



Memorandum

TO: COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE

FROM: Matt Cano
Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: March 15, 2022

Approved

Date

3/17/22

SUBJECT: QUICK-BUILD/EMERGENCY INTERIM HOUSING STATUS REPORT

RECOMMENDATION

Accept the status report on potential siting and development progress for the City's Emergency Interim Housing (EIH) efforts prior to reporting to City Council in June 2022, as directed in the September 22, 2021, *Bold Housing Solutions* memorandum from Mayor Liccario and Councilmembers Peralez, Jimenez, Foley, and Mahan, and approved by the Rules Committee on September 29, 2021, with further direction from the City Council in the approved March Budget Message for 2022-23.

OUTCOME

The Community and Economic Development (CED) Committee will receive status information on the City Administration's effort to explore potential sites and their development potential as EIH projects in advance of considering the full item in June 2022.

BACKGROUND

In December 2018, the City Council approved staff recommendations to develop the first two Bridge Housing Communities (BHC) at Mabury Road in District 3 and Felipe Ave in District 7. Serving as interim housing for our unhoused residents, these sites were designed to provide both shelter and supportive services to provide stability and aid in the search for permanent housing. In addition to approving the funding and development of the Bridge Housing Communities, the City Council adopted an ordinance amending Title 5 of the San Jose Municipal Code. Authorized under Assembly Bill 2176 and extended under Assembly Bill 1745, Municipal Code Section 5.09 provides development and operating standards for current and future Bridge Housing Community developments and suspends several local requirements such as zoning. Assembly Bill 1745 and its authority under AB 1745 currently expire on January 1, 2025.

On April 7, 2020, following a series of federal, state, and local actions responding to the impacts of the COVID-19 pandemic, the City Council redirected over \$17 million in State Homeless Housing Assistance and Prevention (HHAP) grant funds toward the purchase and/or construction of emergency housing, including prefabricated modular buildings. The City Council directed the Administration to “move aggressively” to build emergency housing to provide a place for our unhoused residents to shelter-in-place. On April 21, 2020, the City Council approved recommendations from staff to redirect HHAP funds as directed and authorized the construction of new Emergency Interim Housing Communities (EIHC). In May 2020, work began on the first of three new EIHC sites at Monterey and Bernal. Between September 2020 and April 2021, the three new EIHC sites were substantially completed and ready for occupancy.

On September 29, 2021, the Rules and Open Government Committee approved the *Bold Housing Solutions* memorandum (green-lighted by the Administration) from Mayor Liccardo and Councilmembers Peralez, Jimenez, Foley, and Mahan. The memorandum directed the Administration to pursue several initiatives aimed at increasing EIH capacity, expanding needed services for unhoused residents in collaboration with the County, and exploring numerous ways to identify additional funding and controlling costs to support these initiatives on-going.

On March 15, 2022, the City Council approved the March Budget Message for 2022-23. The Budget Message directed the Administration to allocate a sufficient amount of one-time funding—through a combination of Federal, State, and General Fund resources—to enable the development, construction, and future ongoing operations of emergency and interim housing at six sites including converted motels, while also considering densifying existing EIH sites. The Budget Message included the goal of adding approximately 400 more EIH beds, beyond those projects already in the pipeline and planning stages, and an additional 300 converted motel units.

ANALYSIS

The *Bold Housing Solutions* memorandum directed the Administration to meet the goal of the Community Plan to End Homelessness to add 2,000 additional interim housing or shelter beds to double shelter capacity by 2025. The memorandum specifically identified a goal of 1,000 pandemic-era EIH beds and 300 Homekey motel units to be under construction or completed by December 2022; this goal includes recently completed projects.

Table 1 below provides the list of interim housing developments completed, under construction, and in the pipeline. Table 2 provides a list of HomeKey projects, including properties acquired and projects in the pipeline being considered for State funding as part of Project Homekey.

Table 1 - EIHC Developments

BHC/EIH Development	Location	City Council District	Number of Units	Number of beds/people	Target Population
Complete					
Felipe Bridge Housing Community	928 Felipe Ave	7	40	40	Persons experiencing homelessness
Monterey at Bernal Emergency Interim Housing	6066 Monterey Rd	2	78	78	Persons experiencing homelessness
Rue Ferrari Emergency Interim Housing	5898 Rue Ferrari	2	82	118	Persons experiencing homelessness
Evans Lane Emergency Housing	2078 Evans Lane	6	49	121	Families experiencing homelessness or at risk of homelessness
Under Construction					
Guadalupe Emergency Interim Housing (Lot -E)	702 Guadalupe	3	76	76	Persons experiencing homelessness
Sub-Total			325	433	
HomeKey Application Pending HCD Award					
Branham and Monterey EIH	No address	2	204	204	50% for persons who are chronically homeless, 50% for persons who are experiencing homelessness
Total			529	637	

