

**CITY COUNCIL ACTION REQUEST**

<b>Department(s):</b> HOUSING	<b>CEQA:</b> Exempt, Section 15301, Existing Facilities, File N No. PP15-078	<b>Coordination:</b> CAO	<b>Dept. Approval:</b> /s/ Jacky Morales-Ferrand
<b>Council District(s):</b> 3			<b>CMO Approval:</b> <i>James Stagi</i> 10-17-17

**SUBJECT: MODIFICATION OF SUBSIDY AMOUNTS FOR THE PLAZA HOTEL**

**RECOMMENDATION:**

Approve a Second Amendment to the Lease with Allied Housing Inc. (aka Abode Services) to modify the monthly rental subsidy amounts per room at the City-owned Plaza Hotel from \$1,225 to \$1,525 for 47 rooms.

**BASIS FOR RECOMMENDATION:**

Plaza Hotel: In March of 2016, the City Council approved a grant for up to \$1,800,000 and a lease agreement with Allied Housing Inc. (aka Abode Services) to rehabilitate and operate the City owned Plaza Hotel. The Plaza Hotel will provide 47-rooms of affordable housing to formerly homeless individuals. To date, Allied has completed roughly 85% of the rehabilitation work, which is expected to be finalized in October 2017, with all rooms to be leased by the beginning of next year.

Tenants will be screened and referred to the Plaza by the City's contracted Rental Subsidy Administrator (RSA), currently The Health Trust, through the Santa Clara County Coordinated Care System. The RSA will provide rental subsidies directly to Allied for each eligible tenant. Additionally, tenants will be required to pay up to 30% of their adjusted income or a minimum of \$20.00 per month towards the rent, as determined by the RSA.

Recommended Modification: The original lease agreement approved by City Council in 2016, limited the rental subsidy collected by Allied to \$1,225 per room, per month for the first year, with a \$25 increase each subsequent year. Since the original operating budget was developed, the City has requested that Allied include around-the-clock security at the Plaza as well as the cost of off-site parking for tenants with vehicles. Additionally, Allied originally assumed that the tenants rent share would cover a greater portion of the operating expenses. After updating the project proforma and corresponding operating budget, Allied determined that the \$1,225 per room, per month rental subsidy was inadequate to absorb the additional operating expenses.

The Housing Department staff recommends increasing the rental subsidy limit from \$1,225 per room, per month to \$1,525 per room, per month for the first year with an escalation of \$25 per room per month in subsequent years. The lease agreement requires Allied to pay 100% of the Net Cash Flow at the end of each year. If the tenant's rental contributions are greater than anticipated, all funds will be returned to the City after accounting for eligible expenses. This action will minimize Allied's dependence on tenant rental contributions to support operating expenses and will ensure a high level of service and security for the Plaza residents and surrounding neighborhood.

**COST AND FUNDING SOURCE:**

Funding for the additional cost of the rental subsidies is available in the Tenant Based Rental Assistance appropriations in the HOME Investment Partnerships Program Fund and the Multi-Source Housing Fund. The Housing Department will bring forward recommendations at a later time should the program need further funding.

**FOR QUESTIONS CONTACT:** James Stagi, Acting Division Manager, (408) 535-8238.