



## SUMMARY REPORT

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**Agenda Date:** 10/26/2021

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**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 and the Department of Health Services

**Staff Name and Phone Number:** Dave Kiff and Tina Rivera, 707-565-7504

**Vote Requirement:** Majority

**Supervisorial District(s):** Countywide

**Title:**

Project Homekey-2

**Recommended Action:**

- A) Adopt resolution approving the Supportive Services Funding Framework and Early Capital Match for Project Homekey's Round 2 (and if applicable Round 3);
- B) Adopt resolution authorizing staff to apply for a George's Hideaway project (located at 18084 Highway 116 west of Guerneville) under Project Homekey-2; and
- C) Approve the use of Measure O funding up to \$500,000 to establish a Project Homekey Cohort under the County's ACCESS Program to provide high-level behavioral health and other services to clients served in Project Homekey facilities;
- D) Direct staff to study further and determine an operational partner for a Project Homekey-2 Redwood Inn project (located at 1670 Santa Rosa Avenue in unincorporated Santa Rosa) that may include an element for Transition Aged Youth (TAY). This may include a 5-year master leasing opportunity.

**Executive Summary:**

"Housing First" means that a person generally needs a roof over their head before they can address the physical, mental, or other causes of their homelessness. To that end, in 2020 the State proposed nearly \$800 million for "Project Homekey" ("PHK") (Round #1), helping thousands (including in Sonoma County at the Hotel Azura and the Sebastopol Inn) move into safe and supportive housing.

In 2021, the State has offered \$1.45 billion in funds for Project Homekey Round #2 ("PHK-2"). PHK-2 funds can be used to purchase and long-term lease former hotels, motels, apartments, homes, and now modular and other units. The units would then become either interim or permanent housing for persons experiencing homelessness or at risk of homelessness.

This agenda item outlines the PHK-2 funding source, what types of projects are eligible, incentives for certain projects, what projects are possible in Sonoma County, and discusses the critical issue of providing operational and early capital match funding for the long-term sustainability of PHK sites. The proposed resolution will memorialize a funding plan to provide direct funding as well as in-kind services to PHK (rounds 2 and 3) efforts across the region. With the funding plan in hand, applicants can approach the State for PHK capital and operational dollars with assurances that the projects will be sustained.

**Discussion:**

The California Department of Housing and Community Development (HCD) announced the availability of approximately \$1.45 billion in Project Homekey Round #2 (PHK-2) funding statewide. PHK-2 is intended to “sustain and rapidly expand the inventory of housing for people experiencing homelessness or who are at risk of homelessness and who are, thereby, inherently impacted by or at increased risk for medical diseases or conditions due to the COVID-19 pandemic.

PHK-2 is an opportunity for state, regional, and local public entities to develop a broad range of housing types, including but not limited to hotels, motels, hostels, single-family homes and multifamily apartments, adult residential facilities, and manufactured housing, and to convert commercial properties and other existing buildings to Permanent or Interim Housing for persons experiencing homelessness.

Of the \$1.45 billion in PHK-2 funds:

- \$1.2 billion comes from the American Rescue Plan Act of 2021 (ARPA) and offered for site acquisition and master leasing; and
- \$250 million comes from the state's General Fund, is intended to be used either for site acquisition or operating subsidies for Homekey sites.

About sixty-two percent (62%) of PHK-2’s total funding is broken down into **geographic regional allocations** as shown in **Table 1**. Sonoma County sits in the Bay Area region, with a regional allocation of \$165,312,376 for site acquisition and improvements and another \$34,524,079 in funding for site acquisition and operating subsidies. The other 38% of the PHK-2 funding is allocated as shown in **Table 2**, with set-asides for the State’s discretion, for administrative expense, for tribal projects, and for homeless youth. In other words, a local Sonoma County project for **Transition-Aged Youth** (TAY) may be eligible for funding outside of the regional allocation. Similarly, if our region becomes oversubscribed with projects, a particularly high-scoring project may receive funding from the State’s discretionary reserve.