Table 2. - Project HomeKey Conversions

Project HomeKey Interim	Location	City Council District	Number of Units	Number of beds/people	Target Population
Acquired					
SureStay Hotel	1488 N First Street	6	76	76	Priority for persons living in COVID-19 motels or EIHs
HomeKey Applications Pending HCD Award					
Arena Hotel	817 The Alameda	6	89	89	100% of persons experiencing homelessness
Pending HomeKey Application Submittal					
Pacific Motor Inn	455 S Second Street	3	72	72	100% of persons experiencing homelessness
Pavilion Inn	1280 N 4 th Street	3	43	43	Transitional youth and families
Total			280	280	

Chronically homeless is defined as 1) an unaccompanied homeless individual with a disabling condition who has been continuously homeless for a year or more, or 2) an unaccompanied individual with a disabling condition who has had at least four episodes of homelessness in the past three years.

EIHC Project Status

As illustrated in Table 1, the City currently has four pandemic-era BHC/EIHs with the capacity to shelter/transitionally house 357 people. The Guadalupe EIH (on a portion of Police E-Lot) will provide an additional 76 beds when completed in fall 2022, bringing the total number of beds to 433. Still, in the planning phase, the Branham/Monterey project is proposed to be both an EIH and a HomeKey project if the State Housing and Community Development Department (HCD) approves the HomeKey application submitted in December 2021.

By the end of 2021, the City had temporarily housed over 670 individuals at the BHCs/EIHs (including the pre-pandemic Mabury BHC). During the pandemic, the BHCs/EIHs have been focused on sheltering unhoused people most vulnerable to the effects of COVID-19 and for people who are encamped near the facility. The increase in interim housing capacity has resulted in a safer environment providing shelter for previously unsheltered high-risk individuals and families, yet the limited availability of affordable housing continues to affect the rate at which program participants are able to transition into permanent homes. The effects of the pandemic have made it even more challenging to find landlords who are willing to rent to people who have limited resources to withstand financial emergencies. Despite these challenges, 157 individuals moved to transitional or permanent housing in 2021.

Project HomeKey Status

In October 2020, the Housing Department closed on the purchase of the 76-unit SureStay Hotel under the first round of State HomeKey funding (Phase I). At the time of acquisition, SureStay was occupied by formerly unhoused individuals vulnerable to serious illness from COVID-19 through the County's isolation and quarantine program. These residents remained housed at SureStay during the acquisition process, and most will continue to reside there after its conversion to permanent housing in 2022. In December 2021, the Housing Department partnered with nonprofit developers and submitted two applications to State HCD for a second round (Phase II) of HomeKey funding.

The Housing Department, in partnership with the non-profit shelter operator LifeMoves, submitted an application for the development of a 204-unit EIH project off Monterey Road at Branham Lane. Unlike the previous EIHCs, the proposed development at Branham and Monterey will be built under the funding and regulatory relief of Project HomeKey rather than AB 2176 and AB1745. In alignment with the Project HomeKey requirements, the Branham project will be designed to operate as an interim site for a short-term period before the development may convert to a permanent use. With this goal in mind, the site will be developed to meet long-term development standards including California Building Code requirements. The second application submitted was to acquire the 89-unit Arena Hotel.

The City received notification in early March that the Branham/Monterey and Arena Hotel HomeKey applications were not approved in the regional round of funding due to a lack of

funding available to the region. These two applications have been waitlisted for possible statewide funding, which will be awarded in late March.

Potential future HomeKey applications include acquisition and potential renovation of the 72-unit Pacific Motor Inn and the 43-unit Pavilion Inn for use as a shelter short term but may be converted to permanent housing. In total, the Pacific Motor Inn, and Pavilion Inn—combined with the SureStay Hotel, will contribute 280 hotel units toward the overall goal of 300.

EIH Team and Workplan Development

After approval of the *Bold Housing Solutions* memorandum last fall, the Administration began re-directing and mobilizing resources to implement the directives. A small City staff team, consisting of staff from the City Manager's Office and Departments of Public Works and Housing, was established to lead the effort. The team developed a comprehensive work plan to identify the milestones and tasks required to accomplish the directives and goals outlined in the memorandum, and to return to the City Council in June 2022 with recommendations for consideration.

Potential Future Site Search

As discussed at the September 29, 2021 Rules Committee meeting, to efficiently use limited staff resources, the search for future sites would focus on existing site lists previously developed for potential BHC and EIH sites. The direction was to identify a total of six sites in the Council districts that do not have existing BHC/EIH projects (Council Districts 1, 4, 5, 8, 9, 10) for consideration by the full City Council. Further, staff remains open to, and has been forwarded other potential sites for consideration not on existing lists, from the Mayor and Council Offices, and through coordination with other agencies (e.g., Valley Water and Caltrans).

