



REPORT

ITEM 105

DATE: For the Housing Commission Agenda of December 1, 2000

REPORT NO.: HCR00-110

SUBJECT: Funding for Short-Term Transitional Housing Facility for Families
(Council District 3)

SUMMARY

Issue No. 1: Should the Housing Commission approve funding of \$415,000 towards the City's purchase and rehabilitation of a facility to serve as transitional housing for homeless families?

Recommendation No. 1: That the Commission grant the \$415,000, requested by the City, for acquisition/rehabilitation of the Days Inn Motel, located at 1449 Ninth Avenue, at Beech Street, to house 47 homeless families in an intensely service-enriched environment, contingent on a complete financing package satisfactory to the CEO and on recordation of a Grant Memorandum and a Declaration which would make the grant revocable if the property is sold or reverts to a different use.

Recommendation No. 2: That the Commission approve and recommend Housing Authority approval to amend the Commission's FY01 Budget, adding \$137,786 of Housing Trust Fund Redevelopment carryover funds from FY00 to the FY01 Special Purpose Housing account, Loans and Grants line item, to implement the proposed action.

Fiscal Impact: Funding the recommended action would utilize all remaining Housing Trust Fund Redevelopment carryover funds and would also utilize Housing Trust Fund Linkage Fee monies, as follows:



Certificate of Funding Availability:

Certificate No.:	01-115	
Amount:	\$ 137,786	\$277,214
Revenue Source:	HTF Redevelopment	HTF Linkage
Department:	Housing Finance and Development	
Line Item:	Grants	

Affordable Housing Impact: Approval of the recommendations will contribute to making 47 service-intensive transitional housing units available to homeless families with very low income.

Environmental Review: Centre City Development Corporation (CCDC) is responsible for environmental review of this project. Under the California Environmental Quality Act (CEQA), acquisition and rehabilitation of existing facilities are categorically exempt from environmental review, pursuant to §15301 of the CEQA Guidelines.

Previous Related Action: On November 14, 2000, City Council approved the City's acquisition and rehabilitation of Days Inn for short-term transitional housing for families. As of this writing, Council was scheduled to consider the particulars of the financing package on November 21, 2000; Housing Commission participation was assumed in the financing package.

Future Related Action: Housing Authority approval of the actions proposed here.

BACKGROUND

This request for funding from the City (Attachment 1) was received under the Housing Trust Fund's Targets of Opportunity Program, which accommodates consideration of proposals for which the NOFA or an RFP process is not feasible or appropriate. Staff deemed the request urgent because of the City's desire to move ahead with this housing for homeless families as soon as possible. It was initially hoped the facility could be ready to accommodate its target population this winter. Although that goal is no longer considered possible to achieve, the City needs to act quickly if it is to complete the Days Inn acquisition and rehabilitation in time for a 2001 opening.

Because the City is the prospective owner of the facility, staff did not carry out the standard organizational capacity analysis and is relying on the City's project development team for appraisal review, environmental review, and accurate estimates of rehabilitation and operating costs. Nevertheless, staff will carefully review the City's data before release of funding.

The City has discussed the need for a permanent, year-round facility for homeless families for the past few years, and, for some months, has been seriously pursuing a number of proposals for facilities that could be used to house homeless families. The definition of "family" for these purposes is a household consisting of one or more adults with one or more children. The need for a year-round shelter and short-term transitional housing were both considered. Last winter's City-sponsored family shelter served 226 families in leased facilities.

Various locations that were proposed were ultimately found infeasible because of cost, community opposition, or other factors. The Days Inn Motel (location map, Attachment 2) was identified relatively recently and rapidly emerged as the most promising option. On October 11, City Council's Land Use and Housing Committee unanimously endorsed the plan to purchase and convert the Days Inn property for this use, and the City Council and Redevelopment Authority ratified the Committee's endorsement on November 14.

DISCUSSION

Although transitional housing for 47 families (up to 150 persons) addresses only a portion of the need for basic shelter for homeless families, the opportunity for the City to own this facility removes some of the yearly uncertainties about sheltering homeless families and enables the City to reduce homelessness by providing a service-enriched environment to help families surmount the circumstances that resulted in their becoming homeless.

The Days Inn property has, in addition to the 47 fully furnished living units, a laundry room, an office, a two-room manager's suite, and approximately 17,500 square feet of land. Individual units are equipped with microwave ovens and refrigerators for residents' use, but meals will be brought in and served communally by service organizations. There are ongoing discussions about the possibility of using the surplus land on the property for future development of additional housing.

