



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Erik L. Soliván

SUBJECT: See Below

DATE: May 30, 2025

Approved

Date:

6/4/2025

COUNCIL DISTRICT: 3

SUBJECT: Agreement with the Santa Clara County Housing Authority to
Receive Monthly Payments for Pacific Motor Inn

RECOMMENDATION

Adopt a resolution authorizing the Housing Director, or his designee, to negotiate and execute an agreement with the Santa Clara County Housing Authority for funds supporting 72 interim housing units and the provision of supportive services for project-based Section 8 voucher holders residing at the Pacific Motor Inn, in an amount not to exceed \$1,728,000, for an initial term from July 1, 2025, through June 30, 2026, with one, one-year option to extend through June 30, 2027.

SUMMARY AND OUTCOME

The Pacific Motor Inn (PMI), a 72-unit motel located at 455 S. Second Street, was purchased with funding from the California Department of Housing and Community Development Homekey Program Round 2 funding as well as the City's Measure E funding. Unsheltered individuals and households referred from the Santa Clara County Housing Authority (SCCHA) to PMI receive Section 8 project-based vouchers (PBVs) issued by SCCHA. These vouchers will be applied to permanent housing units being constructed or that become vacant while voucher holders reside at PMI. When a permanent unit becomes available, the voucher holder will exit PMI to occupy their permanent housing unit. SCCHA will then identify another voucher holder referral to occupy the vacated unit at PMI.

SCCHA will provide the City up to \$2,000 per unit per month for maintaining 72 units at PMI for PBV holder occupancy, and for providing support services for voucher holders referred from SCCHA to PMI. This funding is contingent on the City verifying that these

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72 units pass a National Standards for the Physical Inspection of Real Estate inspection prior to PBV holder occupancy, and that the PBV holder occupies the unit at any point during the month. The PBV holder will have no fixed tenure at PMI. The City will invoice SCCHA monthly. The City will identify the units that passed the National Standards for the Physical Inspection of Real Estate and the dates that the unit was occupied by a PBV holder during the preceding month for which the payment is invoiced.

To further this arrangement, Housing Department staff recommends City Council authorize the Housing Director, or his designee, to negotiate and execute an agreement with SCCHA for funds supporting 72 interim housing units and the provision of supportive services for SCCHA PBV holders residing at PMI, in an amount not to exceed \$1,728,000. The initial term of this agreement will be from July 1, 2025, through June 30, 2026, with a one-year option to extend.

BACKGROUND

On December 13, 2022, City Council authorized the City Manager to accept an award of approximately \$19,868,250 of Homekey funds from the California Department of Housing and Community Development for the acquisition, development, and operation of PMI for interim housing.

On November 28, 2023, the City entered into a grant agreement with PMI Partners LLC to maintain the 72 units at PMI and to provide supportive services for PMI program participants, all of whom are PBV holders, for a one-year term retroactive from January 1, 2023, through June 30, 2024. PMI Partners LLC subcontracted with PATH Ventures, PATH, and PATH Enterprises for asset management and delivery of onsite supportive services to those residing at PMI.

On September 26, 2024, the City executed a first amendment to the grant agreement with PMI Partners LLC to maintain the 72 units at PMI and to provide supportive services for program participants for an additional one-year term, retroactive from July 1, 2024, through June 30, 2025.¹

SCCHA identified a need to provide temporary housing for program participants who hold PBVs in the Chronically Homeless Direct Referral Program and the Special Needs Direct Referral Program. To address this, SCCHA received approval from the United States Department of Housing and Urban Development to implement a Moving to Work activity (item #2020-2: Interim Housing). This local, non-traditional initiative offers temporary housing for chronically homeless individuals and individuals with disabilities

¹ <https://records.sanjoseca.gov/Contracts/OC-007079-001.pdf>

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as they wait for permanent placement. The Housing Department and SCCHA chose to temporarily house these PBV holders at PMI as most resided in San José, and temporary housing at PMI would likely increase their success in maintaining eligibility for their permanent housing vouchers.

ANALYSIS

Providing interim housing options gives individuals experiencing unsheltered homelessness an alternative to living in the City's waterways and public spaces. Facilities such as PMI serve a critical role in the City's overall strategy for managing and ending homelessness. This also reduces the impacts to the City's waterways and meets the compliance requirements under the Municipal Regional Stormwater Permit's Direct Discharge Program, which mandates the City to effectively prohibit non-stormwater discharges to our storm sewer system and waterways.

EVALUATION AND FOLLOW-UP

City Council resolution authorizing the Housing Director, or his designee, to negotiate and execute an agreement with the SCCHA for funds supporting 72 interim housing units and the provision of supportive services for SCCHA PBV holders residing at PMI will provide significant financial support for PMI operations and reduce reliance on the City's Measure E funds.

COST SUMMARY/IMPLICATIONS

Staff anticipates receiving revenue of up to \$1,728,000 from SCCHA, assuming \$2,000 per unit applied to 72 units over 12 months starting on July 1, 2025, and ending June 30, 2026, with a one, one-year option to extend. Revenues and the corresponding expenses to support the operations of PMI will be budgeted in the Multi-Source Housing Fund as part of the Fiscal Year 2025-2026 Adopted Budget and is included in the City Manager's Budget Addendum for Recommended Amendments to the 2025-2026 Proposed Operating and Capital Budgets.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office, City Manager's Budget Office, Environmental Services Department, Parks, Recreation, and Neighborhood Services Department and Public Works Department.

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PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the June 10, 2025 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

CEQA

Statutorily Exempt, Public Health and Safety Code Section 50675.1.4(a), Homekey Round 2 Program – Pavilion Inn (File No. ER21-159).

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s
Erik L. Soliván
Housing Director

The principal author of this memorandum is Kevin Sharps, Development Officer, Housing Department. For questions, please contact Cupid Alexander, Deputy Director, Housing Department, at Cupid.Alexander@sanjoseca.gov.