



City Council Report

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Discussion Item 27

Title: (City Council) Review of Proposed Rehousing Plan for the Sacramento COVID-19 Homeless Medically Supported Isolation/Preservation Quarantine Units and Homeless Shelters

Location: Citywide

Recommendation: Review and provide direction.

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Presenter: Christine Weichert, Assistant Director, (916) 440-1353, Sacramento Housing and Redevelopment Agency

Attachments

1-Description/Analysis

2-Case Management Services

Description/Analysis

Issue Detail: The Sacramento COVID-19 Homelessness Response Team is comprised of representatives from the Sacramento County Department of Health Services (DHS), the Sacramento County Department of Human Assistance (DHA), the Sacramento County Director of Homeless Initiatives, the City of Sacramento Homeless Services Division, Sacramento Steps Forward (SSF) and the Sacramento Housing and Redevelopment Agency (SHRA). The purpose of the Homelessness Response Team is to plan proactively; slow the spread of COVID-19 within this vulnerable population; mitigate impacts to persons experiencing homelessness; and respond to the unique needs of people experiencing homelessness during this crisis.

On April 7, 2020, the Sacramento City Council approved a funding plan developed by the COVID-19 Homelessness Response Team that included expansion of isolation/quarantine shelter capacity and support for existing shelters. The expanded isolation/quarantine units included in the plan provide safe places for persons experiencing homelessness who are COVID-19 positive or pending test results, symptomatic, or otherwise highly vulnerable. The isolation/quarantine units are located at existing motels throughout the community and at State-donated trailers placed at CalExpo. DHS staff oversee the approximately 60 trailers used as the Medically Supported Isolation Care Centers. DHA is responsible for approximately 850 motel units which are used as preventative quarantine units. Lastly, 80 shelter beds have been added to existing homeless shelters. A total of 990 homeless individuals can be assisted with an expected length of stay in the isolation/quarantine shelters of up to 90 days. Ultimately, the goal is to rehouse the program participants to permanent housing.

As there is an immediate need to move the individuals participating in the COVID-19 isolation/quarantine program and in existing shelters into permanent housing, this report focuses on the 990 homeless individuals in the trailers, motel rooms and expanded shelter beds. If implemented, the rehousing plan will also provide rehousing options for the broader homeless population in need of shelter. This staff report should be considered the beginning of a larger rehousing plan conversation which should ultimately include Sacramento County and the entire Sacramento COVID-19 Homelessness Response Team.

Staff is seeking direction from the City Council on the proposed Rehousing Plan developed to assist individuals who are participating in programs recommended in the Sacramento COVID-19 Homeless Response Plan and guests at existing homeless shelters.

Proposed Rehousing Plan

When developing the Rehousing Plan, SHRA staff and the City's Housing Policy and Homeless Services Managers considered the following criteria:

1. What are options that can be implemented quickly?
2. Will participants be permanently housed?
3. Will new units be created which will add to the City’s existing housing stock?

After reviewing various options, and with these criteria in mind, the following is the recommended Rehousing Plan:

1. **Motel Acquisition Program:** Acquisition of motels for use as immediate permanent affordable housing. Under this program, it is envisioned that SHRA and/or an affordable housing developer would acquire existing motels. Motels with kitchenettes would be prioritized for purchase as they could immediately be used as efficiency units or studios. Motels would be occupied in their current condition with very minimal improvements. After approximately three years of operation, the properties could then be completely rehabilitated using traditional affordable housing funding sources such as Mortgage Revenue Bonds and Low Income Housing Tax Credits.

Motel units would be managed by professional property management companies who are experienced with formally homeless residents. An approved property management plan would be required which would include a 24/7 desk clerk. On site supportive services and case management would also be provided at each location (see Attachment 2).

Anticipated Motel Conversion Annual Budget

	Acquisition Cost	Annual Operating Budget	Approx. Number Served	Annual Operating Cost per Person	Eligible Long Term Funding Sources	Time Frame
Motel Acquisition (with kitchens)	\$13 - \$32 million	\$1.4 Million	124 per motel	\$11,000*	yes	5-6 months
Motel Acquisition (without kitchens)	\$8 - \$11** million	\$1.4 million	124 per motel	\$11,000*	yes	6-9 months

*based upon Boulevard Court annual operating budget.
 **installing kitchenette and/or shared kitchens will increase cost

2. **Manufactured Homes:** A range of options were reviewed for this type of development, including: manufactured home housing, tiny home concepts, and modular development products. Complete units (including bathroom and kitchenette) that would offer permanent housing options were the focus.