The concept under which the new short-term transitional facility would operate is to offer housing, typically for a period of 60 to 90 days, though without an absolute limit on length of stay except in cases of families who refuse to cooperate with caseworkers. The caseworkers, after assessing the needs of each individual family unit, would link the family with all appropriate health and social services and would assist the family to find permanent housing. By contrast, emergency shelters provide housing only for up to 30 days and services are quite limited.

The listing price for Days Inn is \$3.5 million. An estimated \$500,000 of rehabilitation is needed, bringing the development cost to \$4 million (the City is

absorbing the "soft" development costs). The City's intended sources of development funds are a federal Section 108 loan of \$3.5 million, a one-time \$85,000 allocation (grant) of CDBG funds, and the proposed Housing Commission grant. Until the "108" loan can be secured, a bridge loan may be necessary; it is currently anticipated that Centre City Development Corporation (CCDC) would fund a bridge loan. The City hopes to repay the "108" loan through a combination of private donations (\$2 million), State Emergency Housing Assistance Program funds (\$500,000), and CCDC permanent funds (\$500,000); but as a back-up plan for meeting annual payments of \$325,000 starting in 2002, City staff would request CDBG funds through the annual allocation process.

Since the Days Inn property would not be ready for use as short-term transitional housing for families until sometime in 2001, the City is preparing to lease a building downtown which can, with minimal installations, serve as a family shelter. After Days Inn facility is ready for use, the City would continue to operate a family shelter to accommodate the "overflow population" – families who cannot be accommodated at the 47-unit Days Inn.

The estimated operating budget for the City's "shelter program" (i.e. the inclement weather shelters for single adults and for veterans, and year-round shelter – including Days Inn -- for families) through June 30, 2001 is \$720,915 (Attachment 3). Sources totaling \$748,913 have been identified for meeting shelter program expenses. The sources include the \$445,000 in the Commission's FY01 Budget set aside for operation of the City's shelters. With the opening of the Day's Inn facility and on into the future, operating expenses for the shelter program, which would include the Days Inn transitional housing, can be expected to increase.

In conclusion, a \$415,000 one-time contribution towards the City's purchase and acquisition of Days Inn Motel would yield the benefits of providing a safe, stable setting for homeless children and their families, immediately and for years to come, and housing them in an environment purposefully designed to help them out of homelessness on a sustained basis. However, because Days Inn can accommodate only 47 families at a time and the families will remain in transitional housing longer than they would in a shelter, the proposal is likely to result either in higher costs overall in the future to provide shelter and transitional housing for families or in the City's sheltering fewer homeless families.

ALTERNATIVE

Do not approve the recommended contribution. It is not clear that the City would be able to identify an alternative source of funding to go forward with the rehabilitation of the Days Inn at this time, thus delaying or compromising the City's ability to provide short-term transitional housing for families. Although shelters can

accommodate more families for shorter periods, they lack the long-range benefits of transitional housing, both to the families sheltered and to the City.

Respectfully submitted,

Pat Duplechan
Director, Housing Programs

**Signature on File
With Original Document**

Approved by,

Elizabeth C. Morris
Chief Executive Officer

- Attachments:
1. Request from City
 2. Project Location Map
 3. Preliminary Development and Operating Budgets

ATTACHMENT 3

Preliminary Development and Operating Budgets

DEVELOPMENT BUDGET

(for acquisition/rehabilitation of Days Inn)

<u>Sources</u>		<u>Uses</u>	
Section 108 Loan	\$3,500,000	Acquisition	\$3,500,000
Housing Commission	415,000	Rehabilitation	<u>500,000</u>
One-time CDBG Allocation	<u>85,000</u>		
TOTALS:	\$4,000,000		\$4,000,000

OPERATING BUDGET FOR SHELTER PROGRAM (through 6/30/01)

<u>Sources</u>		<u>Uses</u>	
General Fund	\$ 20,184	Winter shelters	
CDBG	16,169	for homeless men,	
ESG	242,560	veterans	\$ 403,600
Housing Commission	445,000	Family shelter*	317,315
CCDC	<u>25,000</u>	Reserves	<u>27,998</u>
	\$ 748,913		\$ 748,913

* and/or short-term transitional housing for families