



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Omar Passons
Rosalynn Hughey
Matt Loesch

SUBJECT: SEE BELOW

DATE: September 25, 2023

Approved

Date

10/5/2023

COUNCIL DISTRICT: 10

SUBJECT: ACTIONS RELATED TO THE VIA DEL ORO - MOBILE QUICK BUILD SHELTER AND HOUSING COST BENEFIT ANALYSIS

RECOMMENDATION

- a) Accept the staff report on the Mobile Quick Build Shelter and Housing Cost Benefit Analysis.
- b) Direct the City Manager or designee to negotiate and execute a lease/use agreement at \$1 per year with John Sobrato to build and operate a Mobile Quick Build Shelter and Housing project at the Via del Oro site consistent with the approach contained in the staff memorandum.
- c) Direct staff to negotiate a Project Delivery Agreement at a maximum guaranteed amount for Via del Oro Mobile Quick Build Shelter and Housing project with Dignity Moves and Swinerton Construction, consistent with the approach, plans, scope, and cost estimates contained in the staff memorandum, and to return to the City Council for consideration and approval.

SUMMARY AND OUTCOME

As part of the City's efforts to provide interim housing for unsheltered residents in San José, acceptance of the recommendations would provide concurrence with the Mobile Quick Build Shelter/Housing Cost Benefit Analysis. It would also provide direction to staff to negotiate a lease for the Via del Oro site and a Project Delivery Agreement for 150 beds at a maximum guaranteed amount for Mobile Quick Build Shelter/Housing with Dignity Moves and Swinerton Construction, that is consistent with the approach, plans, scope, and cost estimates contained in this memorandum that would return to the City Council for consideration and approval.

BACKGROUND

The City of San José, as part of the regional Supportive Housing System, invests in numerous programs¹ to prevent people from experiencing homelessness, shelter people experiencing homelessness, and end homelessness for people through permanent housing. The City and County of Santa Clara continue to invest significantly in homelessness prevention and permanent housing. As a result, the 2023 homeless census revealed an overall decrease of 4.7% in San José's population experiencing homelessness as well as a 10.7% decrease in unsheltered homelessness – to 4,411 from 4,975 in 2022. These results reveal the importance of near-term strategies like the interim shelter/housing presented here, while continuing to build permanent affordable housing.

The countywide Community Plan to End Homelessness goal is to create 2,000 new emergency or transitional units countywide by 2025. The City has been working to expand its portfolio of alternative/transitional spaces that include interim shelter/housing, hotel/motel rooms, and supportive parking programs. In total, through June 2023, the City Council has approved a total of almost 1,600 units/beds of capacity, of which over 600 are complete and operational, another almost 500 are in construction/renovation, and the remainder are in design and/or the pre-development planning stage (as of September 2023). Despite the City's high priority, investment, and progress to date, the available supply of shelter, supportive parking, and affordable housing is still far below the need.

Origins of Mobile Quick Build Interim Shelter/Housing Opportunity

On June 6, 2023, the City Council directed staff to develop a Cost Benefit Analysis of a potential Mobile Quick Build Shelter project at the Via del Oro site, located at the southeast corner of Via del Oro and San Ignacio Ave, in Council District 10. The idea was initiated when local developer/philanthropist John Sobrato reached out to Mayor Mahan after hearing about the challenges the City continues to experience in finding viable sites to develop emergency interim shelter/housing. Mr. Sobrato offered to lease his vacant commercial/industrial property at Via del Oro and San Ignacio Ave to the City for use as an emergency shelter/interim housing site for a five-year period at no cost to the City.

Prior to June, Mayor Mahan referred Mr. Sobrato to City staff to discuss his offer and to evaluate the feasibility of the site for a project. Mr. Sobrato indicated that he would like to work with the City to replicate, in some respects, the City's project approach to the Guadalupe Emergency Interim Housing (EIH) project, whereby another local developer/philanthropist donated modular buildings and identified a construction contractor with experience and a willingness to construct and install the donated buildings into a City-designed interim shelter/housing site at a negotiated and discounted rate to the City. The City Council approved the donation of buildings by the SHP Foundation and a negotiated and discounted project delivery agreement with DevCon as an "idle act" under City Charter – Section 1217(i)(6), without the need for a competitive procurement.

¹ [Homelessness Programs Dashboard: https://www.sanjoseca.gov/your-government/departments-offices/housing/homelessness-program-dashboard](https://www.sanjoseca.gov/your-government/departments-offices/housing/homelessness-program-dashboard)

Testing a Newer Model – “Rapid Deployment and Future Relocation” – This proposal uses an existing approach – entry level sleeping cabins – to test a newer model of rapid design and deployment on a no/low-cost site for a shorter duration with intent to re-use and relocate the sleeping cabins, community buildings, equipment, etc. to another ideally no/low-cost site. The concept aims to test whether the opportunity to more quickly scale use of multiple sites over time, with the re-use of buildings and equipment, can yield enough benefit in terms of reducing unsheltered homelessness and open up a broader array of sites, is worth the cost of periodic relocation (e.g., one or two times at most in potential five year increments). As part of this model, a philanthropic-oriented project delivery team proposes applying quick design build approaches, using innovative utility and site preparation applications to save time and cost at the first site, with the goal to achieve operational savings and future site preparation savings. Also, rather than take months and sometime years to identify sites and engage repeated bureaucratic processes to complete lease negotiations, this “rapid deployment” approach is intended to test the practicality and cost-effectiveness of this model.

