



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Ragan Henninger

**SUBJECT:** SEE BELOW

**DATE:** April 11, 2022

Approved

Date

4/14/2022

**SUBJECT: CITY ROADMAP - EMERGENCY HOUSING CONSTRUCTION + OPERATIONS: PROPOSED EXPENDITURE PLAN FOR THE HOMELESS HOUSING ASSISTANCE AND PREVENTION PROGRAM**

## RECOMMENDATION

Adopt a resolution accepting the proposed expenditure plan for the Homeless Housing, Assistance, and Prevention program that will allow the Director of Housing to apply to the State of California's Homeless Housing, Assistance, and Prevention (HHAP) program for a one-time award in the amount of \$29,118,995.

## OUTCOME

Acceptance of the proposed HHAP expenditure plan allows the City of San José's (City) Housing Department to continue work on critical homeless services, including operation of interim housing programs; Motel Voucher Program; mobile hygiene; the Services, Outreach Assistance and Resources (SOAR) program; homeless youth services; and Lived Experience Advisory Board coordination and support.

## BACKGROUND

HHAP was signed into law on July 31, 2019 by Governor Gavin Newsom and is administered by the California Homeless Coordinating and Financing Council within the State of California's (State) Business, Consumer Services and Housing Agency. HHAP provides jurisdictions with flexibility to use funds that advance regional coordination to prevent and end homelessness with a focus on evidence-based best practices and services specific to the needs of homeless youth.

There have been three rounds of HHAP allocations to date. The below table identifies the funding amounts received by the City in rounds 1 and 2 and information regarding rounds 3 and 4, including deadlines to expend HHAP funds.

Source	Assembly Bill	State Appropriation	City of San José Allocation	Expenditure Deadline
HHAP Round 1	<a href="#">AB 101</a>	\$650 million	\$23,832,510.94	June 30, 2025
HHAP Round 2	<a href="#">AB 83</a>	\$300 million	\$11,266,278	June 30, 2026
HHAP Round 3	<a href="#">AB 140</a>	\$1 billion	\$29,118,995.18	June 30, 2026
HHAP Round 4	<a href="#">AB 140</a>	\$1 billion	TBD*	June 30, 2027

\* It is anticipated that the City’s allocation will be the same as HHAP3.

On July 19, 2021, Governor Gavin Newsom signed Assembly Bill (AB) 140 into law, establishing the third and fourth rounds of one-time HHAP funds. This memorandum focuses on HHAP Round 3 (HHAP3), which will disburse \$1 billion across all 58 counties in California, 44 continuums of care, 13 of the state’s largest cities, and to federally recognized tribal governments in the state. The City of San José’s (City) HHAP3 allocation is \$29,118,995.18, the County of Santa Clara’s allocation is \$13,558,428.74, and the Santa Clara County Continuum of Care’s (CoC) allocation is \$14,526,887.93. The resultant total HHAP3 allocation for these three entities is \$57,204,311.85.

**ANALYSIS**

***HHAP3 Timeline***

This year, the California Homeless Coordinating and Financing Council will release allocations in two disbursements as stipulated by AB 140. The first disbursement, 20% of the total allocation, will occur upon submission of an agreement that the jurisdiction will apply for the HHAP award. The remaining allocation will be released to jurisdictions upon approval of a full application. The Housing Department submitted the standard agreement to apply for an HHAP3 award on October 15, 2021. The California Homeless Coordinating and Financing Council<sup>1</sup> approved 20% of the total allocation to the City and funding in the amount of \$5,823,799.04 should arrive by April 2022. The City must submit the full HHAP3 application by June 30, 2022, after which the City will receive the remainder of the balance of \$23,295,196.14 in the fall of 2022.

The State requires the City to contractually obligate no less than 50 percent of HHAP3 allocations by May 31, 2024 and 100 percent of funds must be fully expended by June 30, 2026. HHAP3 funds not expended by the June 2026 deadline must be returned to the State.

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<sup>1</sup> On January 1, 2022, the Homeless Coordinating and Financing Council was renamed as the California Interagency Council on Homelessness (Cal-ICH). The Council and its staff continue to be housed administratively under the Business, Consumer Services, and Housing Agency.

