

# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Jacky Morales-Ferrand  
Jim Shannon

**SUBJECT:** SEE BELOW

**DATE:** March 25, 2021

Approved

*D. DSYL*

Date

03/26/21

**COUNCIL DISTRICT: 3**

**SUBJECT: GRANT AGREEMENT WITH ABODE SERVICES TO MAINTAIN AND OPERATE THE PLAZA HOTEL FOR HOMELESS INDIVIDUALS WHO ARE VULNERABLE TO COVID-19**

## **RECOMMENDATION**

(a) Adopt a resolution to:

- (1) Authorize the Director of Housing to negotiate and execute a grant agreement with Abode Services in the amount of \$519,485 to operate and maintain a non-congregate shelter for homeless individuals who are vulnerable to COVID-19 at the Plaza Hotel for an initial term of January 1, 2021 through June 30, 2021.
- (2) Authorize the Director of Housing to Negotiate and Execute amendments to the lease agreement with Allied Housing Inc. to align with the terms of the new Plaza Hotel operating agreement.

(b) Adopt the following Appropriation Ordinance Amendments in the Housing Trust Fund:

- (1) Decrease the Unrestricted Ending Fund Balance by \$129,871; and
- (2) Increase the Housing and Homeless Projects appropriation to the Housing Department by \$129,871.

## **OUTCOME**

City Council adoption of the resolution provides the Administration with the authority to enter in to an agreement with Abode Services to increase the number of non-congregate shelter beds for COVID-19 vulnerable individuals during the COVID-19 health crisis at the Plaza Hotel from 23 Single Room Occupancy (SRO) units to 40 SRO units. This project will transition to offer temporary housing and supportive services to help homeless transitional age youth after July 1, 2021.

## **BACKGROUND**

On December 10 and December 15, 2015, respectively, the Oversight Board of the Redevelopment Agency of the City of San Jose and City Council approved the sale and acquisition of the Plaza Hotel for the appraised value of \$740,000. At the time the Plaza Hotel was transferred, the Housing Department indicated that it would use the building for five years and would sell the building to facilitate the redevelopment of the area. Located in downtown San José at 96 South Almaden Boulevard, the site offers 47 SRO units. The units are approximately 85-100 square feet and furnished with a refrigerator, microwave, bed, table, shelves, and television. Common facilities include a community room, a coin-operated laundry room, and shared restrooms with showers. The 47 units include three ADA-accessible units on the first floor and one Resident Manager unit.

In March of 2016, the City Council approved a grant of up to \$1,800,000 and a lease agreement with Allied Housing Inc. (a subsidiary of Abode Services) to rehabilitate and operate the City-owned Plaza Hotel. On April 7, 2017, the City executed both the grant agreement and lease with Allied Housing Inc. for the Plaza Hotel. The lease outlined the use, operations and maintenance expectations. All costs incurred in the operation and maintenance of the property were to be paid using tenant rents.

### **Plaza Rehabilitation**

Given that the projected use of the Plaza Hotel would be limited to 5-years due to long-term development plans for the site and the adjacent development of the Greyhound site, the \$1,800,000 rehabilitation grant scope was limited to basic life/safety improvements. While the Plaza Hotel was restored to meet all life/safety requirements and upgraded sections of the building to accommodate the new use, many of the building's utility systems such as plumbing, were not upgraded. Rehabilitation work was completed in January 2018 with the first resident moving in on January 24, 2018.

### **Plaza Operations**

The program at the Plaza Hotel was designed to serve as temporary housing for participants in the Rapid Rehousing program while participants searched for permanent housing. Homeless individuals were screened and referred to the Plaza Hotel by the City's contracted Rapid Rehousing organizations. Additionally, tenants paid up to 30% of their adjusted income, or a minimum of \$20.00 per month, towards the rent. Abode Services provided two on-site service coordinators to support tenants with housing stability, documentation readiness, and community living skills while also working with their assigned Rapid Rehousing case managers. The Plaza Hotel was secured with a locked entry system, video surveillance, and on-site security 24/7.

