



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Erik L. Soliván
Jim Shannon

SUBJECT: See Below

DATE: December 3, 2024

Approved: 

Date:
12/6/2024

COUNCIL DISTRICTS: 2, 3, 6, 7

SUBJECT: Actions Related to Grant Agreements for Multiple Emergency Interim Housing Program Sites

RECOMMENDATION

(a) Adopt a resolution authorizing the Housing Director, or his designee, to negotiate and execute amendments to extend existing Emergency Interim Housing program grant agreements with the following nonprofit service providers:

- (1) HomeFirst Services of Santa Clara County (Emergency Interim Housing sites: Monterey Bernal and Rue Ferrari) in an amount not to exceed \$4,119,175 retroactive from January 1, 2025 through June 30, 2025;
- (2) HomeFirst Services of Santa Clara County (Bridge Housing Community sites: Mabury and Felipe) in an amount not to exceed \$2,552,889 retroactive from January 1, 2025 through June 30, 2025;
- (3) PATH (Emergency Interim Housing site: Evans Lane) in an amount not to exceed \$2,191,261 retroactive from January 1, 2025 through June 30, 2025; and
- (4) LifeMoves (Emergency Interim Housing site: Guadalupe) in an amount not to exceed \$1,718,504 retroactive from January 1, 2025 through June 30, 2025.

(b) Adopt the following 2024-2025 Appropriation Ordinance amendments in the Real Property Transfer Tax Fund:

- (1) Decrease the Measure E – 15% Homeless Support Programs Reserve by \$1,718,504; and
- (2) Increase the Interim Housing Construction and Operations (15% Homeless Support Programs) appropriation to the Housing Department by \$1,718,504.

SUMMARY AND OUTCOME

The Housing Department recommends extending four existing Emergency Interim Housing (EIH) program grant agreements, totaling \$10,581,829 of state and local funds, to maintain the continuity of site operations at six EIH program sites (EIH sites), beginning January 1, 2025 through June 30, 2025, while numerous EIH operational changes are developed. The Housing Department plans to extend the current EIH grant agreements through June 2025 to minimize service disruptions and allow sufficient time for a comprehensive service and budget analysis. The variances in costs across the interim housing portfolio are a catalyst for the Housing Department's push for the standardization of supportive service operations, service delivery, and the centralization of purchasing for the delivery of essential services. **Table 1** outlines a cost summary of the six EIH sites discussed in this memorandum.

Table 1 – Cost Summary of EIH Sites

EIH Site	Units	Service Provider	Investment	Per Unit	Term¹ (Days)	Per Unit Per Day
Monterey - Bernal	78	HomeFirst	\$2,008,098	\$25,745	180	\$143
Rue Ferrari	82	HomeFirst	\$2,111,077	\$25,745	180	\$143
Mabury	38	HomeFirst	\$1,276,444	\$33,591	180	\$186
Felipe	38	HomeFirst	\$1,276,445	\$33,591	180	\$186
Evans Lane	49	PATH	\$2,191,261	\$44,720	180	\$248
Guadalupe	96	LifeMoves	\$1,718,504	\$17,901	180	\$99

Over the next six months, the Housing Department will continue working with our partners to centralize the purchasing of meal provisions, site security, and property and asset management in order to maximize the economies of scale for cost savings and consistency of services, thus allowing our partners to focus on their strengths in supportive service delivery to EIH program participants.

In addition, as preparation for the resulting new grant agreements beginning in July 2025, the Housing Department is looking to standardize policies and procedures across all EIH sites, implement new property and asset management activities, and establish standard operational costs across the Housing Department's interim housing portfolio.

¹ Term end date, as recommended in this memorandum, is June 30, 2025.

