



## Legislation Details (With Text)

**File #:** 2022-0141  
**Type:** Regular Calendar Item      **Status:** Agenda Ready  
**File created:** 2/1/2022      **In control:** Community Development Commission  
**On agenda:** 3/22/2022      **Final action:**  
**Title:** An Update on Homekey-2, Allocation of Early Capital Match  
**Sponsors:** Community Development Commission, Health Services  
**Indexes:**  
**Attachments:** 1. Summary Report, 2. Attachment 1 - PowerPoint Presentation

Date	Ver.	Action By	Action	Result
3/22/2022	1	Board of Supervisors	Approved as amended	Pass

**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, (707) 565-7504; Tina Rivera, (707) 565-7901  
**Vote Requirement:** Majority  
**Supervisorial District(s):** Countywide

**Title:**  
An Update on Homekey-2, Allocation of Early Capital Match

### Recommended Action:

- A) Receive an update on Project Homekey Round #2 efforts; and
- B) Authorize the Interim Executive Director of the Community Development Commission, or designee, to enter into agreements with cities to distribute the Early Capital Match for Homekey-2 projects, in this manner:
  - i) \$950,000 (from County HHAP-1 or -2 funds) to the City of Healdsburg for the Healdsburg/Reach for Home project at L&M Village; and
  - ii) \$600,000 (from County HHAP-1 or -2 funds) to the City of Petaluma for the Petaluma/Committee on the Shelterless (COTS) project at Montero Place.

### 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 (“Homekey”) helping many individuals and families (including in Sonoma County at the Hotel Azura and the Sebastopol Inn) move into interim and supportive housing throughout the State.

In 2021, the State has offered \$1.45 billion in funds for Project Homekey Round #2 (Homekey-2). Homekey-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.

At the Board's October 26, 2021 meeting, the Board gave direction to, among other things, assist local Homekey projects with important "early capital match" funds. These local funds are leveraged with State funds to maximize local Homekey awards.

This agenda item's main recommended action addresses the early capital match awards.

Also, on October 26, 2021, the Board approved a Supportive Services Funding Framework using Measure O, State Homeless Housing, Assistance, and Prevention funds (HHAP), and project-based housing vouchers. More detail is in the Discussion section. The Board also authorized the County to be a co-applicant on three other Homekey projects. These are:

1. George's Hideaway west of Guerneville (a 21-unit Permanent Supportive Housing (PSH) project);
2. Redwood Inn Transition-Aged Youth (TAY) and Senior PSH in unincorporated Santa Rosa (a 56-unit mix of interim housing and PSH); and
3. Homeless Action Sonoma (HAS) just north of the City of Sonoma along Highway 12 (an 18-unit PSH project).

Of the three, the CDC submitted a complete application in mid-December 2021 for the George's Hideaway Project. The Redwood Inn TAY project application was submitted the week of March 14. The HAS project has not been submitted, and may be part of Homekey Round #3 in October 2022.

In the meantime, projects in Healdsburg, Petaluma, and Rohnert Park were funded by Homekey-2.

While the application deadline is May 2, 2022, the geographic allocation for the Bay Area has been oversubscribed as of the date of this report, putting the George's Hideaway and HAS project into a different Homekey allocation (the State's 20% discretionary reserve, which may or may not be allocated as soon as March 2022). The transition aged youth (TAY) specific allocation is not oversubscribed as of the date of this report.

This agenda item today updates the Board on the Homekey-2 efforts across the Sonoma County region, and recommends an allocation of the Early Capital Match. Important note: The recommended action proposes using an additional \$250,000 from State sources assigned to the County to add to the \$1.3 million in Early Capital Match that your Board considered in October 2021.

### **Discussion:**

The California Department of Housing and Community Development (HCD) announced the availability of approximately \$1.45 billion in Homekey-2 funding statewide. Homekey-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."

Homekey-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 Homekey-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-2 sites.

Funds are broken down by geographic region throughout the state and have specific carve-outs for tribal entities and TAY projects. The Board’s staff report on October 26, 2021 has more detail.