To ensure that Abode was adequately funded to support full operations and maintenance of the Plaza, the lease agreement with the Rapid Rehousing subsidy administrator provided full rental subsidies to Abode Services for all 47 SRO units, vacant or occupied. The lease requires Abode Services to maintain an operational reserve for the duration of the agreement. They are required

to deposit the rental subsidies into the interest-bearing reserve account. All operation and maintenance expenses are drawn from this reserve by Abode Services to cover actual operation and maintenance expenses. All expenses must be approved by the City. At the end of each year Abode Services is required to provide the City with an accounting of expenditures and reserve balances. The lease requires Abode Services to return all unused reserve balances to the City at the end of the lease term.

### Outcomes

The Plaza Hotel assisted a total of 87 homeless individuals enrolled in Rapid Rehousing Programs between January 2018 and September 2020. Eighty-two individuals exited with 52 individuals exiting to permanent housing. Of the 87 individuals served, 72% of participants were male. 34 individuals identified as White, 25 individuals identified as Hispanic, and 14 individuals identified as Black.

In February 2020, Santa Clara County announced a local health emergency. In March 2020, Governor Gavin Newsom issued a Proclamation of State of Emergency in California and President Donald Trump issued a Proclamation on Declaring a National Emergency Concerning COVID-19. On April 21, 2020, the City Council approved a third amendment to the lease between the City and Allied Housing Inc. to allow up to 23 units at the Plaza Hotel to be used for emergency placement of vulnerable persons during the COVID-19 and adjust the method of compensation to match the method of compensation for vacant units. The Plaza Hotel assisted a total of 30 homeless individuals vulnerable to COVID-19 between March 2020 and November 2020. During this period, 14 individuals exited, with 4 individuals exiting to permanent housing. Of the 30 individuals served, 80% of participants were male. Eight individuals identified as Hispanic, six individuals identified as White, and five individuals identified as Black.

### ANALYSIS

The Plaza Hotel is currently being operated by Abode Services to shelter both homeless individuals with a medical vulnerability to COVID-19 and homeless individuals enrolled in a Rapid Rehousing program.

Since the Plaza Hotel opened, it has been challenging to reach full occupancy. Initially, there were not enough interested participants enrolled in the City-funded Rapid Rehousing programs, so the Plaza Hotel began accepting referrals from County-funded Rapid Rehousing programs. Even with that adjustment, filling the building remained a challenge for many reasons. First, Abode Services discovered that when the building was at or near capacity, the buildings plumbing system failed to keep up with the demand. To alleviate the plumbing system challenges, Abode reduced the resident capacity to 50%. Second, participants in Rapid Rehousing did not want to use their time-limited rental subsidies for interim housing and would rather save their subsidy for permanent options. Third, eligibility requirements which included individuals without a conviction of arson or methamphetamine manufacturing or registration as a sex offender, meant some interested individuals did not qualify. Fourth, at least a quarter of

households enrolled in the Rapid Rehousing are families and do not qualify. Lastly, the County of Santa Clara conducted an internal audit that found that federal funding for rental subsidies limited several Rapid Rehousing participants from accessing the Plaza Hotel based on the established SRO rents not being reasonable, and leases not being at least 12 months (leases were month to month so as to enforce the urgency of permanent housing search). For these reasons, the Housing Department made the decision to restructure the program at the Plaza Hotel.

### *New Program*

On October 9, 2020, the Housing Department issued a Request for Proposals (RFP) to solicit applications for Plaza Hotel property management and supportive services with responses due on October 23, 2020. There were no respondents to the RFP. The Housing Department chose to sole source with Abode to continue to operate and maintain the Plaza Hotel. The Housing Department will contract with Abode for two phases of operations. The first phase will serve homeless individuals vulnerable to COVID-19 and the second phase will offer temporary housing and supportive services to help homeless transitional-age youth.

Under the new operating structure, the Housing Department will directly fund an operating agreement with Abode Services rather than relying on Rapid Rehousing subsidies and the numerous challenges associated with qualifying the Plaza Hotel units under the different subsidy programs. This new structure is consistent with the City's other interim housing agreements like the Bridge Housing Communities and Emergency Interim Housing communities. This new structure will also allow the City to more closely monitor operating expenses.

