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 presents 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 is designed to build off the success of Project Roomkey, although applications are not limited to Project Roomkey sites.

State HCD is authorized to provide approximately \$550 million in Homekey funding derived from the State's direct allocation of federal Coronavirus Relief Fund ("CRF") and \$50 million in State General Fund to assist local public agencies in the acquisition of, and provide initial operating subsidies for, Homekey sites to promote project feasibility.

State HCD has issued a Notice of Funding Availability ("NOFA") for \$600 million in Homekey Program funding, with an application deadline of August 13, 2020 for Tier 1 projects, which are projects that: (1) can be occupied within 90 days from the date of acquisition; and (2) are permanent housing or will result in permanent housing.

Homekey Program funding from the CRF for the acquisition of said sites will have an expenditure deadline of December 30, 2020. Working in collaboration, HSA, DOH and Real Property submitted an application 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 on August 4, 2020 (Resolution No. 077659) to submit the application and is now returning to the Board with this revised authorizing resolution to conform to State HCD specifications.

The goal of this program is to provide interim housing for persons experiencing homelessness or who are at risk of homelessness and who are currently being housed in Project Roomkey temporary hotel/motel rooms or otherwise impacted by homelessness and the COVID-19 pandemic. 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 County will evaluate

each property acquired through the Homekey awards regarding its feasibility for conversion to affordable rental housing and/or permanent supportive housing. Per HomeKey Program requirements, applicants are required to demonstrate local matching contributions, calculated using a ratio provided by the Program requirements. Based on this calculation, the County, if awarded for this project, will be expected to provide a local match of up to \$12,750,000 for capital expenditures.

As part of the application process for the NOFA, State HCD is requiring applicants to obtain an authorizing resolution of the local governing board that substantially conforms to the sample resolution provided by State HCD. Accordingly, the resolution accompanying this memo also includes the State's form of resolution that is formatted in a way that differs from the standard County resolution in order to comply with the application requirements of the NOFA, and must be executed contemporaneously with the standard County resolution.

County Counsel has reviewed and approved the resolution as to form. Staff recommends adoption of the standard County form of resolution and the State HCD form of resolution, both of which are included for Board approval.

Project Homekey Planned Use

The planned use of the Project Homekey funds recommended for acceptance by the Board is to acquire a 75-unit hotel called Pacific Inn, located in Redwood City, California, to provide a highly service-enriched interim housing option to people experiencing homelessness and who are highly vulnerable to the COVID-19 virus. Some of the individuals currently residing in Project Roomkey programs will be transitioned into the Pacific Inn hotel, where they will continue to receive shelter services and will receive intensive support on their individualized plans to return to housing as quickly as possible.

The Pacific Inn Hotel, located at 2610 El Camino Real, in Redwood City (the "Property") is a seventy-five room hotel, including manager's quarters, built in the 1950s and recently remodeled. The property consists of 64,991 square feet directly across El Camino Real from the Target shopping center, with groceries and a pharmacy. The hotel has a business center and laundry facilities, with independent HVAC serving each room. There is a SamTrans bus stop less than a tenth of a mile away, with the CalTrain station 1.3 miles away. It is 1.4 miles from the Fair Oaks Health Clinic that accepts Medi-Cal, and 0.7 miles to the Samaritan House Free Clinic for uninsured patients.

The Agreement between the County as Buyer, and Reno Motel Investments, Inc., owner of the Pacific Inn Hotel, as Seller, establishes the purchase price at \$21,500,000. The Property consists of 1.5 acres, and includes the 29,593 square foot seventy-four room hotel, plus manager's quarters, and 70 dedicated parking spaces.

Acquisition of the Pacific Inn is proposed to provide a highly service-enriched interim housing option to San Mateo County residents experiencing homelessness who are highly vulnerable to the COVID-19 virus. In accordance with the Homekey program guidelines, the hotel will be used to relocate homeless individuals currently staying at hotels leased by the County under the State's Roomkey program, operated by the County Human Services Agency, and their contractors. Those individuals will be moved into the Pacific Inn quickly, with a plan to be more than 50% occupied within 90 days of acquisition, and 100% occupied within 150 days. The program's interim housing services will provide comprehensive on-site services, as well as connections to additional off-site services to support residents to stay successfully housed, both in interim housing and through the transition to

permanent affordable housing.

DOH will work closely with HSA to monitor the interim housing site and when appropriate will issue a Request for Proposals (RFP) to select an eligible developer, with experience in developing, owning and managing deeply affordable, and permanent, service-enriched housing.

Escrow is anticipated to close by December 2, 2020. There are several conditions to be satisfied prior to closing. Real Property has been working diligently to satisfy as many of those conditions as possible prior to this Board action. A Phase 1 Environmental Site Assessment was conducted which revealed no potential environmental hazards. A Property Condition Report was commissioned which indicated the Property and facility are in good condition. The mechanical systems, including independent HVAC systems for each room were inspected and determined to be in good order. A review of a Preliminary Title Report revealed no interests recorded against the Property that would pose risk of interfering with County's use of the Property. An Appraisal Report was commissioned to determine the fair market value of the Property. That report supports the purchase price.

The acquisition of this Property for the described purposes qualifies for streamlined treatment under California Health and Safety Code section 50675.1.1, which provides that certain projects using Coronavirus Relief Fund funding are automatically deemed consistent with General Plan and zoning requirements 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. Staff recommends adoption of the Resolution attached.

FISCAL IMPACT:

In the event the County is awarded Homekey funds, County will need to provide a local match of up to \$12,750,000 for capital expenditures. The source of funds will be the CARES Act funds, which the County has already received.