If the City successfully meets the State approved outcome goals for HHAP3 funded programs by June 30, 2024, the State will provide a bonus award. The State has not yet established the program outcome goals for HHAP3. Bonus award allocations are awarded by formula based on the proportionate share of the homeless population for each eligible recipient, based on the homeless point-in-time count of each jurisdiction that is eligible for bonus funding, in relation to the total homeless population of all jurisdictions eligible for bonus funding, and other factors.

***HHAP3 Eligible Uses***

HHAP3 provides flexible eligible categories to ensure jurisdictions meet their emergency homeless and housing needs. No more than seven percent of the allocation may be used on administrative costs incurred by the City to administer the HHAP3 allocation and at least 10 percent of the program allocation must be used for services that meet the specific needs for homeless youth populations. The City is also required to demonstrate how it has coordinated with other jurisdictions to identify the City’s share of the regional need to address homelessness and how the requested HHAP3 funds will help to meet the City’s share of that need. Recipients of HHAP3 funds must comply with the Housing First model. Housing First is a nationally recognized approach to serving people experiencing homelessness that recognizes a homeless person must first be able to access a decent, safe place to live, that does not limit length of stay (permanent housing), before stabilizing, improving health, reducing harmful behaviors, or increasing income. The table below lists all HHAP3 eligible uses.

<b>HHAP3 Eligible Uses</b>	
<ul style="list-style-type: none"><li>• Rapid rehousing, rental subsidies, incentives to landlords</li><li>• Operating subsidies or reserves in new and existing sites</li><li>• Street outreach to assist persons experiencing homelessness to access permanent housing and services</li><li>• Services coordination needed to promote housing stability in supportive housing</li><li>• Interim sheltering</li></ul>	<ul style="list-style-type: none"><li>• Systems support to create regional partnerships and maintain a homeless services and housing delivery system</li><li>• Prevention and shelter diversion to permanent housing, including rental subsidies</li><li>• Delivery of permanent housing and innovative housing solutions</li><li>• Youth set-aside</li><li>• Administrative</li></ul>

***HHAP3 Expenditure Plan***

The table below summarizes the proposed expenditure plan for the City’s HHAP3 allocation.

<b>State Eligible Use/Category</b>	<b>Program</b>	<b>Cost</b>
Interim Sheltering	Interim Housing Operations	\$18,000,000
Youth Set-Aside	Acquisition of Pavilion Inn (\$2.2 million) Youth Set Aside TBD (\$800,000)	\$3,000,000
Interim Sheltering	Motel Voucher Program	\$3,000,000
Street Outreach	SOAR	\$3,000,000
Street Outreach	Mobile Hygiene	\$1,000,000
Systems Support	Lived Experience Advisory Board Partnership	\$200,000
Administration	Program and Grant Management by City Staff	\$918,995.18
<b>Total</b>		<b>\$29,118,995.18</b>

A description of each proposed program is provided below.

Interim Housing Operations

The Housing Department recommends using the majority of HHAP3 funds on service provisions and property management of some or all of the new and/or existing interim housing communities in San José. All the interim housing communities are currently operating as emergency non-congregate shelters. These include the three new Emergency Interim Housing (EIH) programs developed and implemented in response to the COVID-19 pandemic to quickly provide private and secure non-congregate shelter for vulnerable individuals and families. These sites, on Monterey Road, Rue Ferrari, and Evans Lane, provide modular sleeping units (a combined 317 beds) with individual shower and restroom facilities within each participant room; shared kitchen and laundry; office space for staff to provide services; a perimeter fence; onsite security; pet accommodations; communal gardens; onsite parking; full ADA accommodations; and close to public transportation. The EIH on Monterey Road serves individuals, the EIH on Rue Ferrari serves individuals and couples, and the EIH on Evans Lanes serves families with children. There are two additional EIH programs under development, Guadalupe/Taylor Street and Monterey/Branham, that may also receive HHAP3 funds for operations.

Another example of interim housing includes the two Bridge Housing Communities (BHC) on Mabury Road and Felipe Avenue. The BHCs offer private non-congregate shelter in the form of single occupancy sleeping cabins (a combined 80 beds) and shared restrooms, shower and laundry facilities, communal kitchens, office facilities, a perimeter fence, onsite security, pet accommodations, onsite parking, full ADA accommodations, and close to public transportation.