As part of the June 6, 2023 City Council actions, staff was further directed to present the Cost Benefit Analysis information to the local community near Via del Oro in south San José, prior to presenting the analysis to the City Council for further consideration of the site for this type of project. That presentation occurred on October 2, 2023, at a virtual community meeting.

ANALYSIS

During the intervening summer months since receiving City Council direction on this item, staff worked with Mr. Sobrato’s primary development partner for this project, Dignity Moves, to develop a project delivery model and a project scope for the Via del Oro site that is being used as the basis to evaluate the cost benefit of a Mobile Quick Build Shelter/Housing on this site and to evaluate the “Rapid Deployment Future Relocation Model”. The next section of this report details the site, project delivery model, project scope, preliminary cost estimate and comparisons, and assessment of the benefits and alternatives of the Via del Oro site and project, including:

- A. Site Review and \$1 Per Year Lease Cost of Site - Via del Oro Site
- B. Model of Delivery – Partnership for Project Development
- C. Preliminary Concept Layout/Scope and Preliminary Cost Analysis
- D. Practical/Cost-Effective Site Mobility versus Potential Alternative Sites
- E. Enhanced Clean Up around the Project Site
- F. Preliminary Assessment of Benefits of the Moveable Via del Oro Site/Project

A. Site Review and \$1 Per Year Lease Cost of Site - Via del Oro

Location – The privately owned Via del Oro site is in District 10 at the southeast corner of Via del Oro and San Ignacio Avenue, within the Edenvale Commercial Industrial area (see **Attachment A** - Project Location Map -Via del Oro Site). The site is two-plus acres, with the current test fit layout expecting to use approximately 1.5 acres.

Evaluation – The site is privately owned, and long term is planned to be used for private commercial/industrial purposes, consistent with its designated land use. Mr. Sobrato, the owner, offered the use of the site to the City for \$1 a year for interim shelter/housing purposes for a five-year period. The site is one of three sites in City Council District 10 that currently remains under consideration for an EIH-type project. The Santa Clara Valley Transportation Agency’s Cottle Road site and Caltrans’ 85/Great Oaks site are the other previously considered alternative sites in District 10.

As part of the next phase for this site, if it were to move forward, the City would need to negotiate the final terms of use of the Via del Oro site with Mr. Sobrato, generally as follows: (1) \$1 per year cost to the City, (2) five-year term, and (3) exclusive use as temporary non-congregate interim shelter/housing during the term.

B. Model of Delivery – Partnership for Project Development

At the June 6, 2023 City Council meeting, staff was directed to explore and develop a Cost Benefit Analysis of a potential Via del Oro interim shelter/housing project. Staff met with Mr. Sobrato and his principal development partner, Dignity Moves, shortly thereafter. The initial meetings focused on the potential project delivery model and project scope. Accordingly, the City Council’s actions regarding the Guadalupe EIH project in October 2021 provide relevant background. The City Council concluded that a procurement to deliver the Guadalupe EIH project would be an “idle act” under Section 1217(i)(6) of the San José City Charter (defined below), based upon planned philanthropic donations of modular buildings (sleeping units, kitchen, laundry, case management, etc.) by the SHP Foundation, and the discounted rates for construction management proposed by DevCon Construction.

Mr. Sobrato (and Dignity Moves), in addition to offering the use of the Via del Oro site at \$1 per year to the City, suggested the City consider applying a somewhat similar approach as the Guadalupe EIH project, by using a construction contractor and other non-profit and professional firms that would be willing to provide a combination of philanthropic donations and discounted design and construction management rates.

The City Attorney’s Office was consulted in advance on the appropriateness of this potential approach, and the described approach, as presented, would be a basis for the City Council to find that the approach meets the “idle act” exception requirements to competitive procurement in the City Charter. The City Council could find that the City’s normal procurement processes would be an “idle act” under the City Charter, if the total net cost proposed for this project, after donations and discounts, was at a dollar amount that no other prospective bidder/proposer would be expected to submit as a competitive bid. Although the \$1 per year land lease donation would be beneficial to the City, it would not have any bearing on whether the construction procurement could be considered an “idle act” because the land lease is not an element of a public works construction procurement/contract. Only the philanthropic donations for modular buildings, and discounted design services and construction management fees in sufficient dollar amounts, would make a competitive procurement an “idle act”.

At a future date and upon approval by the City Council of a project delivery agreement, the consortium of Dignity Moves as the lead developer, with Gensler Architects (and its engineering sub-consultants), and Swinerton Construction would be the planned project delivery team. The Dignity/Gensler/Swinerton team represents an experienced project development, design, and construction partnership, both in terms of their individual experience and expertise and their partnership working on these type of interim shelter/housing projects collectively. As part of a recommended project delivery agreement award by staff, further information on the partnerships' capability to deliver the project would be included.