**Table 1**

Region	PIT Count	Severely Rent-Burdened ELI	CSFRF Allocation	GF Allocation
Los Angeles County	58,936	395,380	\$296,715,462	\$61,966,491
Bay Area	35,028	196,270	\$165,312,376	\$34,524,079
Southern CA	15,360	188,835	\$101,785,576	\$21,257,049
San Joaquin Valley	10,064	100,400	\$60,041,459	\$12,539,146
San Diego County	8,102	88,470	\$50,514,984	\$10,549,623
Sacramento Area	8,167	68,640	\$45,065,261	\$9,411,495
Central Coast	8,157	35,795	\$35,671,365	\$7,449,660
Balance of State	7,464	30,834	\$32,093,517	\$6,702,457

**Table 2**

Category	CSFRF Allocation	GF Allocation
<b>Total Homekey Allocation</b>	<b>\$1,200,000,000</b>	<b>\$250,000,000</b>
Total Geographic Allocation	\$787,200,000	\$164,400,000
Discretionary Reserve at 20%	\$196,800,000	\$41,100,000
State Administrative at 5%	\$60,000,000	\$12,000,000
Tribal Set-Aside at 5%	\$60,000,000	\$12,500,000
Homeless Youth Set-Aside at 8%	\$96,000,000	\$20,000,000

**Amounts per Door.** The HCD Notice of Funding Availability (“NOFA”) also describes amounts per door that may be awarded as listed below. Where “per door” means per separate dwelling unit for funding purposes (i.e. a 12-unit motel building with all 12 being studio apartments but plans are to set all 12 aside for persons coming out of chronic homelessness could be eligible for up to \$2,400,000 in Homekey capital support).

- Studio and 1 BR Apartments at \$150,000/door
- 2 BR units at \$175,000/door
- 3 BR and larger units at \$200,000/door
- Units solely for persons coming out of chronic homelessness at \$200,000/door
- Units for homeless youth at \$175,000/door

Importantly, if a local **Early Capital Match Incentive** of up to \$100,000/door can be provided, the amounts above can be leveraged 1:1 (for instance, if a locality can pledge \$100,000 in capital for a 3 BR unit, the State will provide \$100,000 + the base \$200,000 to acquire it).

**Operational Support.** Another key part of PHK-2 is the opportunity to secure matching funds for operational purposes. For example:

- Three (3) years of local operational support means the State can pledge another two (2) years of operational support; and
- Four (4) years of local support means the State can pledge another three (3) years.
- If a project scores more than 140, the State may consider awarding an operational subsidy of three (3) years without the four-year local match. The application scoring rubric is on Pages 18-21 of the NOFA, linked [here <https://homekey.hcd.ca.gov/sites/default/files/2021-09/NOFA\\_Homekey\\_0.pdf>](https://homekey.hcd.ca.gov/sites/default/files/2021-09/NOFA_Homekey_0.pdf).

Operational support, offered via a one-time Capitalized Operational Subsidy Reserve or “COSR” would occur at these levels:

- \$1,400/month/unit (\$46.67/day/unit) for housing for persons meeting the definition of chronic homelessness; and
- \$1,000/month/unit (\$33.33/day/unit) for all other units.

**Funding Deadlines and Incentives.** The NOFA includes several deadlines and incentives to get PHK-2 projects operational more quickly. These include:

- A \$10,000/unit capital bonus for complete applications submitted before January 31, 2022.
- A \$10,000/unit operations funding bonus for projects that are operational within eight (8) months of the contract award date.
- Last day to submit projects under the geographic region funding source is January 31, 2022.
- Last day to submit projects under the statewide pool is May 2, 2022 or until all funds are exhausted, whichever occurs first.

We anticipate that Project Homekey Round #3 (“PHK-3”) will be released about a year from now, and include generally the same funding amounts and eligibility. The funding framework introduced later in this report is intended to carry through into PHK-3 should the region secure approved projects and capital that result in less than 230 beds via PHK-2.

**Sonoma County Efforts.** Board members will recall that the County was successful in applying for and receiving funding from a smaller (a bit less than \$800 million statewide) PHK-1 in 2020, totaling about \$15 million locally. These funds were used to purchase and improve the Hotel Azura (\$8.8 million) and the Sebastopol Inn (\$6.2 million).