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As of the date of this staff report, the following Homekey-2 applications and awards are shown in Table #1:

*Table 1 - Homekey-2 Efforts in Sonoma County*

Agency/Co-Applicant	Name or Location	Type of Housing	Number of Units/Doors	Status
Santa Rosa/St. Vincent De Paul	Gold Coin	PSH	54 (est)*	Submitted, but in oversubscription
Santa Rosa/ Catholic Charities of SR	Caritas Center	Interim Housing	38*	Submitted, but in oversubscription
Petaluma/Burbank Housing	Montero Place	PSH	60	Awarded (\$15.7M)
Rohnert Park/ HomeFirst	Labath site	Interim Housing	60	Awarded (\$14.68M)
Healdsburg/Reach for Home	L&M Village	Interim Housing	22	Awarded (\$7.05M)
Unincorp County/ West County Community Services	George’s Hideaway	PSH	21	Submitted (\$7.56M), but in oversubscription
Unincorp County/TLC Child & Family Services	Redwood Inn TAY	Interim and PSH	16 Interim and 40 PSH (56)	Submitted (est \$17M), in review

Unincorp County/ Homeless Action Sonoma	18820 Highway 12, Sonoma	Interim and PSH	18	Application Pending - Homekey #3
		Total Beds =	237*	

\* Doesn't include Gold Coin or Caritas

**Funding:**

Much of the funding for Homekey-2 is provided by the State, as noted above. But if localities can provide certain funding, it increases the amount of State funding that can be awarded to a local program. This includes:

If an **Early Capital Match** of up to \$100,000/door can be provided, Homekey capital awards 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).

If a locality can provide 4 years of **Supportive Services/Operational Support**, Homekey will provide up to 3 more years of support. Operational support, offered via a one-time Capitalized Operational Subsidy Reserve or "COSR" occurs 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.

In October 2021, the Board worked with cities and County staff to develop both (a) an Early Capital Match program (first envisioned at \$1,300,000) using funds allocated to the County from the Homeless Housing, Assistance, and Prevention (HHAP) annual program; and (b) 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 \$80 or more/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 Supportive Services Funding Framework that the Board of Supervisors and Continuum of Care Board agreed in concept to in October 2021 provides up to \$80/person/day (including the State subsidy) for at least seven years. It does so using:

- County and Continuum of Care HHAP funds (\$1.1 million each, total \$2.2 million annually);
- Measure O's allocation for Permanent Supportive Housing (\$500,000 per year); and
- Project-Based Housing Vouchers (up to 150 vouchers worth about \$2.52 million a year)

**Homekey-2 Measure O Services Cohort:**

The funding framework also assumes an ability for localities to offset some of their high-needs clients' behavioral health costs outside of the framework via a new **Homekey Services Cohort** coordinated by the Department of Health Services (DHS) that could offset some of the professional services costs at Homekey

sites and expand to incorporate partners’ resources.

The new Homekey Services Cohort would work with Homekey sites to provide high-level behavioral health and case management needs via a region-wide 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 Homekey Services Cohort is likely to include behavioral health clinicians, social workers, substance abuse counselors, specialists in supported employment, peer counselors, outreach workers, family coordinators, and others.

The Board approved this Cohort in concept on October 26, 2021 as well. Since that time, Director Rivera, County Administrator Bratton, and interim Director Kiff have been working with cities and service providers to determine how to make this Cohort function in the best manner possible. We will update the Board further in the weeks ahead as the FY 2022-23 budget is considered.

**Today’s Board Item:**

Today’s item is an update on the applications (as shown in this Summary Report) and asks for direction on allocating the Early Capital Match. Staff evaluated the requests based in part on:

- The geographic need for/value of the project. Is the project in an area where interim housing or PSH is needed, and would this specific project provide significant value to both the immediate region’s and the county’s continuum of care?
- Local commitment that may have involved significant up front and in-kind costs, or the ongoing allocation of local resources to the project (outside of the Homekey or Funding Framework resources).