The Dignity/Gensler/Swinerton team, with input from City staff on project size, unit types and capacities, site layout and design, utilities, and support service buildings, developed a preliminary project scope and cost estimate to construct the project on the Via del Oro site. Furthermore, City staff is assembling the other project costs (e.g., project management, design review and approval, code and construction inspection, and contingencies) and other ancillary aspects of this project (e.g., de-commissioning and subsequent site relocation) and will estimate those costs to provide a full project cost estimate in the current year and potential future costs. These costs are shown in **Table 1** in Section C below.

C. Preliminary Concept Layout/Scope and Preliminary Cost Analysis

A preliminary site layout and project scope has been developed. This layout and the associated scope enabled staff to reasonably estimate the costs and benefits of the Via del Oro project at an early stage of project development. Given this is a newer project approach, the following principles were used to guide development of the preliminary scope:

- Encourage a more rapid design and build approach than most EIH projects;
- Minimize overall cost, particularly site preparation given a five-year limit on site use;
- Test innovative utility and material approaches, such as off-grid solar power systems, basic quick build ground covers, and site circulation/access;
- Practical mobility of buildings for relocation and re-use at other sites; and
- Engaging philanthropic and innovation-minded organizations to bring value to the City and to build industry capacity to meet the critical need for interim shelter/housing types.

Preliminary Site/Community Layout and Project Scope

A preliminary site/community layout on approximately 1.5 acres, oriented on the east side of the site fronting San Ignacio Ave, is depicted in **Attachment B - Preliminary Site and Community Layout**. The preliminary scope includes the following:

- Capacity for 75 sleeping units and 150 people (60 duplex buildings with a partition wall that creates two separate units, one bed each) (15 duplex-sized units with no partition wall that has capacity for a couple or two people);
- Shared use private individual combination bathroom/shower units;

- Shared combination laundry units (washer/dryer);
- Kitchen/food storage/food preparation units;
- Community intake and offices for administration and client/support services;
- Basic outdoor seating, tables, shade structures;
- Dog walk/pet relief areas;
- Parking (46 stalls);
- Utilities: sanitary sewer, storm water treatment, solar electrical panels with back-up power system, domestic water, internet/communications; and
- Basic decomposed granite ground cover and access mats to all buildings.

This project scope fits within a broader City continuum of solutions to unsheltered homelessness. As has been documented, the City has approximately 4,400 unsheltered people experiencing homelessness living in the City. Although many locations where people are living in unsheltered conditions receive outreach support and trash service, they generally are not provided managed social or hygiene support. Most managed environments from supportive parking to bridge housing (sleeping cabins) to interim shelter/housing create better conditions for all members of the community – both unsheltered persons and the community at large.

In assessing the costs and benefits of this project, staff and the project team scoped it in a way to control costs with more basic, temporary site designs to compliment the intended five-year use, and to take advantage of the experience of the Dignity/Gensler/Swinerton team in rapid, functional design and construction.

Preliminary Cost Estimate of the Via del Oro Site and Project

Developing an accurate cost estimate, in a condensed timeframe, required pragmatic estimating in line with a quicker design build concept. In addition to standard project cost elements (e.g., modular buildings), this estimate includes unique items for the Via del Oro Mobile Quick Build project compared to more typical EIH projects (e.g., five-year site use, requirement to relocate versus current EIH sites likely operating for 10-plus years in one location).

Cost elements that are not specifically covered in this estimate are those expected to be essentially similar. For example, operating costs typically vary based upon the number of participants living at a site and the level of support service provided to participants, not usually on which site is used or where a project is built. One unique cost that still needs evaluation is the potential expertise and capacity to maintain an off-grid solar electrical system. The cost estimate in **Table 1** below includes the major project elements necessary to design, build, inspect/permit, and to de-commission and re-locate/set up the project at another site in five years' time.

Table 1

Preliminary Cost Estimate - Mobile Quick Build Shelter – Via del Oro Site + Relocation

Element	Description	Est Cost
A. Planning and Design, Project Management	Preliminary concept development, initial site layout, survey, geotechnical work, final design, construction documents, permit documents, connection fees, and furniture, fixtures, and equipment (FF&E)	\$1,903,647
B. Site Assembly and Utilities	Grading, minor trenching, emergency access lanes, parking, storm water treatment, surface treatments, utility installation and connection to buildings and central systems in public right-of-way (Hard Cost)	\$5,943,409
C. Modular Buildings and Equipment	Purchase, shipping, installation of sleeping cabins, shower/bathroom units, kitchens, offices, solar panels (Hard Cost)	\$4,013,860
D. SUB-TOTAL	Direct external total planning/design, modular building, construction full costs prior to deductions for donations and discounts (Sum of Lines A+B+C)	\$11,860,916
E. City Staff Project Delivery and Project Construction Contingency	Project Delivery –Engineering and design consultation, plan review/approval, project management, code and construction inspection, certificate of occupancy/permits, including fire life safety compliance (15% of Hard Costs (Sum of Lines B + C) at this stage of project - \$1,493,590) Construction Contingency – For unforeseen conditions, unanticipated work, and/or changes necessary during construction (10% of Hard Costs (Sum of Lines B + C) per City Council Policy - \$995,727)	\$2,489,317
F. Philanthropic Donations, Fee Discounts Sub-Total	Philanthropic donations by Dignity Moves towards cost of modular buildings and FF&E, and professional fee discounts by Dignity Moves (50% of normal fee), Gensler Architects (33% of normal fee), Swinerton Construction (45% of normal fee)	(\$2,735,143) (\$105,000) (\$213,370) (\$3,053,513)
G. SUB-TOTAL	Estimated total cost to City to design and build Via del Oro site minus donations and discounts (Lines D+E – F)	\$11,296,720
H. Site De-Commission	Remove all buildings and utilities and restore site to acceptable condition as outlined in lease (Future cost in 2028-2029, likely unavoidable)	\$492,000