In recent months, and in part to prepare for PHK-2, the County, the Community Development Commission (CDC) and the region’s nine (9) cities have worked closely to collaborate where we can on viable projects. A goal has been to attempt to identify possible PHK projects across the region, from Petaluma to north county cities, and from West County to the Sonoma Valley.

Project applications have been or may be submitted from:

- A north county city consortium of Cloverdale, Healdsburg, and Windsor (a 21-bed hotel purchase with Reach for Home);
- Santa Rosa (a renovation of the 50-bed Gold Coin hotel with St Vincent de Paul) as well as funding for the under construction Caritas Center run by Catholic Charities of Santa Rosa;
- Rohnert Park (about 60 modular units on a City-owned site in western Rohnert Park); and
- Petaluma (a possible hotel purchase with COTS).

In addition, County and CDC staff have studied sites in the unincorporated area or in concert with cities or non-profit applicants that include:

- The Johnson’s Beach location in Guerneville for an interim housing use;
- George’s Hideaway in West County for up to 26 tiny homes and/or RV parking; and
- The Redwood Inn at 1670 Santa Rosa Avenue (in unincorporated Santa Rosa that includes 24 beds and about 33 RV spaces).

**Maintaining PHK-2 Projects.** Critical to Homekey’s local and statewide success is the establishment of a reliable funding stream to operate and provide the essential supportive services (behavioral health services, substance use disorder treatment, medical care, nutrition, and more) to the residents who live in the new housing. While the State’s operational support resources are at about \$46/person/day even for the chronically homeless, most local programs run much more than that (often double, up to \$100-\$105/person/day).

The costs that are included in that **amount per day** include facilities management staff, utilities, meals, laundry, security, property maintenance, some on-site case management, and more. Generally, higher level behavioral health services are not included in the amount as it may not be needed by all residents on a daily basis.

The County Administrator and city officials have discussed collaborating on a way to help local governments in the region support PHK efforts, as all share the goal of improving our supply of supportive and other housing. To this end, staff developed a proposed **Supportive Services Funding Framework and Early Capital Match program** that would be available to all localities in Sonoma County that may be standing up a PHK site. More

detail about the Framework is in Attachment 3.

**Table 3** shows the proposed sources of revenue for this Framework for an assumed 230 new PHK-2 beds, providing support at a level of \$80/person/day.

Table 3 Proposed Supportive Services Funding Framework & Early Capital Match			
Source	Est Ongoing Revenue (annual)	One-Time Early Capital Match	Additional Detail
HHAP-3, HHAP-4	\$ 2,200,000	\$ -	\$2.2M from the \$8.5M shared jointly with CoC and County (=\$1.1M)
Measure O/PSH	\$ 500,000	\$ -	All of the \$500K allocation for Permanent Supportive Housing
Housing Vouchers	\$ 2,520,000	\$ -	Assumes 150 Sonoma County Housing Authority vouchers valued at \$16,800 each. These vouchers may not be used in Santa Rosa.
Residual HHAP-1 Funds	\$ -	\$ 1,300,000	From the HHAP-1 County funds - emergency shelter-oriented
Other Capital Sources	\$ -	\$ -	Other sources may be identified that can be used for the Early Capital Match
Total	\$ 5,220,000	\$ 1,300,000	Note: Other local revenues, including General Fund, may be used by cities and counties to contribute to capital costs or operating costs above \$80/person/day.