**Project Summaries:**

The projects that have sought early capital match funding, along with the amount sought and the amount recommended for funding, are shown in Table 2 - Requests and Recommendations:

*Table 2 - Requests and Recommendations*

Project Name	Beds	Local Commitment	Total Homekey Award (est.)	Early Capital Request	Amount Recommended
L&M Village (Healdsburg)	22	Operations cost above \$80/day (est. up to \$32/day more); Healdsburg notes that the L&M is the first North County non-congregate shelter project, while other areas have received other funds	\$7,050,000	\$1,100,000	\$950,000 (from HHAP-1 or -2)
Montero Place (Petaluma)	60	\$832,000 in capital, construction management, \$483K/year in client services	\$15,700,000	\$700,000	\$600,000 (from HHAP-1 or -2)
George’s Hideaway (Unincorp County)	21	Tentative: \$866,000 in Russian River shelter redevelopment funds and \$400,000 in Safe Parking Funds	\$7,560,000	\$1,266,000	No new allocations - project awaits approval by State
Redwood Inn TAY Project (Unincorp County)	56	TBD	\$17,000,000	\$5,250,000	*

				<b>Total Recommended =</b>	\$1,550,000
				<i>From HHAP-1</i>	\$1,300,000
				<i>From HHAP-2</i>	\$250,000

\* Should the Redwood Inn project be funded, the County and TLC anticipate seeking other local, State, and philanthropic sources to address the significant local capital demand of \$5.25 million.

As noted, the amount recommended for funding (\$1,550,000) is \$250,000 more than the initial allocation in October 2021. We are recommending allocating the additional \$250,000 from HHAP-2 (County) funds, as these funds are reserved for supportive housing projects such as Homekey. There is enough residual funding in the County’s allocation of HHAP-1 and HHAP-2 to provide for this increase.

Both Healdsburg’s and Petaluma’s requests and justifications are quite sound, and significantly change the housing situation in South and North County. Healdsburg is now siting the first substantive North County facility and has made a significant financial commitment to the project work at rates above \$80/person/day (a smaller project can have less economies of scale than a larger one, resulting in greater costs per day).

Petaluma’s substantial 60-unit Permanent Supportive Housing project and strong local commitment of discretionary funds to the Montero Project are equally important to South County. This project is part of a significant financial and practical effort in Petaluma to address homelessness - from increasing non-congregate shelter space at People’s Village to the new SAFE team (a collaboration between the City and Petaluma People Services).

**Strategic Plan:**

This item directly supports the County’s Five-year Strategic Plan by significantly increasing the region’s number of Interim and Permanent Supportive Housing beds. These post-shelter and early entry beds are critical to stabilizing persons coming out of homelessness, and will assist in reducing the County’s overall homeless population by 10% or more each year. The action 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.

10/26/2021: Board item about Supportive Services Funding Framework, Early Capital Match, and Measure O Behavioral Health cohort.

**FISCAL SUMMARY**

<b>Expenditures</b>	<b>FY 21-22 Adopted</b>	<b>FY 22-23 Projected</b>	<b>FY 23-24 Projected</b>
Budgeted Expenses			
Additional Appropriation Requested	\$1,550,000		

<b>Total Expenditures</b>	<b>\$1,550,000</b>		
<b>Funding Sources</b>			
General Fund/WA GF			
State/Federal (HHAP-1, HHAP-2)	\$1,550,000		
Fees/Other			
Use of Fund Balance			
Contingencies			
<b>Total Sources</b>	<b>\$1,550,000</b>		

**Narrative Explanation of Fiscal Impacts:**

If approved, this item would allocate \$1,550,000 in State Homeless Housing, Assistance, and Prevention Funds (HHAP-1 and HHAP-2) towards two projects (Healdsburg and Petaluma). Should the George’s Hideaway project be approved next, the CDC staff will return to the Board with a request to allocate certain redevelopment funds and safe parking funds to that effort’s early capital match requirements. Appropriations will be added to the FY 2021-22 Adopted Budget during the 3rd Quarter Consolidated Budget Adjustments.

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

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

N/A

**Attachments:**

None

**Related Items “On File” with the Clerk of the Board:**

None