### *Phase One*

The Housing Department will increase the number of units set aside for homeless individuals vulnerable to COVID-19 from 23 to 40. During the existing public health crisis posed by COVID-19, referrals into the program will continue to come through the County-managed centralized shelter referral hotline. Abode will work with the participants during the COVID-19 emergency on individualized long-term housing plans. The proposed new operating agreement with Abode will also include property management.

Abode will continue to be responsible for maintaining the entire property, including each unit, the communal spaces, and the property's exterior. Property management activities will include, but will not be limited to:

1. Ensuring clean, sanitary, and regularly maintained common spaces and community areas;
2. Conducting regular unit inspections;
3. Overseeing maintenance and janitorial staff for day-to-day operations, unit turnovers and responding in a timely manner to any building concerns or problems;
4. Managing and responding to routine and preventive maintenance of facility systems (e.g., plumbing and electrical, safety);
5. Managing legal/regulatory compliance, reasonable accommodation response/tracking, and file document/file retention;

6. Ensuring all site security functions and supervision of security staff training, building entrance control and courtesy patrol and security contractual agreements;
7. Ensuring COVID-19 safety protocols are enforced;
8. Ensuring emergency planning, and compliance with building, fire and health codes;
9. Managing garbage removal from designated areas, keeping them clean, orderly and functional;
10. Maintaining building safety systems including fire alarms, sprinklers, gates and locks; and
11. Managing noise, graffiti, litter or other concerns of disturbances through a “Good Neighbor Plan”.

Supportive service activities will include, but will not be limited to:

1. Coordinating participant referrals from the County centralized shelter hotline;
2. Conducting participant enrollment/intake, orientations, and move in procedures;
3. Managing day-to-day participant oversight;
4. Managing complaints, terminations, conflict resolution, mediation and appeals;
5. Service plan development;
6. Responsible for individualized case management and service plan development, which may include computer literacy training, employment assistance, vocational training, financial literacy/income support, drug & alcohol services, health assessments, education and activities;
7. Housing stability and placement support; and
8. Providing community and recreational activities.

During the COVID-19 emergency, Abode will provide appropriate on-site services that will include individualized housing action plans and referrals for needed support with the goal of securing stable housing. Abode will practice the Housing First model and the principles of Harm Reduction and Self Determination. Priorities in service delivery includes providing access and support in obtaining medical and wellness services, financial literacy and employment assistance, and meaningful activities that enhance skills necessary to address the challenges of everyday life. It is anticipated that the Plaza Hotel will continue to serve the COVID-19 vulnerable individuals through June 30, 2021. As a result, the state and federal government provided additional resources for vulnerable and extremely low-income Americans. Through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the City received additional federal grant funding through stimulus grants disbursed by the U.S. Department of Housing and Urban Development (HUD). The City of San José was a direct recipient of \$2,683,479 in Emergency Solutions Grant (ESG) CARES Act funding in the first round of awards (ESG-CV1) and received \$32,836,839 in the second round of awards (ESG-CV2). The Housing Department is intending to use the ESG-CV2 funds, supplemented with the Housing Trust Fund, for operations through June 30, 2021.

### *Phase Two*

Once COVID-19 subsides, the units will transition to temporary supportive housing for homeless transitional age youth. In the coming months, the Housing Department will work with Abode to conduct a redesign of the program and shift target populations from individuals vulnerable to COVID-19, as well as any remaining Rapid Rehousing participants, to homeless transitional age youth for longer term use. An amendment to the proposed contract with Abode will come to City Council before July 1, 2021 outlining the new scope of services and budget. The proposed funding source for operations at the Plaza Hotel targeting homeless youth is the second round of the State's Homeless Housing Assistance and Prevention funds (HHAP2). Four SRO units will be converted to office space, maintenance, and storage. The decrease in units will assist in the plumbing issues in the short term. In phase two, Abode will also be responsible for the property management services mentioned above in phase one.

