

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN JOSE (A)
(1) ACCEPTING AN AWARD OF \$25,238,236 IN PROJECT HOMEKEY 2.0 FUNDS FROM THE CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (“HCD”) IN ORDER TO ADDRESS HOUSING NEEDS OF INDIVIDUALS AND FAMILIES EXPERIENCING HOMELESSNESS OR AT RISK OF EXPERIENCING HOMELESSNESS THROUGH THE ACQUISITION AND OPERATION OF THE ARENA HOTEL LOCATED AT 817 THE ALAMEDA; (2) AUTHORIZING THE CITY MANAGER TO NEGOTIATE AND EXECUTE AN HCD STANDARD AGREEMENT AND ALL OTHER NECESSARY RELATED DOCUMENTS TO ACCEPT \$25,238,236 IN ACQUISITION FUNDING AND OPERATING SUBSIDY FROM HCD IN PROJECT HOMEKEY 2.0 FUNDS; (3) AUTHORIZING THE CITY MANAGER TO NEGOTIATE AND EXECUTE AN ASSIGNMENT AND ASSUMPTION AGREEMENT FOR THE CITY OF SAN JOSE TO ASSUME THE ROLE OF BUYER IN THE PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS DATED OCTOBER 14, 2020, FIRST AMENDED ON JUNE 30, 2021, SECOND AMENDED ON NOVEMBER 30, 2021, THIRD AMENDED ON FEBRUARY 28, 2022, AND FOURTH AMENDED ON APRIL 26, 2022, BETWEEN IKAICA OHANA AS BUYER AND MILL VALLEY MOTEL INVESTMENT, INC., MORGAN HILL MOTEL INVESTMENTS INC., ARENA HOTEL INVESTMENTS, INC., AND NEEDLES MOTEL INVESTMENTS, LLC., FOR THE PURCHASE OF THE ARENA HOTEL LOCATED AT 817 THE ALAMEDA, IDENTIFIED AS APN-261-01-007 FOR A PRICE OF \$22,900,000 (“PROJECT”); (4) AUTHORIZING THE DIRECTOR OF HOUSING TO NEGOTIATE AND EXECUTE GRANT DOCUMENTS AND ALL OTHER DOCUMENTS WITH URBAN HOUSING COMMUNITIES, OR ITS AFFILIATE, IKAICA OHANA (“DEVELOPER”) REGARDING THE REHABILITATION AND OPERATIONS OF, AND SERVICES FOR THE PROJECT FOR A GRANT IN THE AMOUNT OF \$23,150,672 FROM PROJECT HOMEKEY 2.0 FUNDS AND MEASURE E FUNDS; (5) AUTHORIZING THE DIRECTOR OF HOUSING TO ENTER INTO A GROUND LEASE WITH THE DEVELOPER OF THE CITY-OWNED PROPERTY LOCATED AT 817 THE ALAMEDA FOR A TERM OF UP TO 15 YEARS, FOR THE PURPOSES OF REHABILITATING AND OPERATING THE PROJECT; **AND (6) APPROVING A TOTAL COMMITMENT OF \$25,238,236, IN PROJECT HOMEKEY 2.0 FUNDS AND \$20,857,436 IN MEASURE E FUNDS TOTALING \$46,095,672 FOR THE ACQUISITION, REHABILITATION AND OPERATION OF THE PROJECT**

WHEREAS, the City of San José (“City”) has worked alongside the County of Santa Clara (“County”) Office of Supportive Housing to respond strategically and swiftly to the COVID-19 pandemic; and

WHEREAS, to secure funding for new housing opportunities for our unhoused residents throughout the City and County, a plan was put in place to identify sites for upcoming HomeKey Program funding; and

WHEREAS, on September 9, 2021, Housing and Community Development (“HCD”) released its Notice of Funding Availability (“NOFA”) to announce the availability of approximately \$1.45 billion of HomeKey grant funding through the Round 2 NOFA (“HomeKey 2.0”) to significantly invest and continue a statewide effort to sustain, and rapidly expand, permanent and interim housing for persons experiencing homelessness or at risk of experiencing homelessness, and who are inherently impacted by, or at increased risk for, medical conditions due to the COVID-19 pandemic; and

WHEREAS, on October 5, 2021, the City Council approved authorizing the City Manager to apply for three HomeKey 2.0 grants, including the Pacific Motor Inn, Arena Hotel, and a City-owned property located at the intersection of Branham Lane and Monterey Road; and