The full-unit permanent housing option that is likely the easiest to bring online quickly is manufactured homes. Staff recommends starting with this approach and continuing to pursue options for tiny home and modular housing options with City, SHRA, and/or State surplus properties.

Manufactured units can be ordered in bulk and placed as complete units on finished properties and hooked up to utilities. When looking at sites, staff reviewed City-owned properties that are heading towards surplus and/or currently unused and have had some preliminary conversations with potential private partners who either have land or have potential opportunities to acquire free or reduced-cost land.

Using existing identified City surplus properties and potentially some SHRA-held vacant housing properties, staff estimates a capacity for 60 units on these parcels. Capacity increases to approximately 100-125 units if partner sites with State and non-profit partners are included.

Estimated cost per two-bedroom units of 750-900 square feet range from \$62,000 to \$71,000 per unit. Site improvements for this type of housing (utility connections, driveways, landscaping, garage/carport, fencing, drainage, etc.) are estimated to be between \$30,000-\$50,000 depending upon current conditions and efficiency of development at each site. Infrastructure available around the site is important as well, as it could significantly increase costs, potentially doubling the above site improvement estimate, if additional capacity or replacement lines are required.

Orders for manufactured homes are currently being processed in 6-8 weeks. Planning, engineering, infrastructure, and site preparation could occur during the manufacturing period in order to reduce lag time once the units are ready, but a six month process for development of sites conducive to construction is likely.

Manufactured homes will also be managed by a professional property management company experienced with formally homeless residents. This type of housing would likely be occupied by roommates or families trying to gain stability. Supportive services and case management will also be provided at each location (see Attachment 2).

Anticipated Manufactured Homes Annual Budget for 60 Homes

	Average Acquisition & Infrastructure Cost	Annual Operating Budget	Approx. Number Served	Annual Operating Cost per person	Eligible Long Term Funding Sources	Time Frame
Manufactured Homes (assumes free land)	\$92,000 - \$171,00 per unit	\$1.5 million	120	\$12,600*	no	6-9 months

*based upon Flexible Housing Program operating expenses for 120 individuals in 60 two bedrooms units

- Flexible Housing Program:** Rehousing programs such as those offered at Capitol Park Hotel are the third option in the rehousing plan. Homeless individuals are provided assistance in locating a residence, rental assistance, and other services to ensure they remain housed. In addition to multifamily and single family homes, Board and Care facilities could also be included for those who may not be able to live independently. While this option does not increase the number of units in the City’s housing stock, it is worth considering as it can potentially be implemented quickly.

Rather than creating a new program, staff recommends an expansion of the County of Sacramento’s Flexible Housing Program. The Flexible Housing Program (FHP) helps families and individuals transition from the streets or temporary emergency shelter to permanent housing and new lives. Adopted in 2019, FHP is a key part of the collaborative investment plan adopted by the County Board of Supervisors, the Continuum of Care Board, and the City of Sacramento.

Through contracted community providers and County staff, FHP offers flexible services that include:

- Individualized case management services that connect people to services they need to stabilize in housing and rebuild their lives, including health, behavioral health, employment, disability advocacy, expungement services,
- Individualized housing services that connect clients to housing in the private market or through public programs. These services include financial help with deposits and rent and support tenants and landlords for up to two years,
- Help to remove barriers to employment and housing,
- Disability advocacy services to help persons with disabilities successfully apply for these benefits.

For most FHP placements, the assumption is that the client takes over the rent upon stabilization and when an on-going income stream is secured and/or is transitioned to permanent supportive housing or a voucher rent subsidy.

The County's Flexible Housing Program could also include a subset of Room & Board and/or Board & Care placements for elderly and medically fragile individuals who need additional living assistance. The assumption is that the subsidy would end at the point that the client has been successfully stabilized, connected with SSI/SSDI, and can pay for their housing independently.