April 11, 2022

**Subject: Proposed Expenditure Plan for the Homeless Housing Assistance and Prevention Program**

Page 5

Lastly, there are HomeKey projects that may receive HHAP3 funds for services and operations. The City applied and received funding for the purchase of the SureStay Motel on N. First Street through Project HomeKey. Project HomeKey is an opportunity for state, regional, and local entities to develop a broad range of housing types and convert commercial properties and buildings to interim or permanent housing. The City recently submitted applications to the State Department of Housing Community and Development for additional HomeKey sites at the Arena Hotel on The Alameda. Additionally, staff anticipates it will submit an application for the Pacific Motor Inn on S. Second Street in the current HomeKey funding round. The State does not cover the entire cost of operating the HomeKey sites and the City must provide additional operating support to make the sites feasible. The HomeKey sites will no longer need subsidies when the sites are redeveloped, which staff estimates will be within the next five years. The HomeKey sites are all located near light rail or other major public transportation lines.

On September 29, 2021 the Rules and Open Government Committee approved a memorandum from the Mayor and Councilmembers Peralez, Jimenez, Foley, and Mahan recommending that the City have 1,000 EIH units and 300 HomeKey motel units under construction or completed by December 2022. While a variety of work is ongoing related to this goal, it is important to consider the potential one-time and ongoing cost considerations associated with such a significant investment. Should the City Council approve additional sites, funding will need to be identified to pay for the design, construction, and operating costs necessary to house residents at these new facilities. The addition of new interim housing sites will increase the ongoing obligation of the City to provide funds for operating costs.

The estimated annual expense to operate the two BHCs, three EIHs, and anticipated four Project HomeKey sites – once all sites are fully operational – exceeds \$30 million annually. While some of the interim housing solutions are designed to remain in place for multiple years, others will cease as the redevelopment of the sites move forward. The City plans to coordinate with identified developers on the redevelopment of the SureStay, Arena Hotel, and the Pacific Motor Inn. The Housing Department utilizes thirteen funding sources for the operation of these sites but only two are ongoing. A more in-depth discussion of the long-term budgetary implications of interim housing sites is included in the memorandum for Item 8.1, *Proposed Changes to the Allocation of Category Names of Measure Real Property Transfer Taxes*, that was initially heard at the City Council meeting on April 12, 2022 and continued to the April 19, 2022 meeting for City Council action.

The Housing Department is proposing to use \$18 million of the HHAP3 allocation to continue the operations of interim housing. A portion of the \$5.8 million HHAP3 initial disbursement will be used to extend current contracts in fiscal year 2022-2023 and continue the services and operations at one or more interim housing programs. Details on the proposed contractual breakdown of the HHAP3 initial disbursement will come to City Council for approval in spring or summer 2022. The Housing Department will return to City Council for contract approval of the remainder of the funds and appropriations once the balance of the HHAP3 allocation is received from the State.

Acquisition of Pavilion Inn; Youth Set-Aside TBD

A requirement of at least 10 percent of the total allocation, as well as at least 10 percent of the initial disbursement, must be set aside for services to youth experiencing homelessness.

The Housing Department is proposing to use \$2.2 million for the acquisition of Pavilion Inn, a project with the Santa Clara County Housing Authority as owner, Jamboree as developer, and the Bill Wilson Center as service provider. The Pavilion Inn, located at 1280 North Fourth Street, is located within a quarter mile of the Gish light rail station and approximately a half mile away from Raymond Bernal Jr Memorial Park and Rosemary Gardens Park.

The City transferred the rights to acquire the Pavilion Inn property to the Santa Clara County Housing Authority to apply for the State's HomeKey Program for housing of youth who are exiting out of the foster care system, known as Transitional Age Youth (TAY), and the HomeKey grant funding set-aside. The Santa Clara County Housing Authority proposes an integrated housing model that combines both interim and permanent housing for TAY and TAY families who are experiencing homelessness or are at risk of homelessness. Of the 43 total units, 14 will be permanent housing for TAY with young children. Twenty-five units will provide interim housing to TAY enrolled in Transitional Housing Plus, a program that provides financial assistance and intensive case management to youth ages 18 to 25 who are in school or employed. Three units will be set aside as mentor units and one will be for an on-site manager. The interim housing component of the proposed project will allow residents to stay up to 24 months at the Pavilion Inn before transitioning to permanent housing. TAY in the Transitional Housing Plus program can reside in the facility for an additional 12 months (for a total of 36 months) as long as they remain in the program and are under the age of 25.