I. Future Site Relocation, Assembly, and Set Up	New site planning, design, grading, minor trenching, emergency access lanes, parking, utility installation and connection, transport buildings, re-install buildings (Future cost in 2028-2029, potentially unavoidable)	\$6,193,125
J. FUTURE POTENTIAL TOTAL COST	Total future potential estimated cost to City to design build minus philanthropic donations and discounts in 2023-2024; de-commission and relocate to future location in five-years (Lines G+H+I)	\$17,981,845

Table 1 above details estimated site and project development costs, philanthropic donations, discounts, and future de-commissioning and relocation costs for the Mobile Quick Build Interim Shelter/Housing project at the Via del Oro site. Line D (sum of lines A+B+C) details the total direct external cost estimate for the project by the Dignity/Gensler/Swinerton team. Line E represents a program level (preliminary design) City staff project delivery cost estimate and construction contingency. Given the unique nature of this project and the partnership with Dignity/Gensler/Swinerton, Public Works anticipates an adjusted approach to the City’s project delivery role, as reflected in this estimate. Currently, staff is applying 15% of Hard Costs to its project delivery estimate, which is consistent with statewide project delivery benchmarking data for projects at this stage. However, given the expected shorter duration of construction and project delivery (by mid-2024), a lower cost estimate may be expected once the project and schedule are further defined in a subsequent Project Delivery Agreement. Also, the Swinerton Construction direct construction cost estimate is carrying a 3% contingency, which traditionally is low. Swinerton Construction is carrying that lower amount given the focus of this project on quick build, low-cost, simple project delivery.

Line F is a significant opportunity and benefit of this project. The philanthropic donations and the project delivery, design, and construction management fee discounts by the Dignity/Gensler/Swinerton team, estimated at \$3,053,513, including over \$2 million in direct contributions by Dignity Moves towards the modular sleeping cabins, and furniture, fixtures, and equipment and almost \$1 million in project design and management fees discounts.

Line H is a future, likely unavoidable cost to de-commission the Via del Oro site at the end of the five-year period and restore the site to the condition that it was received at the start of the project. The City Council would need to appropriate funds for this de-commissioning in Fiscal Year 2028-2029 or 2029-2030. Line I is a future, potentially unavoidable cost to relocate the sleeping cabins/buildings and equipment to a future site. At least some amount of this cost is expected to be incurred by the City, given it is likely the City would still want to continue using the sleeping cabins/buildings it will be purchasing as part of this project. It is anticipated this cost would be incurred in Fiscal Year 2028-2029, as a new site would need time and funding to be prepared to receive relocated sleeping cabins/buildings from the Via del Oro site.

The \$6,193,125 estimated cost has been developed with assumptions that a new site, that is not developed (unpaved), would be selected and Public Works would need to design and procure a

new contractor to prepare the site without donations and deductions, as we do not have an agreement with Dignity Moves and Swinerton Construction to support a future site. Ideally, as the City approaches the five-year move timeframe, both a good, economical (e.g., low cost) site, and good, philanthropic partner, or other funding sources could be secured to defray this estimated cost.

Based upon preliminary concepts for the Via del Oro site/project, the current total estimated cost to deliver the project in Fiscal Year 2023-2024 is \$11,296,720, or \$75,311 per bed. If the City proceeds forward and builds the project as recommended, it will likely incur future de-commissioning costs and probably incur some level of future relocation and set-up costs.

City Council Direction to Evaluate In-Room Bathrooms

On June 6, 2023, the City Council approved a recommendation from Councilmember Batra that directed staff to “explore innovative solutions to provide individual bathrooms in each movable cabin”. Staff initiated exploration in a few ways, including as part of the State Small Home Initiative, by requesting that the State of California solicit sleeping cabins with bathrooms in each cabin as part of its broader Statewide cabin procurement. The State solicited sleeping cabins with in-room bathrooms, among various cabin types, and preliminarily indicated the item may add upwards of \$20,000 to the cost per cabin. The City has not yet received the results of the State procurement for this specific item to confirm the likely cost. Given the limited use of this type of cabin across the State to date, the \$20,000 estimated cost seems reasonable given the additional square footage (e.g., 40 square feet) and the added fixtures (e.g., toilet, sink, shower, plumbing hook up to sewer lateral, etc.) associated with in-room bathrooms, and the increased cost to install fixtures and connect each unit. With 135 units, a preliminary estimated cost for in-room bathrooms in each cabin is \$2.7 million.