DHA staff have indicated that they can serve a maximum of 200 additional individuals through their existing program. Staff anticipates that 10 percent of those assisted (or 20 individuals) will likely be placed in Board and Care facilities.

Units are managed by professional property management. In addition, property related tenant services will be utilized to find, secure, and manage relationships with property owners and managers. Intensive case management services are also provided to help clients overcome barriers and achieve self-sufficiency (see Attachment 2).

Anticipated Annual Budget for 200 Homeless Individuals

	Acquisition Cost	Annual Operating Budget	Approx. Number Served	Annual Operating Cost per Person	Eligible Long Term Funding Sources	Time Frame
Traditional Flexible Housing Program	N/A	\$4.1** million	180	\$21,104*	no	2-3 months
Board and Care Flexible Housing Program	N/A	\$1.2 million	20	\$61,060	no	2-3 months

*Estimates based on current FHP program operating cost

**Also includes County staffing expenses

Summary of Options

	Average Acquisition Cost	Annual Operating Budget	Approx. Number Served	Total	Annual Operating Cost per Person	Eligible Long Term Funding Sources	Time Frame
Acquisition (with kitchens)	\$15 million	\$1.4 million	124	\$16.4 Million	\$11,000***	Yes	5-6 months
Motel Acquisition (without kitchens)	\$10.6* million	\$1.4 million	124	\$12 Million	\$11,000***	Yes	6-9 months
Manufactured Homes (with free land)	\$7.8** million	\$1.5 million	120	\$9.3 Million	\$12,600	No	6-9 months
Flexible Housing Program	N/A	\$5.3 million	200	\$5.3 Million	\$21,104****	N/A	2-3 months

*Average \$10 million acquisition plus \$5,000 to kitchenettes

**Average \$130,000 purchase/infrastructure x 60 units

***Additional resident services are sometimes provided from outside programs offering specialized services

****Includes monthly rental assistance for program participants

Three Year Funding Comparison

As the motel acquisition program assumes approximately three years of operation prior to rehabilitation using traditional affordable housing funding sources such as Mortgage Revenue Bonds and Low Income Housing Tax Credits, the various rehousing options below assume a three year operating timeline. In addition, for ease of comparison, each program is shown rehousing 990 homeless individuals. It should be noted that a single program alone will likely not be able to meet that goal and a combination of options will likely be required.

Three Year Funding Comparison (assuming 990 capacity per option)

	Acquisition Cost	Three Year Operating Budget	Approx. Number Served	Total	Eligible Long Term Funding Sources	Time Frame
Acquisition (with kitchens)	\$120 ¹ million	\$26.4 ² million	990	\$146.4 million	Yes	5-6 months
Motel Acquisition (without kitchens)	\$85 ³ million	\$26.4 million	990	\$111.4 million	Yes	6-9 months
Manufactured Homes (with free land)	\$64.4 ⁴ million	\$37.4 ⁵ million	990*	\$101.8 million	No	6-9 months
Flexible Housing Program	N/A	\$62.7 ⁶ million	990**	\$62.7 million	N/A	2-3 months

* Staff anticipates an initial capacity of 60 units with 120 occupants maximum

**Staff anticipates a capacity of 200 participants maximum

Potential Funding Sources

Federal Coronavirus Relieve Fund (CRF)

The City received \$89.6 million which may be used for necessary expenditures incurred due to the public health emergency with respect to COVID-19. If eligible, these funds could be used for rehousing.

Homeless Housing Assistance Prevention (HHAP)

HHAP is one-time block grant funding for local entities to support regional coordination and address immediate homeless challenges. If eligible, the FEMA reimbursement of these funds could be used for rehousing.