BACKGROUND

The current EIH grant agreements were originally approved by City Council on October 24, 2023, when the Housing Department presented recommendations to City Council for improving EIH site operations and reducing costs². City Council approved the strategy to integrate these recommendations into current and upcoming EIH sites; however, the recommendations of the HomeBase study did not take into consideration the following three critical points of analysis of EIH site operations:

- 1) Fiscal constraints of unsubsidized continuing operating costs;
- 2) Benefits of central purchasing for services outside the core competencies of the supportive service providers; and
- 3) Growth of the interim housing portfolio, including implementing operating standards for EIH site operations, reducing operating costs, reorienting our partners toward core supportive service delivery, and setting up a comprehensive performance tracking protocol.

On June 18, 2024, City Council prioritized establishing quantitative contractual goals and outcomes for asset management at all EIH sites, which are partially implemented as outlined in the EIH grant amendments recommended in this memorandum.³

ANALYSIS

During the next six months, the Housing Department will continue the process of analyzing the costs of all shelter and interim housing sites and developing policies and procedures to establish a standard of service for all site operators regarding supportive services, staffing plans, and property and asset management.

Policies and Procedures

The Housing Department, in collaboration with HomeBase, has been drafting policy and procedure guidelines to establish universal and transparent operating standards for all EIH sites. These guidelines will include revised standards, set outcomes-based

² Item #: 8.3, File #: 23-1460, Date: October 24, 2023, Title: Interim Housing Financial Stability – Study of City Interim Housing and Actions Related to Interim Housing Grant Agreements, Web link: <https://sanjose.legistar.com/gateway.aspx?M=F&ID=554399c4-5bed-456c-abf8-d85567ef5f19.pdf>

³ Item #: 2.23, File #: 24-147329, Date: June 18, 2024, Title: Actions Related to Grant Agreements for Multiple Programs Serving Households Experiencing Homelessness for Fiscal Year 2023-2024, Web link: <https://sanjoseca.primegov.com/api/compilemeetingattachmenthistory/historyattachment/?historyId=b13e3d54-c2ff-4d38-9e2a-a6a9e5420e23>

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performance measures, and comprehensive policies aligned with applicable requirements.

To enhance evaluation and effectiveness, the Housing Department is collecting robust data on service provider performance while expanding the policy and procedure guidelines to include asset management plans for EIH sites. **Table 2** outlines the asset management tools and reports under development to ensure effective EIH site management.

Table 2 – Asset Management Tools and Reports

Asset Management Tool/Report	Purpose	Cadence
Unit Event Tracker	This tool is designed to enhance reporting accuracy and improve operational efficiency by tracking unit occupancy, turnover, and maintenance data.	Weekly
Unit Inspection Report	A detailed report that lists maintenance and structural issues to project capital expenses and proactively addresses these issues to save costs.	Semi-Annual
Unit Turnover Expense Report	A detailed report providing total costs associated with unit turnovers to provide historical data for each unit and, more accurately, project costs of property maintenance of an EIH site.	Semi-Annual
Physical Needs Assessment	A comprehensive evaluation of a property's physical condition, identifying existing maintenance issues, building code violations, and potential future repair needs to determine the long-term viability of the property and prioritize necessary capital expenditures for its upkeep.	Annual

The goal will be to include the policy and procedure guidelines in new EIH program grant agreements at the beginning of Fiscal Year 2025-2026. The Housing Department will conduct quarterly compliance reviews for all relevant data gathered through the asset management reports and establish routine meetings with EIH program site operators to foster transparency between all partners and enhance collaboration to achieve more effective outcomes.

Cost Analysis

The Housing Department's interim housing portfolio is undergoing a comprehensive cost analysis. A comprehensive pro forma recently developed has highlighted significant

variances across the portfolio. The resulting cost analysis will be used to refine the pro forma to improve the projection of future expenses of each EIH site. One main component of the cost analysis, as it relates to the EIH program, is standardizing a per-unit-cost model across all EIH sites. This will allow staff to better control the costs of current and upcoming EIH sites without sacrificing service delivery. The cost analysis of the EIH sites consists of four main elements: meal provisions, site security, property and asset management, and supportive services staffing plans.