Staff also explored the in-room bathroom concept with the Dignity/Gensler/Swinerton team in terms of practicality and cost as part of this Moveable Quick Build Shelter at Via del Oro. A few of the key guiding principles of design for this project were to contain costs and to make the project as mobile as possible after the five-year duration at the Via del Oro location. The Dignity/Gensler/Swinerton team recommended against specifying in-room bathrooms in the proposed project for the following reasons:

- Control site project costs given five-year use and future relocation and set up costs;
- Limited market availability of sleeping cabins with in-room bathrooms;
- Preferred cabin vendor for this project does not currently make that product;
- Time associated with designing and starting production of units;
- Increased time to design sewer connections to each cabin versus central sewer connection; and
- Increased complexity of disassembling 135 bathrooms and moving bathroom fixtures, plumbing equipment, and sewer connections and re-assembling at a future location.

Based upon the information above, staff recommends against developing this project with in-room bathrooms in each sleeping cabin. Nonetheless, in an effort to provide some additional

privacy to clients, the design team and staff recommends specifying 16 centrally located private, individual bathroom units (e.g., toilet, sink, shower) for use at this site, which requires only one sewer lateral connection with much less linear feet of piping to the City's sewer main under San Ignacio Ave. A preliminary cost estimate (already included in Table 1) for 16 centrally located private individual bathroom units is approximately \$550,000, approximately \$2 million lower than in-room bathrooms in each sleeping cabin.

Relevant Site/Project Cost Comparisons

The City has been developing a continuum of solutions aimed at addressing unsheltered homelessness, including non-congregate shelter/interim housing. On that continuum, a few projects provide relevant comparisons that aid in the evaluation of the Via del Oro site/project.

Mabury Bridge Housing Community – This first of its kind City non-congregate facility was the result of years of staff research, City Council deliberation, and large amounts of volunteers/donations. The result was a 40 unit/bed community completed over a multi-year period in 2019 by Habitat for Humanity. The project can be considered entry level in that it has individual sleeping cabins with shared bathroom and shower facilities (no in-room bathrooms). The entry level design, shared bathroom concept, and level of volunteer/donations were the main reason for using this site for comparison. The long lead time of the project was the result of the extensive foundational community outreach, City Council policy deliberation over many years, need for authorizing State legislation, and City building code development. The use of non-profit Habitat for Humanity, the donated labor and materials, and project management by the Housing Department and the Building Division of the Planning, Building, and Code Enforcement Department resulted in a lower unit/bed cost and a longer delivery period. The cost per unit/bed at time of completion was \$69,375. Brought up to today's dollars, the total cost per unit/bed calculates to be approximately \$82,300.

Guadalupe EIH Community – This most recently completed City project (2023) served as a model in some respects for the potential Via del Oro project making comparison useful. The Guadalupe project benefitted from philanthropic donations of modular buildings and discounted construction management fees that enabled the application of the City Charter's "idle act" exception. The result was a 96 unit/bed modular community with donations by the SHP Foundation and construction by DevCon. This community has in-room bathrooms typical of modular, multi-unit EIH projects, providing a level of convenience for clients, but also comes with higher costs associated with in-room bathrooms. In other respects, especially a timing standpoint, it could be considered a more typical project in that time extensions occurred in the delivery of modular buildings by the vendor. To date, all projects have experienced time extensions resulting from the supply of modular buildings. The total cost per unit/bed at time of completion was \$90,104 per unit/bed, after deducting philanthropic donations.

Rue Ferrari Expansion – This 138-bed planned expansion is following a similar project delivery approach to the original 121-bed community. The 30% design has been completed by a contracted architect and project delivery will occur through a procured design-build agreement. The design will match the existing community for continuity, including in-room bathrooms.

Firms have been pre-qualified to participate in the design-build Request for Proposals. The preliminary estimate on a per unit/bed basis is approximately \$162,000 per unit. An updated cost per unit/bed will be generated once proposals have been received and a design-build team has been selected by the end of 2023.

In conclusion, the estimated cost per bed for the potential Via del Oro project is \$75,311, compared to \$82,300 for Mabury, \$90,104 for Guadalupe, and estimated \$162,000 for the Rue Ferrari expansion. It is expected that the Via del Oro community would need to be moved after five years, and as such, amortized cost comparisons over a five and 10 year period provide another perspective on the comparative cost benefit of this project.

Amortized Cost Comparisons Via del Oro and Other Projects

While the estimated cost to design build this Mobile Quick Build Shelter compares well with EIH developments with more amenities, it is also relevant to evaluate the estimated cost amortized over multiple use periods. The original Bridge Housing Communities (BHC) were designed and built to last 5-10 years before needing significant rehabilitation. The modular constructed EIH communities were designed and built to last 10-15 years before requiring significant rehabilitation. The proposed Via del Oro Mobile Quick Build Community will be designed to occupy the proposed Via del Oro site for five years, with the option of moving the community to an alternative site. The amortized comparison focuses on the cost of development and does not include site operations, services, and maintenance. The amortized cost also excludes the cost to dismantle the Via del Oro site after year five years, as this is a cost that will be required for all sites at some point. The same three projects used as comparisons above are used below:

- The Mabury BHC project, which utilized a non-profit general contractor and included some volunteer labor delivered at \$2,775,000 in 2019. Adjusting for today's costs, the value of this work is estimated at \$3,292,000 for 40 unit/beds.
- The Guadalupe EIH, which is the most recently completed EIH project, and included a significant philanthropic donation, delivered at \$8,650,000 (after accounting for \$7 million in donations and discounts) for 96 unit/beds.
- The Rue Ferrari expansion project is currently under development and is projected to cost \$22,400,000 for the additional 138 unit/beds.