WHEREAS, on May 10, 2022, HCD announced that the City and Urban Housing Communities (“Developer”) had been awarded a HomeKey 2.0 award in the amount of \$25,238,236 for acquisition and operation of the Arena Hotel for affordable interim and permanent housing; and

WHEREAS, this approval will authorize the City to accept and receive \$25,238,236 in funds from the HCD HomeKey 2.0 Program (“HomeKey”) to fund the purchase of an 89-unit hotel, with a two-bedroom manager’s unit, located at 817 The Alameda, and to

support the rehabilitation and operation of the facility in which to serve extremely-low-income individuals and families; and

WHEREAS, staff recommends City Council authorize the negotiation and execution of an assignment and assumption agreement in order for the City to assume the role of Buyer in the Purchase and Sale Agreement and Joint Escrow Instructions dated October 14, 2020, first amended on June 30, 2021; -second amended on November 30, 2021; third amended on February 28, 2022; and fourth amended on April 26, 2022 (collectively PSA) between Ikaika Ohana as buyer and Mill Valley Motel Investments, Inc., Morgan Hill Motel Investments Inc., Arena Hotel Investments, Inc., and Needles Motel Investments, LLC., collectively as Seller ("Seller") for the purchase of the Arena Hotel located at 817 The Alameda, identified as APN 261-01-007; and

WHEREAS, the purchase price for the Arena Hotel under the PSA is \$22,900,000, or \$257,303 per affordable unit; and

WHEREAS, the City will acquire the property in an as-is condition pending resolution of due diligence; and

WHEREAS, closing costs will be split between the Seller and City, the City is not represented by a broker in this transaction, the Seller will pay their own brokerage fees and Developer will pay their own consultant fees, if any are due, subject to the Assignment and Assumption Agreement; and

WHEREAS, the Director of Housing will be authorized to negotiate and execute grant documents and all other documents with Developer regarding the rehabilitation, and operations of, and services for the Project for a grant award in the amount of \$23,150,672 from Project HomeKey 2.0 Funds and Measure E Funds for a term of up to 15 years; and

WHEREAS, Director of Housing will be authorized to enter into a Ground Lease with the Developer of the City-owned property located at 817 The Alameda for a term of up to 15 years for the purposes of rehabilitation and operating the Project; and

WHEREAS, the Developer has established a mission-driven team consisting of the Developer (Urban Housing Communities), Property Management Company (Hyder & Company) and Tenant Services provider (HomeFirst) to own, manage and operate the Arena Hotel; and

WHEREAS, the City has contracted with Associated Right of Way Services, Inc. to provide relocation planning and assistance to the occupants in accordance with applicable relocation assistance laws and requirements with preliminary relocation cost estimating \$95,000 to \$145,000; and

WHEREAS, the Environmental Services Department completed a Phase I Environmental Site Assessment of the Arena Motel in June 2021 and determined that there are no significant environmental liabilities that would preclude the City from obtaining ownership of the property for continued use as a motel; and

WHEREAS, it is the long-term goal of the site to provide residents a permanent home in an amenity-rich location with access to employment opportunities, job training resources, and needed medical and social services; and

WHEREAS, accepting the HCD award aligns the City's local initiatives with the statewide strategy to secure the financial resources needed to combat the homeless crisis impacting our community; and

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

1. The City Manager is hereby authorized to accept the award of \$25,238,236 in Project HomeKey 2.0 funds from HCD for the acquisition of and operation of the Arena Hotel.
2. The City Manager is hereby authorized to negotiate and execute an HCD Standard Agreement and all other necessary related documents to accept the \$25,238,236 award.
3. The City Manager is hereby authorized to negotiate and execute an Assignment and Assumption agreement for the City to assume the role of Buyer in the Purchase and Sale Agreement for the purchase of the Arena Hotel located at 817 The Alameda for a price of \$22,900,000.
4. The Director of Housing is hereby authorized to negotiate and execute grant documents and all other documents with Urban Housing Communities or its affiliate regarding rehabilitation, operation and services for a grant award in the amount of \$23,150,672 from Project HomeKey and Measure E Funds.
5. The Director of Housing is hereby authorized to enter into a Ground Lease with the Developer for the City-owned property located at 817 The Alameda for a term of up to 15 years for the purposes of rehabilitating and operating the Project.
6. A total commitment of \$25,238,236 in Project HomeKey 2.0 Funds and \$20,857,436 in Measure E Funds totaling \$46,095,672 for the acquisition, rehabilitation and operation of the Project is hereby approved.

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

AYES:

NOES:

ABSENT:

DISQUALIFIED:

SAM LICCARDO
Mayor

ATTEST:

TONI J. TABER, CMC
City Clerk