¹ Average \$15 million acquisition x 8 motels

² \$1.1 million annually x 8 motels x 3 years

³ Average \$10 million acquisition x 8 motels (plus additional \$5,000 x 990 to add kitchenettes)

⁴ Average \$130,000 purchase/infrastructure x 495 units available to 990 participants at double occupancy

⁵ \$12,600 per participant annually x 990 participants x 3 years

⁶ \$21,104 per participant annually x 990 participants x 3 years

SHRA Sources (Motel acquisition only)

Affordable housing funds administered by SHRA are used for gap financing to assist with the construction of affordable multifamily rental housing in the City of Sacramento. SHRA also facilitates the issuance of mortgage revenue bonds toward this goal. Housing financed by SHRA carries affordability restrictions on some or all of the units. Funding sources include:

- **Housing Trust Funds (HTF)** - fees placed on non-residential development. The fee-generated revenue is used to increase the supply of affordable housing for persons in or likely to be in the labor force. HTF generated \$1.9 million in 2019.
- **City Mixed Income Housing Ordinance (MIHO) funds** – fees on new housing units and subdivisions. The fees-generated are used to develop affordable housing units with the goal of increasing the supply available for lower-income workers. MIHO generated \$2.2 million in 2019.
- **Home Investment Partnership Program (HOME) funds** – entitlement funds from the Department of Housing and Urban Development (HUD) to develop and rehabilitate affordable housing. \$2.4 million in HOME entitlement received in 2019.
- **Permanent Local Housing Allocation (PLHA) funds** - revenue generated through recording fees on real estate transactions. It is anticipated the City will receive funds to create new multifamily affordable and substantial rehabilitated housing. Approximately \$1.77 million in PLHA is anticipated in 2020.

All funding recommendations for SHRA financing are based on priorities set by the City Council in the approved Multifamily Lending and Mortgage Revenue Bond Policies. The Policies prioritize new construction and conversion of non-residential to residential use projects such as motels.

The projects listed below are those currently in need of funding from SHRA funding sources. In the event that funds are redirected to the rehousing effort, these projects could face delays or be less competitive when competing for Low Income Housing Tax Credits or other state funding.

Affordable Housing Projects currently in need of funding (partial list):

- Mirasol Village Block C & D (200 units)
- Metro @ 7th (150 units with 70 of the units restricted to homeless)
- EAH On Broadway (150 units)
- Oak Park Place (15 units)
- Florin Road Senior Affordable Apartments (90 units)
- VOA owned site on Del Paso Boulevard (78 units)

Policy Considerations: The Policy is consistent with the Sacramento COVID-19 Homeless Response Plan and will assist the City in meeting the 2013-2021 Housing Element goal of promoting the construction of extremely low income housing.

Economic Impacts: Not applicable

Environmental Considerations: Not applicable

Sustainability Considerations: Not applicable

Commission/Committee Action: Not applicable.

Rationale for Recommendation: The number of people living unsheltered in Sacramento in January 2019 increased significantly since the previous Point in Time Count in 2017. This count has potential for continued increases due to COVID-19 impacts on the economy and individual household income.

Financial Considerations: SHRA offers gap financing and facilitates the issuance of mortgage revenue bonds for the creation of multifamily rental housing in the City of Sacramento. All housing financed by SHRA carries affordability restrictions on some or all of the units.

LBE - M/WBE and Section 3 requirements: Not applicable

Case Management Services

While not all homeless individuals and families require the same level of supportive services and case management. Staff's experience working with homeless individuals and family has shown that a small number may require reduced services, however, most will require more intensive case management services, including working with persons actively experiencing chronic or long-term homelessness and with mental illness, health issues, and substance use disorders. Service will include:

- Assistance with mental health and life skills services and referrals
- Establishment of a case management plan including but not limited to establishing future goals, improvement of behaviors associated with past criminal histories, drug use, reduction in frequency and quantity of drug and alcohol use, coping with mental health disorders, coping with chronic medical problems, improvement of interpersonal relationships.
- Help accessing public benefits, educational, vocational and employment service opportunities, as appropriate and requested by the client.
- Assistance with budgeting and money management.
- Assistance with substance use disorder services and referrals with a focus on harm reduction.
- Referrals to primary medical care, mental health services, and other community services, as needed and requested by the client.
- Assistance in obtaining clothing and food.
- Assistance with domestic violence and safety planning services and referrals.
- Transportation assistance.
- Assisting clients with maintaining medication regimen.
- Assistance with monitoring any legal issues and making appropriate referrals while addressing any barriers to accessing and maintaining housing and services (e.g., credit history, criminal records, pending warrants, etc.).