In addition, in coordination with the County of Santa Clara, the Housing Department will issue a request for proposals for a portion of the Youth Set-Aside programming totaling \$800,000 in HHAP3 funds. The selected organization(s) shall operate a yet to be determined program beginning in fiscal year 2023-2024. The Housing Department will return to City Council for approval of the proposed program for services to homeless youth after the competitive procurement process is complete and the balance of the HHAP3 allocation is received from the State.

Motel Voucher Program

The Motel Voucher Program provides temporary motel stays for families with children and/or survivors of gender-based violence with the goal of transitioning to temporary or permanent housing. The Housing Department is proposing to extend the current contract for the program with LifeMoves in the amount of \$3 million in HHAP3 funds to continue operating the program over two years beginning in fiscal year 2022-2023. The Housing Department will return to City Council for approval of extending the Motel Voucher Program contract once the remaining balance of the HHAP3 allocation is received.

April 11, 2022

**Subject: Proposed Expenditure Plan for the Homeless Housing Assistance and Prevention Program**

Page 7

### SOAR

The SOAR program provides comprehensive street-based outreach and support services as well as housing and shelter opportunities for unsheltered individuals in targeted homeless encampments. The initial SOAR program was funded with a one-time Emergency Solutions Grant from the federal CARES Act monies and serves approximately 16 encampment locations. The City Council approved an additional \$3 million from the City's American Rescue Plan Fund in 2021-2022 to expand the SOAR program by approximately 10 additional sites.

The HHAP3 funds will allow the SOAR program to continue in fiscal year 2022-2023. The Housing Department is proposing to extend the two current SOAR contracts: 1) People Assisting the Homeless (PATH) in the amount of \$1 million to continue the SOAR outreach program in up to six identified encampments and 2) HomeFirst in the amount of \$2 million to continue the SOAR outreach program in approximately ten identified encampments. The Housing Department will return to City Council for approval these extended agreements once the remaining balance of the HHAP3 allocation is received.

### Mobile Hygiene

Mobile Hygiene through WeHOPE's Dignity on Wheels program provides mobile shower and laundry services to unsheltered individuals across San José. In coordination with the County of Santa Clara and Destination: Home, the Housing Department will expand the services of Dignity on Wheels through increased routes, staffing, trailer capacity, outreach, and/or case management and housing placement. With funding of \$1 million, the Housing Department is proposing to expand current services for two more years. Once a new scope of services is drafted and the remaining balance of the HHAP3 allocation is received, the Housing Department will return to City Council for approval of the contract extension with WeHOPE.

### Lived Experience Advisory Board Partnership

The City endorsed Community Plan to End Homelessness prioritizes lifting the voices of those who have lived experience of homelessness and incorporating their feedback and expertise in every aspect of homeless programming. In addition, the State application for HHAP3 funds requires that jurisdictions detail how they incorporate lived experience feedback and expertise in HHAP funded programs and spending plans. Destination: Home spearheaded the creation of Santa Clara County's Lived Experience Advisory Board (LEAB), a leadership development body consisting of members with current or past experience of homelessness. LEAB serves as a platform for people who have experienced homelessness to provide meaningful input to improve the regions supportive housing system.

The Housing Department is proposing to formalize a partnership with Destination: Home and LEAB for their advisory services on City projects and programs. The Housing Department is recommending a new contract with Destination: Home using \$200,000 from the HHAP3 funding to provide a partnership program for training and advisory services provided by LEAB members or those with lived experience of homelessness. Lived experience expertise and advice should be incorporated on a number of City-funded or supported projects including policy development, solicitations review, homeless program design and evaluation, contracts with homeless service

April 11, 2022

**Subject: Proposed Expenditure Plan for the Homeless Housing Assistance and Prevention Program**

Page 8

providers, and community outreach provisions as well as time spent on staff interviews and request for proposal panels. This aligns with the Housing Department’s commitment to equity and inclusion by ensuring that people with lived experience have an opportunity to comment and be engaged in the development of policies and programs. The Housing Department will return to City Council for approval of a new two-year agreement with Destination: Home once the remaining balance of the HHAP3 allocation is received.

