

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE (1) AUTHORIZING THE CITY MANAGER TO ACCEPT AN AWARD OF APPROXIMATELY \$19,868,250 IN HOMEKEY PROGRAM ROUND 2 FUNDS FROM THE CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT TO ADDRESS THE HOUSING NEEDS OF INDIVIDUALS AND FAMILIES EXPERIENCING HOMELESSNESS OR AT RISK OF EXPERIENCING HOMELESSNESS THROUGH THE ACQUISITION OF AND OPERATION OF THE PACIFIC MOTOR INN LOCATED AT 455 SOUTH SECOND STREET; (2) AUTHORIZING THE CITY MANAGER TO NEGOTIATE AND EXECUTE A CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT STANDARD AGREEMENT AND ALL NECESSARY RELATED DOCUMENTS TO ACCEPT APPROXIMATELY \$19,868,250 IN PROJECT HOMEKEY ACQUISITION FUNDING AND OPERATING SUBSIDY; (3) AUTHORIZING THE DIRECTOR OF HOUSING TO NEGOTIATE AND EXECUTE GRANT DOCUMENTS AND ALL OTHER DOCUMENTS WITH PATH VENTURES OR A PATH VENTURES CONTROLLED AFFILIATE REGARDING THE ACQUISITION, REHABILITATION, OPERATIONS, AND SERVICES FOR THE PACIFIC MOTOR INN FOR A GRANT AWARD IN THE AMOUNT OF \$25,026,939 FROM MEASURE E FUNDS AND UP TO \$19,868,250 IN PROJECT HOMEKEY FUNDS

WHEREAS, Homekey Program Round 2 (“Homekey”) is a State of California program under the California Department of Housing and Community Development (“HCD”) with the mission to provide interim or permanent housing options for persons experiencing homelessness and who are also at risk of COVID-19, aiming to achieve this by providing grant funding to eligible applicants to quickly acquire, rehabilitate, or master lease a variety of housing types that will provide affordable permanent and interim housing opportunities; and

WHEREAS, on September 9, 2021, HCD released its Notice of Funding Availability (“NOFA”) to announce the availability of approximately \$1.45 billion of Homekey grant funding through their second round NOFA; and

WHEREAS, on September 24, 2021, the Housing Department selected nonprofit affordable housing operator PATH Ventures to provide development and operation services for Pacific Motor Inn, an existing 72-room motel on an approximately 0.77 acre lot in Downtown San José, located at 455 S Second Street (“Site”) through a Request for Information process; and

WHEREAS, City staff worked diligently with PATH Ventures to assist PATH Ventures and Westbank in forming PMI Partners LLC, a California limited liability company and PATH Ventures controlled affiliate entity, that will acquire the Site and contract with the City or with PATH Ventures to operate the Site as affordable interim housing and ultimately redevelop the Site; and

WHEREAS, on October 5, 2021, the City Council approved actions authorizing the City Manager to apply for three Homekey grants that included the following Homekey sites: Pacific Motor Inn, Arena Hotel, and the City-owned property located at the intersection of Branham Lane and Monterey Road; and

WHEREAS, City and PATH Ventures were co-applicants for the Pacific Motor Inn Homekey application on April 15, 2022 including a description of the partnership concept; and

WHEREAS, the potential award aligns local initiatives with the statewide strategy to secure financial resources needed to combat the homeless crisis impacting our community since all of the existing 72 rooms will be reserved as interim housing for

Homekey eligible residents and future development of the Site which will include at least 72 supportive housing units owned by PATH Ventures or its affiliate that will serve both individuals and families, as set forth in the Memorandum from the Housing and Budget Departments dated November 17, 2022 (“Memorandum”); and

WHEREAS, the site will be acquired with Homekey funds by the PATH Ventures controlled affiliate entity PMI Partners LLC for \$18,000,000, pursuant to the Purchase and Sale Agreement between PMI Partners LLC as buyer and 455 South Street LLC as seller dated November 10, 2022 (“Purchase and Sale Agreement”); and

WHEREAS, the Purchase and Sale Agreement includes 60 days of due diligence, including receipt of Homekey funds to City and PATH Ventures, which in turn is conditioned on appropriation of City matching funds as requested in the Memorandum; and

WHEREAS, the City and PATH Ventures or a PATH Ventures controlled affiliate entity will enter into grant agreements in an amount of up to \$25,026,939 in Measure E funding and approximately \$19,868,250 in Project Homekey funds for a term of up to 15 years as may be needed to satisfy HCD’s Homekey program for purposes of acquisition, rehabilitation, operation of, and services for the Site; and

WHEREAS, City staff is also requesting authorization for the Director of Housing to negotiate and execute these grant agreements with PATH Ventures, a PATH Ventures controlled affiliate entity; and

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

- a. The City Manager is hereby authorized to accept an award of approximately \$19,868,250 in Homekey Program Round 2 funds from the California Department of Housing and Community Development in order to address the housing needs of individuals and families experiencing homelessness or at risk of experiencing homelessness through the acquisition of and operation of the Pacific Motor Inn located at 455 South Second Street by City's Homekey award co-applicant PATH Ventures or a PATH Ventures controlled affiliate entity.

- b. The City Manager is hereby authorized to negotiate and execute a California Department of Housing and Community Development Standard Agreement and all necessary related documents in order to accept approximately \$19,868,250 in Project Homekey acquisition funding and operating subsidy for the development and operation of interim housing at the Pacific Motor Inn.

- c. The Director of Housing is hereby authorized to negotiate and execute grant documents and all other related documents with PATH Ventures or a PATH Ventures controlled affiliate entity for a grant award in the amount of \$25,026,939 of Measure E funds and up to \$19,868,250 of Project Homekey funds to fund the acquisition, rehabilitation, operations, and services for interim housing at the Pacific Motor Inn, and any amendments or modifications thereto.

ADOPTED this ____ day of _____, 2022, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

SAM LICCARDO
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk