

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE 1) APPROVING THE SALE OF THE CITY-OWNED PROPERTY FIRST STREET INTERIM HOUSING, LOCATED AT 1488 NORTH FIRST STREET, TO THE SANTA CLARA COUNTY HOUSING AUTHORITY, OR ITS AFFILIATED ENTITY NORTH FIRST GISH HOLDING LLC FOR \$1; 2) AUTHORIZING THE CITY MANAGER OR HER DESIGNEE TO NEGOTIATE AND EXECUTE THE PURCHASE AND SALE AGREEMENT, THE DEED, AND ALL OTHER DOCUMENTS NECESSARY TO COMPLETE THE TRANSACTION; 3) AUTHORIZING THE DIRECTOR OF HOUSING, ACTING DIRECTOR OF HOUSING, OR THEIR DESIGNEE TO NEGOTIATE AND EXECUTE A PERFORMANCE BASED CONDITIONAL REHABILITATION GRANT AGREEMENT AND RELATED DOCUMENTS WITH SANTA CLARA COUNTY HOUSING AUTHORITY OR A RELATED ENTITY IN AN AMOUNT UP TO \$4,000,000 OF MEASURE E FUNDS FOR CAPITAL REPAIR NEEDS FOR 72 INTERIM HOUSING UNITS AT FIRST STREET INTERIM HOUSING; 4) AUTHORIZING THE DIRECTOR OF HOUSING, ACTING DIRECTOR OF HOUSING, OR THEIR DESIGNEE TO NEGOTIATE AND EXECUTE AN OPERATIONS GRANT AGREEMENT AND ALL NECESSARY AMENDMENTS FOR SUPPORT SERVICES, ASSET AND PROPERTY MANAGEMENT SERVICES RETROACTIVELY BEGINNING OCTOBER 1, 2023 THROUGH JUNE 30, 2024 FOR FISCAL YEAR 2023-2024 WITH TWO ONE-YEAR OPTIONS TO EXTEND, SUBJECT TO THE APPROPRIATION OF FUNDS, FOR A TOTAL GRANT AWARD IN AN AMOUNT UP TO \$9,000,000 WITH SANTA CLARA COUNTY HOUSING AUTHORITY OR A RELATED ENTITY FOR FIRST STREET INTERIM HOUSING; 5) AUTHORIZING THE DIRECTOR OF HOUSING, ACTING DIRECTOR OF HOUSING, OR THEIR DESIGNEE TO NEGOTIATE AND EXECUTE AN AMENDMENT TO THE AGREEMENT WITH THE STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT TO ADD SANTA CLARA COUNTY HOUSING AUTHORITY OR ITS AFFILIATED ENTITY NORTH FIRST GISH HOLDING LLC, TO THE STANDARD

AGREEMENT; AND 6) AUTHORIZING THE DIRECTOR OF HOUSING, ACTING DIRECTOR OF HOUSING, OR THEIR DESIGNEE TO NEGOTIATE AND EXECUTE AN AGREEMENT WITH SANTA CLARA COUNTY HOUSING AUTHORITY OR A RELATED ENTITY TO CLARIFY ROLES AND RESPONSIBILITIES RELATED TO FIRST STREET INTERIM HOUSING AND AUTHORITY TO NEGOTIATE AND ENTER INTO ANY OTHER RELATED AMENDMENTS OR AGREEMENTS NECESSARY TO COMPLETE THE TRANSFER

WHEREAS, First Street Interim Housing (“FSIH” or “Project”), formerly known as the SureStay Hotel by Best Western, is a City-owned, 76-unit, two-story hotel located at 1488 North First Street, identified as Assessor’s parcel numbers 235-02-034 and 235-02-033 (“Property”); and

WHEREAS, in October 2020, after successfully securing an award for funding, of a Grant Amount of \$12,230,477, from the California Department of Housing and Community Development (“HCD”) Homekey Program, the City purchased the 76-unit former hotel, in order to provide housing opportunities for extremely-low-income household experiencing homelessness; and

WHEREAS, ~~in-on~~ November 20, 2020, the HomeKey Program Award was issued (20-HK-00043) and the City entered into a Standard Agreement with HCD as a condition of receiving the award of funding from the State. The Standard Agreement sets forth the City’s obligations under the Homekey Program; and

WHEREAS, in December 2021, the City issued a Request for Proposal for housing developers to submit development applications for six City-owned sites, including the 1488 North First Street Interim Housing site and the Santa Clara Housing Authority (“SCCHA”) and Jamboree Housing were selected for the site; and

WHEREAS, a Request for Qualifications process resulted in the City selecting LifeMoves to serve as interim property manager and service provider for the former SureStay Hotel through and until the planned transition to SCCHA and Jamboree; and

WHEREAS, in September 2022, to facilitate the transfer of the Property to SCCHA, Council declared the property to be “exempt surplus land” in conformance with California’s Surplus Land Act and the San Jose Municipal Code, and approved the sale for \$1; and

WHEREAS, on January 5, 2023, HCD approved the City’s designation of the Property as “exempt surplus land”, permitting the City to proceed with disposition of the Property as described in Resolution No. 80695; and

WHEREAS, on March 28, 2023, City Council authorized the Housing Department to negotiate and execute a conditional construction grant agreement and related documents with Jamboree Housing Corporation in an amount of up to \$4,000,000 of Measure E funds for immediate capital repair needs; and amendment to the current operations grant agreement with LifeMoves to increase the amount by \$367,100 of Measure E funds and extend the term of the subcontractor (Jamboree), for a total grant award not to exceed \$1,700,000 for property management and supportive services; and an operations grant agreement beginning in Fiscal-Year 2023-2024 with three one-year options to extend, for a grand total not to exceed \$9,000,000 of Measure E funds with Jamboree Housing Corporation; and