Amortizing the above costs over a 5-10 year use period, Via del Oro compares as follows:

Project	Total Cost to City	Amortized Cost five-year use period	Amortized Cost 10-year use period
Via del Oro MQB (150 units/beds)	\$11,296,820	\$1,395 per Month/Bed	
Via del Oro MQB (150 units/beds)	\$17,489,845*		\$1,022 per Month/Bed
Mabury BHC (40 units/beds)	\$3,292,000	\$1,372 per Month/Bed	\$685 per Month/Bed
Guadalupe EIH (96 units/beds)	\$8,650,000	\$1,501 per Month/Bed	\$750 per Month/Bed
Rue Ferrari Expansion (138 units/beds)	\$22,400,000	\$2,705 per Month/Bed	\$1,352 per Month/Bed

* The \$17,489,845 estimate does not include future de-commissioning because all sites will require this at some point. It does include relocation/future site set up costs that are not part of the original development, but probably will be incurred at some level in 2028-2029, making application to the 10-year amortization appropriate.

With an estimated current year cost of \$11,296,820, the Via del Oro project development cost would be \$1,395 per month per bed if amortized over the five-year projected life of the project at the site. This estimated amortization cost represents one of the lowest figures compared to other projects, and when accounting for today’s higher construction costs due to inflation and the mobility innovation of this project, makes the favorability of this project quite good. Also, with current single room occupancy rental costs of approximately \$2,150 per month, and the difficulty finding available units, this Mobile Quick Build project compares favorably. When including future relocation costs in the 10-year amortization, the per month per bed cost is still reasonably competitive and lower than the initial five-year amortization cost per month per bed.

D. Practical/Cost-Effective Site Mobility versus Potential Alternative Sites Today

The Via del Oro site and project strategy offers the City a unique opportunity to evaluate and test an innovative project delivery model. If the Via del Oro site is used, the location has a five-year limit based upon the owner’s willingness to provide the property at \$1 per year for that period. At the end of the five-year period, the City, if it wants to continue using the modular buildings and other moveable equipment from a Via del Oro project, would need to identify another site and prepare it to receive the relocated buildings and equipment.

The advantage of this model is that it may unlock other sites, including private sites that are temporarily vacant or undeveloped, that may be useable at very low costs to the City, if other philanthropic and civic-minded partners can be found. So far, the City has relied upon public agency properties for interim shelter/housing projects. Securing sites has been challenging and time consuming. If other sites become available, and this model of moving buildings and equipment to other sites is determined to be comparatively cost-effective, it may open up sites that currently are not feasible. The logistical and cost aspects of a moveable project, and finding other alternative sites, requires future work that cannot all be known today. The evaluation has two main elements:

1. Identifying future site(s) for relocation, preparing a site to receive moveable buildings and equipment, and planning and executing the move. The preliminary cost for these items was identified in the Cost Estimate (Line I) section of this report.
2. Determining if other alternate sites viably exist today to locate the project instead of the Via del Oro site. Initially, the Santa Clara Valley Transportation Agency Cottle Rd site and the Caltrans 85/Great Oaks site, both in Council District 10, may be the most viable alternatives, given community outreach has occurred on each and discussions have occurred with the owners. Further assessment and pre-development work would be needed to determine the practicality of these site alternatives for this project scope. Staff does know that both sites would be somewhat more challenging to secure/lease and to design and construct, due to the more complicated leasing processes of public agencies, and the steeper grade (Cottle) and linear shape (85/Great Oaks) versus the Via del Oro site.

In summary, staff recommends continuing down the path of using the Via del Oro site as a way to test this newer, innovative model and avoid the more complicated leasing process; and the ability by mid-2024 to shelter/house 150 people from the streets of San José.

E. Enhanced Clean Up around the Project Site

On June 6, 2023, the City Council approved a recommendation to conduct an evaluation (cost benefit analysis) of the potential Via del Oro site/project. Part of that approval was a recommendation from Councilmember Batra for the cost benefit analysis to include the costs of “providing enhanced clean up services in a one-mile radius of the perimeter of the site.”

On November 29, 2022, staff provided information to City Council in response to referrals about No Encampment Zones and/or Enhanced Services around current EIH communities that is relevant to this analysis. On May 29, 2023, staff issued Manager’s Budget Addendum (MBA) #35 that updated the specific “enhanced services” that would be part of any enhanced service delivery; and the refined proposed budgetary approach and cost estimates that relate to this latest referral. The “enhanced services” as itemized in MBA #35 are as follows:

- Dedicated illegal dumping removal within 48 hours of notification;
- Vehicle abatement response time reduction to within two to three days of notification;
- Dedicated trash service and maintenance of clear rights-of-way;
- Dedicated team to ensure ongoing compliance with 12’x12’ ‘Good Neighbor’ policy; and
- Dedicated staff resources to attend neighborhood meetings or community advisory committees near EIH locations and to regularly monitor the service areas.