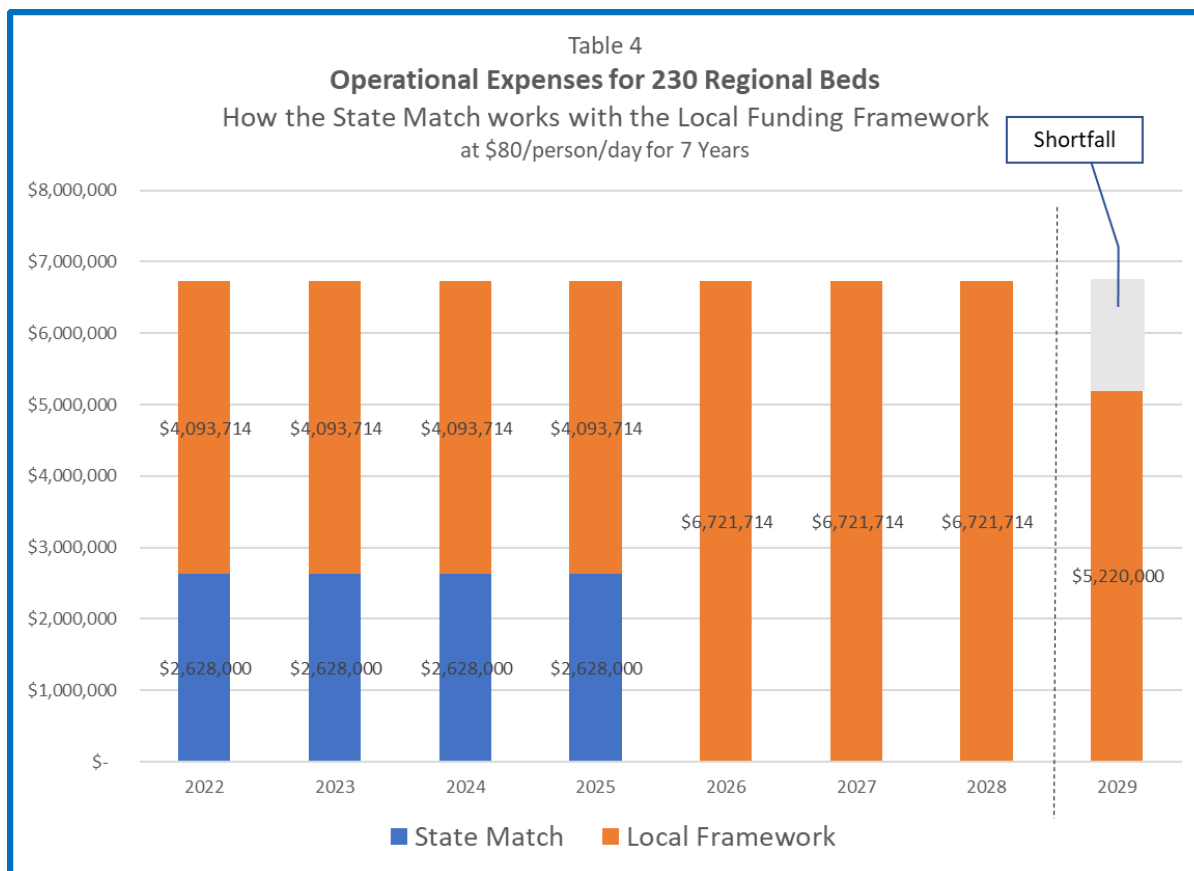
In the Framework, we note that city and County general fund contributions are not requested - this is because it assumes that cities and the County may invest General Fund dollars and other local funds for site purchases and that any operational costs over \$80/person/day would be borne by the partnering local government (i.e. this Framework serves a base that either entirely addresses the costs per day or provides an \$80/person/day contribution towards the total costs).

**PHK Measure O Services Cohort.** The funding framework assumes an ability for localities to offset some intensive behavioral health costs *outside of the framework* via a new **PHK Services Cohort** coordinated by the Department of Health Services (DHS) that could offset some of the professional services costs at PHK sites and expand to incorporate partners' resources. The new PHK Services Cohort would combine qualified County expertise with city contacts to approach high-level behavioral health and case management needs via a regionwide team. This multidisciplinary intervention would offer collaborative case management, peer support, access to care, and supplementary community services and supports. This wraparound service approach is key to improving health outcomes and housing stability for homeless individuals and families. This PHK Services Cohort would be made up of multidisciplinary City and County staff, including social workers, substance abuse counselors, specialists in supported employment, peer counselors, outreach workers, family coordinators, and others.

The goal of the cohort would be the development of trusting relationships, active assistance in accessing needed resources and supports, case management, treatment, and other appropriate services through frequent contacts, a team approach, and a long-term commitment of support as needed. This team will coordinate the care plans and service goals for PHK cohort participants. As PHK-2 focuses on sheltering Sonoma County's vulnerable homeless population, this cohort will engage with those receiving housing at these sites, stabilizing individuals, linking them to vital resources that address their mental health, addictive disorder, employment, food and benefit needs creating cost efficiencies for larger systems such as emergency rooms and criminal justice systems.