In late December 2021, City staff began re-visiting the existing lists of 100+ sites owned by the City and other public agencies. The best sites on this list have already been used to develop the initial BHCs (Mabury in District 3 and Felipe in District 7) and EIHCs (Monterey/Bernal and Rue Ferrari in District 2, Evans in District 6, and Guadalupe in District 3). Many of the remaining sites on the list can be readily categorized as minimally feasible at best. This categorization is understandable when considering the challenges and the obstacles of past siting efforts for BHC/EIHC purposes (e.g., small/not conducive shapes, not City-owned/nor easy to quickly control, cost to use, adjacency and neighborhood concerns, remnant parcels from other public projects not intended for this purpose such as roads, trails, riparian, and easements). In essence, there are no perfect sites, and the City will have to exercise leadership again in the face of anticipated opposition and concerns from various stakeholders on recommended sites, if more sites are to ultimately become EIHCs.

Feasibility, Viability, Practicality

The City staff team, with experience in real estate, housing, development/engineering, and

previous BHC/EIH site selection and project delivery, is using a phased exploration and evaluation method for the remaining sites on the list. The method aims to efficiently evaluate sites from the existing lists (100+) through a process of assessing potential feasibility, realistic viability, and ultimately project practicality to arrive at a shortlist of up to six prioritized sites that staff could recommend to Council for consideration to fund, develop, and deliver projects.

Feasibility

The method initially assesses sites for potential feasibility on basic factors such as size/shape, access, and no known or easily identifiable fatal flaws. In this phase, the team aims to identify about 30+ sites worth an initial, preliminary field review from the lists of over 100 sites.

Viability

To move on to the realistic viability phase, (e.g., sites have no identified fatal flaws emerge, and appear to have characteristics suitable for project development) sites must pass through a more thorough field and property characteristic investigation. Sites receive a more detailed assessment of their size/shape/capacity, ownership/parcel assemblage needs, site, and utility access, apparent development limitations/prohibitions (e.g., flood zone, setbacks, slopes, etc.), apparent environmental concerns, and land use adjacencies. The aim of this phase is to narrow the list down to an approximate Top 10 list. This approximate number should provide a small buffer, as sites are determined to be of lower value or are eliminated in the next phase as more extensive evaluation occurs, leaving a reasonable opportunity to recommend up to six sites to the City Council for potential project development at the end of the project practicality phase.

Practicality

This project practicality phase can be characterized as the initial concept development phase, whereby further preliminary engineering and environmental analysis may confirm no fatal technical flaws are emerging. It also aims to identify the development potential of a site, so that initial comparisons can be made between sites, to begin making preliminary assessments on the relative value of a site and potential project. This includes relative cost-benefit in terms of unit capacity/yield, utility connection ease/challenge, understanding preliminary environmental considerations/flaws, conceptual impact of slopes, grading requirements, access, and rudimentary site layout.

The aim of the project practicality phase is to have an approximate Top 10 list, in a useful type of priority order, that can be recommended to City Council for consideration. An additional goal of this phase is to match a prioritized list to available/proposed funding, order of magnitude unit-based cost estimate/ranges, and the staff delivery capacity and timing of projects over a multi-year period.

Timing of Future Project Delivery

It is important to understand the likely duration/schedule of future projects, from formal City Council site approval to project completion/move-in, up to 18 months, depending upon various factors and conditions. If the site is under full City control, the project is fully funded, no significant environmental issues emerge after site selection, and no major fabrication or construction-related delays occur, the schedule could be less than 18 months. To reduce project delivery timelines as much as possible, staff is implementing a design-build pre-qualification process to shorten the bid and award phase. If any of the above-mentioned issues emerge in a significant way, the delivery schedule is likely to be longer than 18 months.

This timeline is based upon experience from 2020 and 2021 and current conditions. This is due to the typical capacity of the project delivery team given the workload associated with each project, the use of more normal, but still expedited project delivery methods today versus recent emergency operations delivery mode (i.e., suspended procurement regulations and CEQA requirements), and a more realistic understanding of contractor capacity and performance on these projects. For example, the Guadalupe site that is currently under construction is expected to take approximately 18 months from the start of design to completion of construction.

Also, from previous experience, it is realistic to assume that to develop and deliver multiple projects (two to six) would require a multi-year period in a phased manner. What that means is that sites are best queued up sequentially and overlapping for reasons such as the timing of site control/ownership, site conditions, environmental review results, adjacent land use coordination, procurement capacity, project delivery capacity, contractor capacity, and funding/philanthropy availability. Depending upon the readiness of up to six sites, it is most practical to begin moving on two sites, by securing funding, ensuring they are making suitable progress and are on schedule, and then assessing the availability of additional funding to allow more selected sites to move up the queue for development and delivery, ideally while the initial projects are still being completed.