Staff are developing property and asset management guidelines for current and future EIH site operators to follow, ensuring the efficient operation, maintenance, and stewardship of the physical facility and its resources. This includes the cost of routine unit turnover, more efficient use of funding – including prevailing wage – for unit repairs, and ongoing preventative maintenance to extend unit viability. The primary goal is to create a safe, comfortable, and well-maintained environment for EIH program participants while maximizing the lifespan and utility of the EIH site's assets. Once all property and asset management costs are identified, the Housing Department can better project future costs related to physical site needs as a part of the pro forma currently in development.

The cost analysis will result in a standardized framework that separates property management and service costs into distinct budget categories. This approach will provide EIH site operators with greater visibility of financial expectations while allowing the Housing Department to maintain consistent budgetary oversight across all EIH sites. By establishing clear expectations for EIH site operators and allowing them to advocate for efficient service delivery and property and asset management, we can ensure more effective resource allocation, promote the long-term financial sustainability of the Housing Department's EIH program, and enable EIH site operators to focus on delivering high-quality services and maintaining the physical assets of each EIH site. This alignment of financial and operational strategies will support the long-term success of the EIH program and its program participants.

EVALUATION AND FOLLOW-UP

Assessment of varying EIH operational models, standardization of policy and procedure guidelines across EIH sites, and in-depth cost analysis of interim housing programs will ensure new grant agreements maximize the financial and operational efficiency of current and future interim housing programs. These efforts will help align the EIH program with the Housing Department's Housing Continuum, a model that combines shelter and housing services to achieve functional zero and makes strategic investments at critical points in the continuum. A departmental pro forma will ensure a financial framework for evaluating program costs, projecting funding needs, and guiding

resource allocation, ultimately supporting sustainable growth and integration of the EIH program within the broader Housing Continuum.

Amending the current grant agreements as recommended in this memorandum will allow the Housing Department time to evaluate the EIH sites and, in the future, implement the above changes into grant agreements with competitive EIH site operators selected from the March 2024 request for proposals. The Housing Department will return to City Council in spring 2025 to recommend new grant agreements for Fiscal Year 2025 - 2026.

COST SUMMARY/IMPLICATIONS

1. TOTAL COST OF CONTRACT/AGREEMENT

Recommended Amendment	\$10,581,829
TOTAL CONTRACT/AGREEMENT AMOUNT	\$10,581,829

2. SOURCE OF FUNDING: Real Property Transfer Tax Fund (Measure E) and Building, and Homes and Jobs Act Fund (Permanent Local Housing Allocation Program).

3. FISCAL IMPACT: The actions recommended in this memorandum will enable the Housing Department to negotiate and execute four amendments to current grant agreements retroactive from January 1, 2025 to June 30, 2025, with three non-profit service providers supporting six EIH sites. Staff recommends reducing approximately \$1.7 million in the Real Property Transfer Tax Fund, Measure E – 15% Homeless Support Programs Reserve and increasing the Interim Housing Construction and Operations (15% Homeless Support Programs) appropriation to help fund these agreements.

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BUDGET REFERENCE

The table below identifies the funds and appropriations to fund the amended grant agreements recommended in this memorandum.

Fund No.	Appn No.	Appropriation Name	Total Appropriation	Rec. Budget Action	Amt. for Grant Agreement	2024-2025 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
456	213B	Housing Shelter	\$14,242,706	\$0	\$8,000,000	934	10/22/2024 Ord. No. 31130
404	8746	Measure E – 15% Homeless Support Programs Reserve	\$1,786,369	(\$1,718,504)	\$0	1006	10/22/2024 Ord. No. 31130
404	230G	Interim Housing Construction and Operations (15% HSP)	\$2,000,000	\$1,718,504	\$2,581,829	1006	10/22/2024 Ord. No. 31130

COORDINATION

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

PUBLIC OUTREACH

This memorandum will be posted on the City’s Council Agenda website for the December 17, 2024 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

CEQA

Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action and File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

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PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

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Housing Director



Jim Shannon
Budget Director

The principal author of this memorandum is Ryan Sanders, Senior Development Officer, Housing Department. For questions, please contact Cupid Alexander, Deputy Director, Housing Department, at Cupid.Alexander@sanjoseca.gov.