Staff is recommending that the Board initially approve the use of up to \$500,000 of Measure O funds to establish the new PHK Services Cohort and to work with the jurisdictions to evaluate the efficacy of the multidisciplinary County and City model after the initial 12 months of operations supporting PHK sites.

The proposed **local Framework's contributions** combined with eligible **State operational subsidies** under PHK -2 may generate the amount we assume would be needed annually for a seven-year PHK program with 230 new beds. *NOTE: At the end of seven (7) years, a shortfall occurs, as the State's support is no longer part of the revenues. **Table 4** shows this timeframe.*



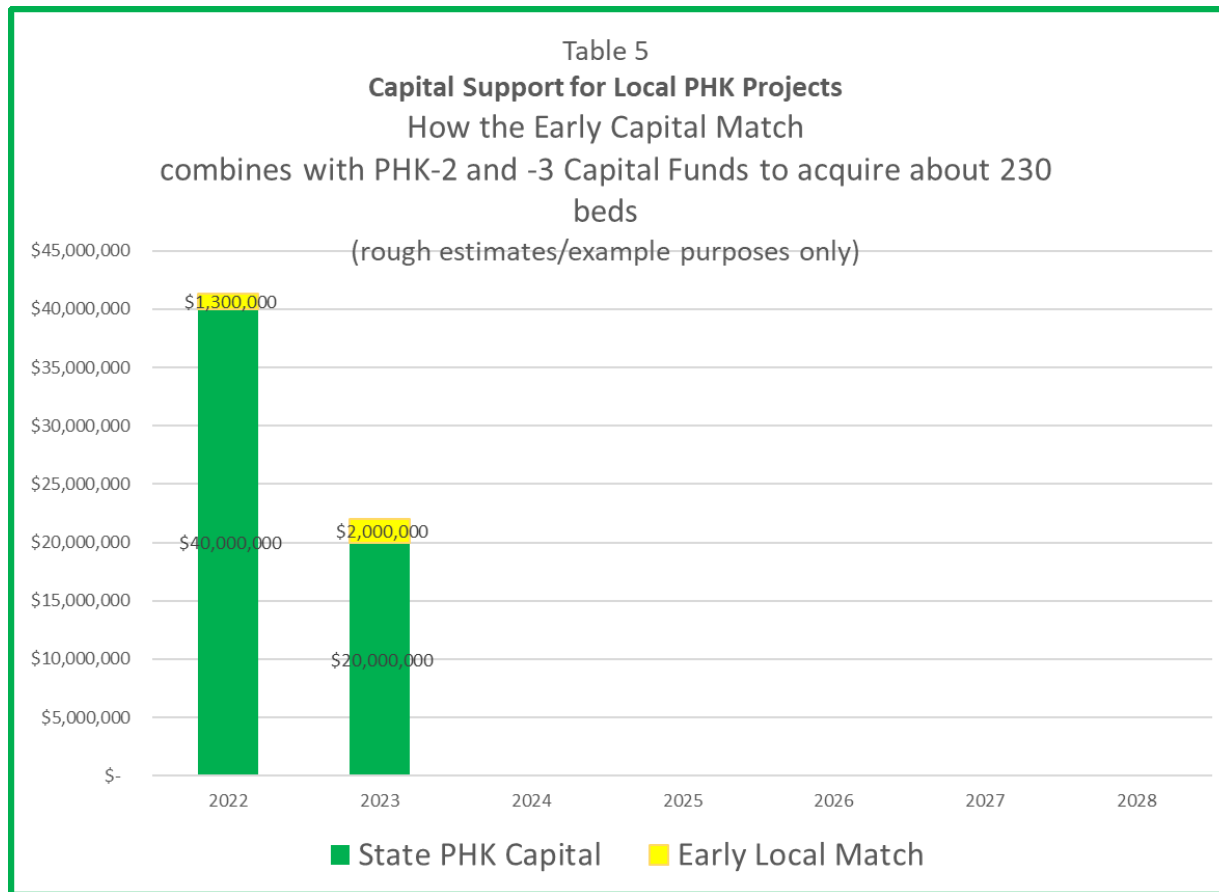
Various alternatives to fill the gap starting in 2029 may be available:

- Optimally, the Continuum of Care is functioning well before 2029 and we have also built more affordable housing. Fewer persons are experiencing chronic homelessness, and fewer intensive services beds are needed.
- We've improved the regional model and taken advantage of economies of scale with more regionalized service provision system for supportive care.
- Security costs have been better addressed, including with on-site, lived experience persons staffing facilities in this regard.
- More State or Federal support may be available, should the need continue.