As detailed in MBA #35, the estimated cost to provide the services above within a half mile walkshed of the six interim shelter/housing sites in the City would be about \$1.7 million per year, or \$283,000 per site per year. Through discussions with the BeautifySJ program, staff estimates that “providing enhanced clean up services within a one-mile radius of the perimeter of the site” (roughly doubling the area) would cost in the range of \$400,000 to \$500,000 annually.

As is standard for a potential addition of ongoing services, staff suggests that any further consideration be through the 2024-2025 budget development process in context of the City's fiscal condition and all City Council priorities.

F. Preliminary Assessment of Benefits of the Moveable Via del Oro Site/Project

The 2023 homeless census identified approximately 4,400 people experiencing unsheltered homelessness in San José, continuing to highlight the immediate need for more interim shelter/housing, while continuing to build permanent affordable housing. For many years, the City has been working to expand its portfolio of alternative/transitional spaces that include interim shelter/housing, hotel/motel rooms, and supportive parking programs. In total, through June 2023, the City Council has approved a total of almost 1,600 units/beds of capacity, of which over 600 are complete and operational, another almost 500 are in construction/renovation, and the remainder are in design and/or the pre-development planning stage (as of September 2023). Despite the City's high priority, investment, and progress to date, the available supply of shelter, supportive parking and affordable housing is still far below the need.

The primary benefits of the Via del Oro site and mobile, quick build approach are as follows:

- Property owner willing to lease the property at \$1 per year to the City for five years;
- Philanthropic partners willing to contribute direct and indirect benefits of over \$3 million;
- Opportunity to use and develop site on a more straightforward path compared to the limited availability of other sites in the City (e.g., few, if any, City-owned site opportunities remain, other agency site opportunities are complicated and time consuming, and other private sites usually come with market rate purchase/lease costs);
- Practical and constructable site in terms of its rectangular shape, flat topography, sufficient acreage, proximity to utilities, and no adjacency to residents and schools, which typically generates the most vocal community objection to a site location;
- Continues progress towards City Council goal to have one interim shelter/housing community in each district and to spread the sites across the City;
- Experienced project delivery team (i.e., Dignity Moves, Gensler Architects, Swinerton Construction) that is offering philanthropic donations and discounted design and construction management fees to significantly reduce the overall cost of the project and per person/bed cost, compared to other potential sites and project opportunities;
- Fastest path for the City to create 150 beds of interim shelter/housing through more rapid design build (e.g., site evaluation, design, contract, construct within one fiscal year) versus sites requiring more evaluation, negotiations, extensive design, and procurement;
- Opportunity to test solar electrical power and potential off-grid solutions; and
- Ability to innovate and test a variety of solutions aimed at addressing unsheltered homelessness, including moveable buildings and site relocation, opening up more medium-term vacant site opportunities, and a non-profit minded project delivery team with experience in rapid, cost-effective quick build solutions.

EVALUATION AND FOLLOW-UP

City staff have engaged with Dignity Moves, Gensler Architects, and Swinerton Construction to reach the level of analysis and project concept completion presented in this memorandum. If the recommendations are approved by City Council, staff will continue to work with the Dignity/Gensler/Swinerton team to advance the project design, negotiate a project delivery agreement, outline the roles and responsibilities for each party, develop a project delivery schedule, and refine the total project cost estimate for final consideration by City Council. Staff will also negotiate a lease agreement with Mr. Sobrato for the use of the Via del Oro site.

POLICY ALTERNATIVES

Alternative #1: Consider and evaluate the following alternative sites for the project:

- Santa Clara Valley Transportation Authority Cottle Rd
- Caltrans 85 South at Great Oaks Blvd
- Caltrans 101 North at Rue Ferrari (southern undeveloped parcel)
- Valley Water Cherry Ave

Pros: The four potential alternative sites all may be useable for more than five years, the timeframe that the Via del Oro site will be available to the City. If the City could secure any of these sites for beyond five years, the City may avoid the cost of relocation at the end of the five-year period to continue use of the sleeping cabins/support buildings, which is estimated to cost between up to \$6.2 million in 2028-2029.

Cons: The time (and uncertainty) of securing a use agreement beyond five years with any of these public agencies for the above alternative sites is likely to take longer than it will for Via del Oro, lengthening the time to start construction and open the 150 beds to shelter people experiencing street homelessness. Each of the alternative sites appear to be less practical from an ease of construction perspective given the slopes, shapes, and constraints of the other sites compared to the apparent constructability of the Via del Oro site, which may increase the cost of construction. The preliminary project scope is for the Via del Oro site, and if another site was selected, the project scoping would need to essentially start from the early stages.

Reason for not recommending: The homelessness and shelter crises being experienced in the community necessitates urgent action. The Via del Oro site and project concept offers the fastest path to opening a meaningful number of beds at the lowest short-term cost in 2023-2024.