Other Financial, Funding and Service Directives from City Council

The September 2021 *Bold Housing Solutions* memorandum identified a series of additional directives related to funding, program and service delivery strategies and efficiencies, and other miscellaneous items, that will be addressed in detail in the June 2022 report to the City Council. In addition, the approved March Budget Message for 2022-23 identified a direction to allocate funding—through a combination of Federal, State, and General Fund resources—to enable the development, construction, and future ongoing operations of more EIH projects.

These items, although not within the scope of this Committee report, are included in the work plan mentioned earlier in this memorandum and are underway.

For ease of reference, the major items are briefly summarized below from the *Bold Housing Solutions* memorandum and Mayor's March Budget Message for 2022-23:

- Identify requisite amounts of Federal, State, and General Fund resources to meet the targeted number of sites and units/beds and future on-going operations;
- Improve the financial and service performance of the existing BHCs/EIHCs and converted motels by engaging community partners, non-profits, and the San Francisco Foundation in efforts to identify concrete changes in policies and practices that will substantially reduce the ongoing operations and maintenance costs;
- Engage the County of Santa Clara on their willingness to support BHCs/EIHCs, etc. with basic mental health, addiction treatment, and other related services; and to further explore the County's willingness to create an alternate detention facility for individuals under the influence of specific drugs, that may pose a safety risk at the voluntary Mission Street Recovery/Sobering Center, and receive information about long-term treatment;
- Explore a designated overnight safe parking site in District 2 that can prioritize some unhoused residents living in vehicles near the site; and
- Modifications to City building codes necessary to enable multi-story EIHC development.

Fiscal Conditions for Shelter/Transitional Housing Programs and Development

On February 15, 2022, the Housing Department and City Manager's Budget Office recommended adjustments to the Measure E allocations and changes to the definitions of the spending categories. Recommended changes included allowing funds to be used to support homeless programs and services and for the operations and construction of EIHCs. The report summarized that the operational needs of the current EIHCs continue to outstrip the resources available, particularly long term and that most Federal and State funding sources are one-time, and as constituted will not effectively meet future ongoing operational funding requirements. The March Budget Message for 2022-23 provided additional direction to the Administration as it relates to allocating funding to enable the development, construction, and future ongoing operations of EIHCs. The Administration will provide additional information on funding options through the second reading of the Measure E reallocation ordinance at City Council on April 12, 2022, in the City Manager's 2022-23 Proposed Budget, and in the June 2022 report back that is the subject of this memorandum.

CONCLUSION

The City Council has laid out a program of directives to address some of the more immediate and interim aspects of the shelter crises afflicting our City. Staff has developed a work plan that has milestones and tasks aimed at meeting the goals and targets included in the program. This status report focuses on the projects already delivered, those in the pipeline, and most importantly the efforts to identify more potential sites that can practically be recommended for

development in the next few years. This status report to the CED Committee will be followed by a more detailed report to the full City Council in June 2022.

EVALUATION AND FOLLOW-UP

Staff will continue to work on-site exploration and evaluation through the phases as described in this memorandum and coupled with the 2022-2023 Budget Process and will return to City Council in June 2022 with a more complete analysis of the direction and recommendations for City Council consideration. In addition, once staff begins to shorten the list of sites and has the makings of a potential Top 10 list, coordination will occur with the Mayor's Office and affected City Council Districts to receive input. This will occur prior to the June report to City Council.

CLIMATE SMART SAN JOSE

The recommendation in this memorandum has no effect on Climate Smart San José's energy, water, or mobility goals. However, future Assessment of Fair Housing (AFH) and Housing Element strategies may support Climate Smart goals.

PUBLIC OUTREACH

Staff is considering various public outreach and notification strategies and will confer with the Mayor's Office and individual City Council Offices on potential approaches prior to June 2022 and after June 2022 when further City Council direction is received.

COORDINATION

This memorandum was coordinated with the City Attorney's Office and the City Manager's Budget Office. Recommended strategies will also be coordinated with multiple City departments, including Planning, Building and Code Enforcement; Transportation; Parks, Recreation and Neighborhood Services; Environmental Services, Office of Racial Equity; Office of Economic Development and Cultural Affairs; and the City Manager's Budget Office.

FISCAL/POLICY ALIGNMENT

The work underway aims to align with the direction provided by the Rules Committee on September 29, 2021, and the City Council through approval of the March 2022-2023 Budget Message.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

CEQA

Not a Project, File No. PP17-007, Preliminary direction to staff and eventual action requires approval from the decision-making body.

/s/
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/s/
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