**Table 5** shows the capital side of the PHK picture, and is shown for *example purposes only*. At the time of this staff report, the total regional capital request from Sonoma County and our partner cities appears to be in the range of \$40,000,000 to \$50,000,000. Depending on the type of project (modular units, interim housing, or



full reconstruction of motel rooms), the resources may translate into 150 to 230 beds.



**Possible Project Homekey-2 Projects and Partners.** As noted, cities are independently looking at some locations within their jurisdictions, and have not needed County help except for the important operational and early capital funding mentioned in this staff report. But the need may be greater than those projects, especially in unincorporated areas. County and CDC staff have reviewed these locations as a part of our own PHK-2 efforts:

1. **George’s Hideaway** near Guerneville (18084 Highway 116, Guerneville, CA). This is a 2.04-acre site that is available for sale, and could accommodate up to 26 safe parking areas and/or modular homes, as well as later including some renovated existing structures at the location for additional units and support buildings. Our operational partner here would be **West County Community Services**.

The Resolution in Attachment 2 would authorize the submission of a Project Homekey application for this project. Should the project be identified by the State for funding, staff will come back to the Board for approval of a detailed operational plan (including site improvements). Our goal would be to secure the funds and final agreement under Homekey within roughly 3-4 months of being notified that an application was approved.

Rapid movement is important, as the NOFA offers a bonus of \$10,000 per unit (in one-time funds) to assist with operational costs if this project is **fully populated** within eight (8) months of the award date. Regardless of the bonus award, all capital funds must be expended within eight (8) months of an award.

As staff prepares the plan for George's Hideaway, we will start to develop a plan using matching capital of \$500,000 from the \$1,200,000 now reserved for a West County emergency shelter. While no local capital match is required, a local capital match provides 1:1 more capital per unit up to \$100,000 per unit as described previously.

2. The **Redwood Inn** in unincorporated Santa Rosa (1670 Santa Rosa Avenue, Santa Rosa, CA). This 24-unit motel with 33 RV spaces could accommodate a partnership with a Transition Aged Youth service provider like SAY or TLC, meeting an important local need. The TAY element would not encompass the entire project. Adults and families could reside there as well. Staff recommends that this site be pursued if we are able to master lease it for up to five years and seek a project partner that can fully operate the site.

Staff generally limited its conversations about potential PHK-2 projects to city representatives and long-established community-based providers (as the NOFA [page 19] assigns more points to applications with established service partners).

A project proposed by **Homeless Action Sonoma** (HAS) for a 0.6-acre site at **18820 Sonoma Highway** just north of the city of Sonoma was primarily reviewed by staff as a Safe Parking/Indoor-Outdoor shelter project (HAS submitted a proposal under the September 2021 NOFA for this same site). HAS has also asked the County to consider being a co-applicant to Project Homekey-2 for elements of this project that may be eligible for Homekey. They have proposed a mix of interim and permanent supportive housing that may work within PHK's parameters. It may be possible for the County to co-apply under a partnership with HAS that leads to PHK-2 or -3 funding for this project that does not involve ownership or a long-term funding commitment by the County.

Staff has not proposed new County PHK acquisitions beyond George's Hideaway, though staff does believe it important to explore other possible non-ownership alternatives (such as a TAY-oriented site at the Redwood Inn and the HAS site along Sonoma Highway).

The reason for a more modest approach to PHK-2 acquisitions is that the County Administrator notes that the County already is involved in PHK and other supportive housing efforts (PHK via the Mickey Zane Place and Elderberry Commons sites). Operational costs of any new County-owned facilities will need an independent funding source and a formal commitment for funding. This is challenging given limited resources. The proposed Framework could fund operational costs for 7 years, but at Year 8 and beyond, owners and operators will need to revisit funding sources and/or a more efficient service delivery system for supportive and other services.