Program and Grant Management by City Staff

The Housing Department is proposing 3% of the HHAP allocation for administration of the program. The State allows a maximum of 7% of a jurisdiction’s total allocation for administration. The State application for HHAP funds is an intensive process requiring regular meetings with the State, coordination locally with the homeless Continuum of Care and a State application that is typically over 50 pages of narrative. Currently, there are 20 grantees who receive State HHAP funds requiring contract development and monitoring and any new grantees for HHAP3 funds will require RFP’s and contracts. Finally, the State HHAP program requires quarterly reports with intensive budgeting and narrative. The Housing Department requests approval to use \$918,995.18 for City personnel to continue administering the HHAP programs. The breakdown in staff use is as follows:

<b>FTE</b>	<b>Position</b>	<b>Role</b>	<b>Amount</b>
0.50 FTE	Grants Manager	Oversee Grants Program	\$215,056
0.50 FTE	Grants Analyst II	Grants development and monitoring	\$164,160
0.25 FTE	Budget Analyst I	Budget/HR/contracts (Bidding)	\$34,201
1.00 FTE	Grants Analyst I	Grants development and monitoring	\$164,161
1.00 FTE	Grants Staff Specialist	Grants processing and Webgrants support	\$161,297
0.75 FTE	Homelessness Response Team Development Officer	Program administration, grantee guidance, and oversight	\$130,356.18
		Overhead/Pay raises/Non-personnel	\$49,764

In addition to the above, additional members of the Homelessness Response Team will develop program scopes and budgets and manage each program throughout the terms of the contracts.

***Conflict of Interest***

Jacky Morales-Ferrand, Director of the Housing Department, serves as an uncompensated member of the board of directors for Destination: Home SV, a California non-profit corporation. Ms. Morales-Ferrand has not participated in the selection of Destination: Home for the additional funding and will not participate in the making of any contract, contract amendment, or grant agreement awarded to Destination: Home.



## **CONCLUSION**

The actions recommended in this memorandum will continue essential programming for individuals and families experiencing homelessness in San José. HHAP3 provides flexible funding to provide interim housing operations basic needs, outreach, and crisis response interventions for the unsheltered; and prioritized resources for people with lived experience of homelessness and homeless youth.

## **EVALUATION AND FOLLOW-UP**

The HHAP3 programs will be reported to the City's Neighborhood Services and Education Committee through the Annual Homeless Report.

As a condition of receiving the State grant funds, the City is required to provide annual reports to the State regarding types of services, expenditures, and demographics of those served until all funds have been expended.

## **CLIMATE SMART SAN JOSE**

The recommendation in this memorandum aligns with one or more Climate Smart San José energy, water, or mobility goals. The recommendation facilitates the creation of low-income housing close to jobs and transit, which would reduce vehicle miles traveled and greenhouse gas emissions. The Pavilion Inn, EIH, BHC and HomeKey sites are located within walking distance to public transportation, providing access to transit to all residents living at the projects.

## **PUBLIC OUTREACH**

This memorandum will be posted on the City's Council Agenda website for the April 26, 2022 City Council meeting.

The HHAP3 proposed expenditure plan aligns with strategies identified in the Community Plan to End Homelessness. During the Community Plan development, community feedback was sought to identify successes and challenges in the homeless system of care and to collect innovative and inspiring ideas on addressing homelessness generally countywide and specifically for certain subgroups like youth and families. Together, staff from various agencies reached over 8,000 community members by convening opportunities to engage with people with lived experience of homelessness, subject matter experts, community members, and key stakeholders to identify the Community Plan priorities.

HONORABLE MAYOR AND CITY COUNCIL

April 11, 2022

**Subject: Proposed Expenditure Plan for the Homeless Housing Assistance and Prevention Program**

Page 10

### **COORDINATION**

This memorandum has been coordinated with the City Attorney's Office and the City Manager's Budget Office.

### **COMMISSION RECOMMENDATION/INPUT**

No commission recommendation or input is associated with this action.

### **COST IMPLICATION SUMMARY**

The recommendations in this memorandum will guide the funding allocations of the \$29,118,995.18 HHAP3 homeless assistance and prevention grant that is to be expended by June 30, 2026. The Housing Department will return to City Council as part of the City's future budget processes to appropriate revenues received and to request approval to enter into agreements to implement the programs detailed in this memorandum. The actions recommended in this memorandum will have no impact on the General Fund.

### **CEQA**

Not a Project, File No. PP17-004, Government Funding Mechanism or Fiscal Activity with no commitment to a specific project which may result in a potentially significant physical impact on the environment.

/s/

RAGAN HENNINGER  
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The principal author of this memorandum is Kelly Hemphill, Homelessness Response Manager. For questions, please contact [kelly.hemphill@sanjoseca.gov](mailto:kelly.hemphill@sanjoseca.gov).