COST IMPLICATIONS

Much of this memorandum focused on the preliminary estimated costs and associated benefits of the Mobile Quick Build Shelter/Housing at Via del Oro. The preliminary estimated cost to design and build the project is \$11,296,720 after deductions due to philanthropic donations and

project, design, and construction management fee discounts of just over \$3 million, including essentially no cost to lease the site for five years.

De-commissioning the Via del Oro site at the end of the five-year period is estimated to cost about \$492,000 in Fiscal Year 2029-2030. Although potentially avoidable, the cost to relocate the sleeping cabins/buildings and equipment to a future site is preliminarily estimated between \$5 and \$6.5 million. At least some amount of this cost is expected to be incurred by the City in Fiscal Year 2028-2029 and 2029-2030. Ideally, as the City approaches the five-year move timeframe, both a good, economical site and good, philanthropic partners or funding sources could be secured to defray this estimated cost.

More systemically, expanding the City's interim housing is a significant investment, both in terms of construction and the long-term operations of each facility. If this project was approved and began construction in the current fiscal year, construction costs would be funded by the existing Emergency Interim Housing Construction and Operation City-Wide Expenses appropriation in the General Fund. To enable the City to budgetarily prepare expansions of interim housing capacity, the City Manager's Budget Office produced an updated Interim Housing Budgetary Forecast as MBA #19² to the 2023-2024 Proposed Budget. Also, City Council's approval of the 2022-2023 Adopted Budget designated the inclusion, as Committed Additions to future Five-Year General Fund Forecasts, the costs to operate and maintain the existing and future interim housing inventory. The site described above is not yet a Committed Addition, but will become one if a project delivery agreement is approved to develop the site for interim housing.

At the time of its publishing, MBA #19 assumed an ongoing cost for all of the City's interim housing (approximately 1,000 interim housing beds, 280 hotel rooms, and over 150 supportive parking spaces) at approximately \$60 million annually by 2029-2030, of which approximately \$45 million would potentially need to come from the General Fund. The intent of MBA #19 is to serve as a planning tool to measure the impact of the City's long-term support of increasing the supply of interim housing; however, the costs include a number of assumptions regarding future construction and operating costs and the availability of external funding that could vary significantly in both the short- and long-term. For example, future operating costs for EIH sites were estimated at \$3.4 million in MBA #19, but based on the recent study of the City's interim housing performed by Homebase and the subsequent report anticipated to be shared with City Council on October 17, 2023, the Housing Department will implement some cost saving measures across all the City's interim housing locations. The estimated annual operating and services cost for the Via del Oro site is \$2 million. The primary cost saving measures consist of a new security and staffing model. All estimates for interim housing costs will be updated with the release of the 2025-2029 Five-Year General Fund Forecast at the end of February 2025.

² MBA #19: <https://www.sanjoseca.gov/home/showpublisheddocument/98310/638206313747200000>

COORDINATION

This memorandum was coordinated with the City Attorney's Office and City Manager's Budget Office.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the October 17, 2023 City Council meeting. Community outreach regarding the proposed site, the cost benefit analysis, and the potential project in this memorandum, occurred as follows:

- Virtual community outreach meeting on May 30, 2023.
- Virtual community outreach meeting on October 2, 2023.

The main points conveyed by the community, particularly at the October 2, 2023 meeting, were as follows:

- Community members seemed to understand the concept of the moveable quick build project approach, and the costs and benefits as presented by staff;
- Many comments focused on the concerns and impacts of unsheltered homelessness on neighborhoods in south San José;
- Many comments focused on the perceived over-concentration of interim shelter/housing in south San José, particularly more recent EIH-type projects;
- Numerous comments focused on the need and desire for the City to invest in higher levels of service to protect and clean areas around interim shelter/housing projects, especially in neighborhoods in south San José; and
- Some comments focused on the need for the Rue Ferrari expansion project and the Via del Oro project to be the last interim shelter/housing projects in south San José, and that future projects should be in other parts of the City.

Mayor Mahan and Councilmembers Batra and Jimenez attended and participated in the community meetings.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

CEQA

Not a Project, File No. PP17-001, Feasibility and Planning Studies with no commitment to future actions.

HONORABLE MAYOR AND CITY COUNCIL

September 25, 2023

Subject: Actions Related to the Via del Oro - Mobile Quick Build Shelter and Housing Cost Benefit Analysis

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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/
OMAR PASSONS
Deputy City Manager

/s/
ROSALYNN HUGHEY
Deputy City Manager and Acting Director,
Housing Department

/s/
MATT LOESCH
Director, Public Works Department

For questions, please contact Jim Ortbal, City Manager's Office at jim.ortbal@sanjoseca.gov, Ragan Henniger, Housing Department, at ragan.henninger@sanjoseca.gov, and Sal Kumar, Public Works Department, at sal.kumar@sanjoseca.gov.

ATTACHMENTS

Attachment A- Project Location Map - Via del Oro Site
Attachment B - Preliminary Site and Community Layout

Attachment A – Location Map – Via Del Oro Site



Attachment B – Preliminary Site and Community Layout