The proposed change in target populations will fill a current gap in the homeless response system by providing targeted housing resources for homeless youth and young adults. Of the 1,175 unaccompanied young adults counted in the 2019 San José Homeless Census and Survey, 93% were unsheltered. According to a report issued by the California State University, officials believe nearly 11% of students in the 23-campus system are either homeless or have experienced some form of homelessness during their college careers. The problem of homeless youth persists at a local, State and national level. Dedicated resources are needed to address the problem and scale existing solutions as evidenced in the three rounds of one-time State funds, in which no less than 8% of the total awards must be spent on homeless youth. In the coming months, the Housing Department and Abode will work with local youth serving organizations and local colleges to gather their feedback on program and referral design.

The change will address the previous low enrollment challenges by providing greater control to the operator. Abode will directly coordinate the referrals from the colleges and homeless youth service agencies, which will provide more control in screening participants and filling vacancies. Any program fees, if applicable, will be managed by Abode. In the initial design, reaching capacity was both dependent on the pool of applicants already enrolled in Rapid Rehousing at the time of vacancy as well as the marketing and recruiting by Rapid Rehousing case managers across dozens of agencies. Targeting homeless youth from more narrowed points of entry will allow Abode to control timing of referrals and accurate communication. This change should ensure that the Plaza operates at full capacity.

### *Additional Investment Needed to Maximize the Use of the Plaza Hotel*

The plumbing must be repaired so that the building can operate at full capacity. The Housing Department will use Community Development Block Grant funds (up to \$1 million) to invest in additional rehabilitation to make necessary repairs and upgrades, including significant plumbing repairs. As noted earlier, the Plaza Hotel is scheduled to close in January 2023 to allow for the redevelopment of the block. However, the proposed market rate development is no longer moving forward leaving the future use of the site uncertain.

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## **EVALUATION AND FOLLOW-UP**

An amendment to the proposed contract with Abode for “phase two” serving homeless youth will come to the City Council before July 2021. The Housing Department’s Homeless Annual Report will provide updates and information about The Plaza Hotel program.

## **CLIMATE SMART SAN JOSE**

The recommendation in this memo furthers the goals of Climate Smart by facilitating the creation of low-income housing close to jobs and transit, which would reduce vehicle miles traveled and greenhouse gas emissions. The site is located walking distance from a light rail station, providing access to transit to all residents living at the Plaza Hotel.

## **PUBLIC OUTREACH**

This item has been posted on the City’s website for approval by the City Council on March 30, 2021.

## **COORDINATION**

This item has been coordinated with the City Attorney’s Office.

## **COMMISSION RECOMMENDATION/INPUT**

This COVID-19 contract does not fall under the functions, powers, and or duties of the Housing and Community Development Commission.

## **COST SUMMARY/IMPLICATIONS**

The City received \$32,836,839 in supplemental CARES Act ESG-CV2 funding from the U.S. Department of Housing and Urban Development in September 2020. Since March 2020, the City has utilized the Plaza Hotel to provide housing for homeless individuals impacted by COVID-19. This action enables the City to enter into a \$519,485 agreement with Abode Services to operate the hotel using \$389,614 from ESG-CV2 from the Multi-Source Housing Fund and \$129,871 from the Housing Trust Fund, retroactively from January 1, 2021 through June 30, 2021. There is no impact on the General Fund as a result of this action.

**BUDGET REFERENCE**

The table below identifies the fund and appropriations proposed to fund the actions recommended as part of this memorandum.

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contract	Rec. Budget Action	2020-2021 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
440	2453	Housing and Homeless Projects	\$1,537,000	\$129,871	\$129,871	X-54	10/20/2020 Ord. No. 30494
440	8999	Unrestricted Ending Fund Balance	\$2,136,230	N/A	(\$129,871)	X-54	2/09/2021 Ord. No. 30531
448	213B	Housing Shelter	\$21,864,018	\$389,614	N/A	X-76	3/23/2021 Ord. No. 30547

**CEQA**

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

/s/

JACKY MORALES-FERRAND  
Director, Housing Department



JIM SHANNON  
Budget Director

For questions, please contact Kelly Hemphill, Homelessness Response Manager, at [kelly.hemphill@sanjoseca.gov](mailto:kelly.hemphill@sanjoseca.gov).