WHEREAS, SCCHA approved the sale transaction on September 7, 2023, authorizing its wholly owned affiliate, North First Gish Holding LLC, to acquire the property; and

WHEREAS, SCCHA selected HomeFirst of Santa Clara County as the onsite service provider and Domus Management Company to provide program participant and property management services; and

WHEREAS, under the Standard Agreement, the City is required to receive HCD approval prior to the sale. On September 27, 2023, the Department received HCD's conditional approval to transfer the Project to North First Gish Holding LLC; and

WHEREAS, the City has been in the process of transferring the property to SCCHA since September 2022; however, it has taken much longer than anticipated due to delays involving the necessary approvals for the transfer, as well as issues with rehabilitating and operating the Project; and

WHEREAS, in light of SCCHA's decision to approve transfer of the property to its affiliate LLC, as a further condition of approval, HCD is requiring evidence of Council authorization to transfer the property to the affiliate of SCCHA, North First Gish Holding LLC; and

WHEREAS, the sale of the Property to the SCCHA or its affiliate will shift the responsibility of managing FSIH to a more experienced housing provider and will position the Housing Authority to assemble adjacent properties and ultimately increase the supply of affordable housing in the City; and

WHEREAS, the City's operating grant with Jamboree Housing Corporation and LifeMoves for services at FSIH expired on September 30, 2023 and they are no longer providing services at the FSIH property; and

WHEREAS, as of October 1, 2023, both HomeFirst and Domus Management Company have been on site at the Property providing program participant and property management services. The SCCHA is currently operating the site without a contract with the City and without any ownership interest in FSIH. Consequently, in order to formalize the parties' relationship and protect the City from any unnecessary liability, it is important that the transfer of FSIH is effectuated as soon as is practicable, and that the operation funds be retroactively dated to October 1, 2023 to account for this period of coverage; and

WHEREAS, the SCCHA plans to use the City's rehabilitation grant to make immediate repairs at FSIH to address habitability and safety issue; and

WHEREAS, the City will contract directly with SCCHA or an affiliated entity to provide the funds, and the SCCHA will be responsible for disbursement and managing its vendors HomeFirst and Domus Management Company; and

WHEREAS, this staff recommendation will not require any new or additional City funds for renovations at the property with the assignment of \$4,000,000 of Measure E funds, previously Council-approved, for immediate capital repairs; and

WHEREAS, this staff recommendation will not require any new or additional City funds for operations with the requested approval to negotiate and execute an operating agreement with the SCCHA and allow the SCCHA to assume these funds to provide needed property management and supportive services at the property; and

WHEREAS, HCD is requiring as a condition of its approval that the City and SCCHA agree to amend the Standard Agreement to add the SCCHA as Co-grantee to the agreement between the City and HCD; and

WHEREAS, the Standard Agreement Amendment would further obligate the SCCHA to the conditions of the agreement and Homekey program regulations; and

WHEREAS, despite its conditional approval of the transfer, HCD has declined to release the City from the Standard Agreement. Without further action HCD can still look to the City for recovery of the entirety of Homekey Round 1 funds should the SCCHA or its affiliate fail to meet the requirements of the Standard Agreement or Amendment; and

WHEREAS, HCD is also requiring as a condition of approval of the transfer that the City and SCCHA negotiate and execute a Memorandum of Understanding Agreement (“MOU”), or similar agreement, to define the parties’ roles and responsibilities as to the Project; and

WHEREAS, an MOU, or similar agreement, will help facilitate and shift the responsibility of developing and managing the property to the SCCHA; and

WHEREAS, under this agreement, SCCHA, or its affiliate, would be responsible for development and management of the Project for the duration of, and monitoring of, the covenant and restrictions that will be recorded on the Project, as well as for meeting the parties’ obligations set forth in the Standard Agreement;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SAN JOSE THAT:

1. The City Manager or her designee is authorized to enter into the sale of City-owned property, known as the First Street Interim Housing, located at 1488 North

First Street, to the Santa Clara County Housing Authority, or its affiliated entity North First Gish Holding LLC for \$1.

2. The City Manager or her designee is hereby authorized to negotiate and execute the Purchase and Sale Agreement, the deed, and all other documents necessary to complete the transaction to the Santa Clara County Housing Authority or its affiliated entity North First Gish Holding LLC.
3. The Director of Housing, Acting Director of Housing, or their designee is hereby authorized to negotiate and execute a performance based conditional rehabilitation grant agreement and related documents with Santa Clara County Housing Authority or a related entity in an amount of up to \$4,000,000 of Measure E funds for capital repair needs for 72 interim housing units at First Street Interim Housing located at 1488 North First Street.
4. The Director of Housing, Acting Director of Housing, or their designee is hereby authorized to negotiate and execute an operations grant agreement and all necessary amendments for support services, asset and property management services to begin retroactively October 1, 2023 through June 30, 2024 for the Fiscal Year 2023-2024 with two one-year options to extend, subject to the appropriation of funds, for a total grant award in an amount up to \$9,000,000 with Santa Clara County Housing Authority or a related entity for First Street Interim Housing.
5. The Director of Housing, Acting Director of Housing, or their designee is hereby authorized to negotiate and execute an amendment to the agreement with the State Department of Housing and Community Development to add Santa Clara County Housing Authority or its affiliated entity North First Gish Holding LLC, to the Standard Agreement.

6. The Director of Housing, Acting Director of Housing, or their designee is hereby authorized to negotiate and execute an agreement with Santa Clara County Housing Authority or a related entity to clarify roles and responsibilities related to First Street Interim Housing and to negotiate and enter into any other related amendments or agreements necessary to complete the transfer.

ADOPTED this _____ day of _____, 2023, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

MATT MAHAN
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk