



COUNTY OF SONOMA

575 ADMINISTRATION
DRIVE, ROOM 102A
SANTA ROSA, CA 95403

SUMMARY REPORT

Agenda Date: 11/10/2020

To: Board of Supervisors of Sonoma County and Board of Commissioners of the Community Development Commission

Department or Agency Name(s): Sonoma County Community Development Commission

Staff Name and Phone Number: Tina Rivera, 565-4774

Vote Requirement: 4/5th

Supervisory District(s): Countywide

Title:

Homekey Hotel Purchase and Sale Contracts

Recommended Action:

- A) Adopt a resolution granting the Interim Executive Director of the Sonoma County Community Development Commission, or designee, authority to execute purchase and sale agreements for the Hotel Azura at 635 Mendocino Avenue in Santa Rosa in the amount of \$7,950,000 and the Sebastopol Inn at 6751 Sebastopol Road in Sebastopol in the amount of \$10,302,704 in the event this project is removed from the waitlist and receives funding.
- B) Approve the funding plan of the Hotel Azura with sources of funding for the purchase of \$8,800,000 from California State's Homekey Program, \$2,000,000 in matching funding from one-time discretionary General Fund designated during the FY 2020-21 September Budget Hearings, matching funding of \$200,000 from Whole Person Care Housing Pilot Program, and \$1,056,000 in operating subsidies from the Homekey Program.
- C) Adopt a budget resolution amending the Community Development Commission FY 2020-21 Adopted Budget in the amount of \$9,856,000 for the receipt of Homekey State funding and expenses associated the purchase, capital improvements, and operations of the Hotel Azura. (4/5th Vote Required)
- D) Authorize resolution accepting Homekey funding from State of California in the amount of \$9,856,000.
- E) Authorize the Interim Executive Director of the Sonoma County Community Development Commission to execute and record All Documents Necessary To Accomplish The Sales.
- F) Authorize the Interim Executive Director of the Sonoma County Community Development Commission to file Notices of Exemption in compliance with the California Environmental Quality Act.
- G) Authorize the Interim Executive Director of the Sonoma County Community Development Commission to Execute the STD 213 Standard Agreement from the Department of Housing and Community Development and any amendments thereto.

Executive Summary:

Project Homekey is administered by the California Department of Housing and Community Development (HCD). A total of \$600 million in grant funding has been made available to local public entities to purchase and rehabilitate hotels and motels to provide housing for individuals and families experiencing homelessness or at risk of experiencing homelessness and who are impacted by the COVID-19 pandemic. The program encourages applicants to convert the properties into permanent, long-term housing. The program is highly competitive and oversubscribed; HCD has received \$1.1 billion in applications. The deadline for expending capital funds is

December 30, 2020 and the deadline for expending Project Homekey operating subsidies is June 30, 2022.

On August 18, 2020 the Board of Supervisors approved Resolution No. 20-0303 which granted staff the authority to submit applications to Project Homekey. Staff submitted two applications; one for the Hotel Azura in Santa Rosa and another application for the Sebastopol Inn. The county has been awarded \$8,800,000 in capital funds and an additional \$1,056,000 in operating subsidies for the Hotel Azura. The Sebastopol Inn application was for \$6,200,000 in capital funds and \$744,000 in operating subsidies. Sebastopol Inn award has not been issued and the application is on the waiting list.

Approval of this action gives authority to the Interim Executive Director of the Community Development Commission to execute purchase and sale contracts for the two properties submitted for consideration - Hotel Azura and Sebastopol Inn - and commit the required local matching funds for 5 years of operating subsidies and capital expenditures for renovation of the buildings to convert them to permanent supportive housing.

Discussion:

On July 16, 2020 the State of California Department of Housing and Community Development (HCD) announced that it is making \$550 million available through a Notice of Funding Availability (NOFA) for the Homekey Program. The Homekey Program is funded with federal Coronavirus Relief Funds (CRF), which must be spent by December 30, 2020. In addition, the State is providing \$50 million in General Funds to provide initial operating subsidies under the program, which state must be expended by June 30, 2022. Of the total funding available, \$91 million is set aside for Bay Area communities.

Staff submitted two applications by the August 13, 2020 deadline. The first application was to purchase the 44-unit Hotel Azura at 635 Mendocino Avenue and expend an overall total of \$16,474,549 in combined Project Homekey and local funds. The application was approved for \$8,800,000 in capital and acquisition funds and \$1,056,000 in operating funds from Project Homekey. The remaining \$6,618,549 in matching funds will be funded with a combination of State and Federal Grants, CDC Housing Fund Balance, as well as Housing Choice Vouchers to cover Due Diligence Developer Costs, Improvements and Rehabilitation costs for Permanent Supportive Housing.

The Hotel Azura is a three-story motel building that includes 22 one-bed rooms and 22 two-bed rooms, along with an administrative office and storage area. There is an elevator and ADA accessible rooms on the ground floor. The CDC obtained an appraisal for the property, which supports the purchase price agreed to in the purchase and sale agreement of \$7,950,000.

CDC staff has also conducted all other required due diligence on the property including a Phase 1 environmental report, lead and asbestos survey, preliminary title report and other investigations. The county will use the property to house at-risk homeless during the interim period, and will utilize a variety of organizations to provide services to residents. CDC staff does not anticipate charging homeless residents that are occupying the property the residents who have been approved for housing vouchers will offset the operational costs. The CDC will work towards adoption of a 10-year affordability restriction as required by the California Department of Housing and Community Development (HCD).

CDC intends to convert the Hotel Azura to permanent supportive housing for households earning no more than 30% of Average Median Income (AMI). Permanent supportive housing use of the property will require the installation of fire sprinklers, kitchenettes, ADA improvements and additional common space for residents. A 55-year affordability covenant (the right to restrict the use of the property ensuring the availability of affordable rental or owner-occupied housing for low-moderate income persons) will be placed on the property as part of the conversion to permanent supportive housing. A request for proposals (RFP) will be issued to

select an operator partner for this phase of the project.

CDC staff held outreach meetings with the surrounding neighborhoods in early August. Concerns were raised about increasing the number of homeless in the neighborhood. One of the main factors that HCD used in selecting Hotel Azura was the existing concentration of homeless that already reside in the area.

Results from the 2020 Homeless Count indicated a 7% drop in homelessness in Sonoma County, the largest decrease in five years. Of the 2,745 individuals experiencing homelessness in 2020, 562 were individuals experiencing chronic homelessness; this reflected a 16% decrease in chronic homelessness from 2019. This momentum in addressing efforts to serve the most vulnerable in our community tie in directly to long-term support from Project Homekey. Currently, over 177 individuals are housed in Non-Congregate Shelter in Sonoma County in three different locations.

Particular focus will be on assisting individuals placed at the project site with Housing Choice Vouchers (HCV), including Move-On Vouchers and Coordinated Entry System Super Preference. As the Point in Time (PIT) Homeless Count from 2019 has already been reduced by over 5%, aggressive efforts from this project will focus on continuing to decrease both the overall PIT count and number of chronically homeless individuals. By placing a minimum of 40 individuals into housing via the site in the first six months of operation, chronic homelessness will immediately be reduced by 7%. Over the course of a full year of operation, with targeted assistance, a minimum of 70 individuals will be served; within two years, 140 individuals will be placed and then offered assistance into other permanent housing options. Assistance with placing 140 individuals over two years in this project alone will reduce the 2020 PIT Count by 5%, not counting other County housing efforts.

Sebastopol Inn is a 2-story motel structure consisting of 31 efficiency hotel rooms, 22 of which have kitchenettes. An application was prepared and submitted to Project Homekey for Sebastopol Inn for \$6,375,000 million in acquisition and \$744,000 in operating subsidies. The total project cost is \$10,302,704 including acquisition, development and Project Homekey Operating subsidy. The application has been deemed complete, but is on the waiting list. As previously described, the Project Homekey funding is substantially oversubscribed. The purchase and sale agreement for the Sebastopol Inn is for \$6,450,000 which would be funded by Project Homekey and General Fund Discretionary dollars. A funding plan is being developed and will be presented to the Board for approval should the application be funded by the state.

California Environmental Quality Act (CEQA) - Hotel Azura

The Class 1 Existing use exemption under 14 CCR 15301, applies to minor alterations to existing private structures or facilities involving negligible or no expansion of existing or former use. Under the existing facilities exemption, the alternations could include, among others: (1) interior or exterior alterations involving plumbing, electrical conveyances; (2) rehabilitation of deteriorated facilities to meet current standards of public health and safety (i.e., fire sprinklers and accessibility); (3) or additions to existing structures. The change in use from hotel occupancy to temporary transitional housing does not change the intensity in use of the development and the duration of stay of an occupant does not change the impacts that the hotel has on the environment. The alterations anticipated at the Hotel Azura include the addition of fire sprinklers and necessary accessibility improvements.

Prior Board Actions:

On August 18, 2020 the Board adopted Resolution No 20-0303 granting the Interim Executive Director of the Sonoma County Community Development Commission authority to enter into grant agreements with the State department of Housing and Community Development (HCD) for \$16,493,006 and \$10,302,704 in 2020-

2021 funding for the State's Homekey Program.

FISCAL SUMMARY

Expenditures	FY 20-21 Adopted	FY 21-22 Projected	FY 22-23 Projected
Budgeted Expenses	2,000,000	2,323,396	1,744,128
Additional Appropriation Requested	9,856,000		
Total Expenditures	11,856,000	2,323,396	1,744,128
Funding Sources			
General Fund/WA GF	2,000,000		
State/Federal	9,856,000		
Fees/Other			
Use of Fund Balance			
Contingencies			
Total Sources	11,856,000	2,323,396	1,744,128

Narrative Explanation of Fiscal Impacts:

The Department of Health Services is requesting revenue and expenditures appropriations in the amount of \$9,856,000 by way of a Budget Resolution. The source of the funding for the revenue appropriation is Homekey Program. The remaining \$4.6 million will be spent on due diligence, improvements, operational costs, and Rehabilitation costs to permanent supportive housing in future years (FY 21-22 through FY 23-24). The Board has already provided \$2 Million during the FY 20-21 Budget hearings that is already included in CDC appropriations.

Staffing Impacts:			
Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)

Narrative Explanation of Staffing Impacts (If Required):

N/A

Attachments:

1. Purchase Agreements Resolution
2. Budget Resolution
3. Funding Plan
4. Draft Standard Agreement
5. Purchase and Sales Agreement

Related Items "On File" with the Clerk of the Board:

None