**More about the Safe Parking - Indoor/Outdoor Shelter NOFA.** As the Board is aware, the County is also entertaining responses to a NOFA issued September 13, 2021 that proposed allocating up to \$2 million for projects that provide interim non-congregate shelter facilities. These are projects separate from PHK-2, as



they involve installations that are generally temporary and interim in nature, and are geared more towards expanding the entry door from homelessness (the first stabilization step), while Homekey generally is for persons stabilized and more ready for supportive housing.

Proposals have been submitted for various sites, including (as mentioned above) in the Sonoma Valley, Petaluma, and Santa Rosa. These requests have not been fully analyzed by county staff. Staff will be bringing the potential NOFA awards to the Board on December 7, 2021.

**Strategic Plan:**

This item directly supports the County's Five-year Strategic Plan and is aligned with the following pillar, goal, and objective (among other goals and objectives).

**Pillar:** Healthy and Safe Communities

**Goal:** Goal 4: Reduce the County's overall homeless population by 10% each year by enhancing services through improved coordination and collaboration.

**Objective:** Objective 5: Continue to collaborate with local partners, including Continuum of Care, to advance planning and policies to address homelessness.

**Prior Board Actions:**

08/31/2021: The Board discussed some of these items and issues on this date.

**FISCAL SUMMARY**

<b>Expenditures</b>	<b>FY 21-22 Adopted</b>	<b>FY22-23 Projected</b>	<b>FY 23-24 Projected</b>
Budgeted Expenses			
Additional Appropriation Requested	~\$2,900,000	~\$2,900,000	~\$2,900,000
<b>Total Expenditures</b>	<b>~\$2,900,000</b>	<b>~\$2,900,000</b>	<b>~\$2,900,000</b>
<b>Funding Sources</b>			
General Fund/WA GF			
State/Federal	~\$1,100,000	~\$1,100,000	~\$1,100,000
Fees/Other: including Measure O	~\$1,800,000	~\$1,800,000	~\$1,800,000
Use of Fund Balance			
Contingencies			
<b>Total Sources</b>	<b>~\$2,900,000</b>	<b>~\$2,900,000</b>	<b>~\$2,900,000</b>

**Narrative Explanation of Fiscal Impacts:**

Budget adjustments will be included in the budget via consolidated adjustment and/or future recommended budgets. The Supportive Services Funding Framework Resolution includes the following commitments:

- Up to \$1.1 million annually of the grants received by the County of Sonoma under the State of California's Homeless Housing Assistance and Prevention (HHAP) (Rounds 3 and 4 and beyond if the latter are authorized by the State) shall be allocated to provide supportive services for Project Homekey sites.
- Up to \$500,000 of funds designated for Permanent Supportive Housing under Measure O may be

allocated to provide supportive services for Project Homekey sites which specifically are permanent supportive housing.

- c. Up to 150 housing vouchers from the Sonoma County Housing Authority may be allocated to provide services for Project Homekey sites.
- d. At least \$1.3 million in other funds, which may include but not be limited to residual HHAP-1 County funds or other capital funds to be determined may be allocated for an Early Capital Match Incentive for County- or city-sponsored Project Homekey projects.
- e. Up to \$500,000 to establish the Measure O PHK Cohort.

It is likely that the George's Hideaway project, if approved under Homekey for funding, would include allocating an amount up to \$500,000 in funds set aside for a West County emergency shelter. As noted, a detailed plan for George's Hideaway (or any PHK-2 project) would be brought back to the Board for final approval should the State respond favorably to an application(s) from the County.

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

**Narrative Explanation of Staffing Impacts (If Required):**

Not applicable at this time.

**Attachments:**

Attachment 1: Resolution Approving a Project Homekey Supportive Services Funding Framework and Early Capital Match program

Attachment 2: Resolution Authorizing applications for specified sites, including George's Hideaway, under Project Homekey-2

Attachment 3: More detail about the Supportive Services Funding Framework and Early Capital Match Program

Attachment 4: Project Homekey Round 2 Powerpoint Presentation

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

None