



24-5303

**DATE:** April 16, 2024 (Item No. {{item.number}})  
**TO:** Board of Supervisors  
**FROM:** Consuelo Hernandez, Director, Office of Supportive Housing  
**SUBJECT:** Salvation Army Temporary Housing Challenge Grant Award

### **RECOMMENDED ACTION**

Under advisement from August 15, 2023 (Item No. 8): Approve delegation of authority to the County Executive, or designee, to negotiate, execute, amend, or terminate Agreement with the Salvation Army, including necessary and appropriate documents, in an amount not to exceed \$4,000,000, relating to supporting the Salvation Army's short-term and long-term redevelopment plans through a new Service Enriched Shelter to be located at 359 North 4th Street in the City of San José, following approval by County Counsel as to form and legality, and approval by the Office of the County Executive. Delegation of authority shall expire on December 31, 2026. (LA-1)

### **FISCAL IMPLICATIONS**

There is no new fiscal impact associated with the recommended action. If approved, the County's investment of up to \$4,000,000 would be drawn from two sources. Up to \$2,000,000 would be drawn from \$10,000,000 in General Fund budgeted to the Office of Supportive Housing (OSH) through the Fiscal Year (FY) 2021-2022 Mid-Year Budget process on February 8, 2022 (Item No. 15). These funds were not expended in FY 2021-2022 and were rolled over to the OSH budget for FY 2023-2024 for challenge grants that fund the development of supportive interim housing sites. The remaining \$2,000,000 will be supported by revenue from the Housing and Homeless Incentive Program that is included in OSH's budget. However, the Administration may use other funding sources (e.g. Behavioral Health Bridge Housing) if they become available and would better meet the needs of the project and the County.

### **REASONS FOR RECOMMENDATION AND BACKGROUND**

On August 15, 2023 (Item No. 8), the Board of Supervisors approved a referral from Supervisor Chavez directing the Administration to examine all possible avenues for financial assistance, including but not limited to state and federal funding sources, coordinating with the City of San José (San José, or City), and potential partnerships with private entities to assist the Salvation Army with redevelopment plans for its property located on 4th Street in San José (Property).

Following Board approval, OSH has been working closely with the City and the Salvation Army to better understand the short- and long-term redevelopment plans for the site. The scope of the redevelopment plan can be summarized in two phases, each with a unique set of challenges. Phase I, and the current priority for the Salvation Army, includes the renovation of the Emmanuel House to expand the number of beds from 88 to 112, and the construction of a new service-enriched shelter using modular construction on an undeveloped portion of the Property. Phase II of the redevelopment plans calls for the construction of multi-family rental housing and renovation of the existing service building. This component of the redevelopment plan is still in the early stages of the development process and more work is needed before the Administration can develop financing options. OSH will continue to work with the Salvation Army to create a development path for future redevelopment of the site.

If approved, the County's funding would support the construction of a new service-enriched shelter in Santa Clara County, increasing the total number of new emergency interim housing units for individuals experiencing homelessness or who are chronically homeless by 74. The County's investment of \$4,000,000 would enable the Salvation Army to pay for large portion of the capital costs associated with the construction of the new service-enriched shelter. A more detailed description of the proposed project is provided later in this report.

### *Challenge Grant Background and Progress Towards Goals*

On September 28, 2021 (Item No. 20), the Board approved a referral from Supervisors Simitian and Lee directing the Administration to develop a process through which to provide funding to support the development of 1,600 emergency interim housing units across Santa Clara County utilizing modular construction. On October 5, 2021 (Item No. 19), the Board approved a set of guidelines to inform the proposed Notice of Funding Availability to solicit proposals from organizations seeking to construct new modular temporary shelters. The Service-Enriched Loan Program would provide low-interest, forgivable deferred payment loans and/or operating subsidies to non-profit organizations to develop new emergency shelters utilizing modular construction. Non-profit organizations may partner with co-applicants, including but not limited to cities and for-profit entities. On October 4, 2022 (Item No. 18), the Board approved funding to support two new service-enriched shelters that would add 312 units once in operation. Table 1, Status of Current and Proposed Sites, provides a summary and status for the two previously approved sites and the proposed Salvation Army Temporary Housing Project.

The recommended action would increase the total number of new shelter units for individuals experiencing homelessness by 74, leaving a remaining goal of 1,214. OSH has actively been engaged in conversations with Cupertino, Gilroy, Santa Clara, San José, and Sunnyvale on identifying city-owned properties that could be used to facilitate the construction of service-enriched shelters using modular construction. Part of this strategy included positioning at least three properties for Homekey Round 3 funding. Unfortunately, none of the Santa Clara County projects have been selected and there are no future Homekey rounds contemplated by the State at this time. While there may be additional Homekey Round 3 funds left to allocate, it is unclear whether the County's application for the Santa Clara Family Community project is still being considered for funding.

**Table 1: Status of Current and Proposed Sites**

Shelter Site	Total Units	Total Beds	County Funding	Status
Homekey Palo Alto <sup>1</sup>	108	136	\$4,000,000	Under construction
Homekey Branham Lane	204	204	\$4,000,000	Under construction
<i>Salvation Army</i>	<i>74</i>	<i>74</i>	<i>\$4,000,000</i>	<i>In design</i>
Totals	386	414	\$12,000,000	

*Project Description*

The Salvation Army Temporary Housing Project is a new 74-unit service-enriched shelter located at 359 North 4th Street in San José that will serve single adults. The Salvation Army is partnering with Dignity Moves to construct the project. If approved, the County’s investment of up to \$4,000,000 would contribute towards the capital costs of 45 modular units for individuals. The project has received a total funding commitment of \$1,000,000 from Sobrato Philanthropies and anticipates receiving \$1,000,000 from the City. The Salvation Army has the necessary funding to operate the new Service Enriched Shelter for 10 years and is not requesting an operating subsidy from the County. The site is anticipated to open by the end of the calendar year.

*Reason for Request of Delegation of Authority*

Although delegations of authority are discouraged except under certain circumstances, this delegation of authority is necessary. The County’s funding commitment is a necessary step, but not the final action, to enable the proposed projects to secure necessary project financing.

While maintaining compliance with the Service-Enriched Shelter Forgivable Loan Program Guidelines established by the Board on October 19, 2021 (Item No. 19), the Administration also needs the flexibility to negotiate terms and modify related documents. Some of the initial terms may have to be adjusted based on various factors, including, but not limited to, the Salvation Army’s success in obtaining other financing that may reduce the County’s commitment, and timing issues such as construction delays. In the event of changes to the sources of funds, for example, the Administration would need to take actions to allow the Salvation Army to quickly submit funding applications.

A delegation of authority is also needed because the Administration will continue to work with the Salvation Army and San José to reduce costs, optimize funding sources, and maximize the use of the new shelter beds. The Administration will continue to work with the Salvation Army and Dignity Moves to refine construction estimates.

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<sup>1</sup> Note, the Office of Supportive Housing is in negotiations with LifeMoves on increasing the County’s commitment by \$3.75M associated with a Behavioral Health Bridge Housing Grant.

## *Agreement Terms*

The County's funding commitment would enable the Salvation Army to cover the capital expenditures associated with building the new Service Enriched Shelter. While the Administration will continue to negotiate the final terms, the following summarizes the current expected terms of the agreements:

- a. Accept referrals through the County established Centralized Hotline (Hotline) for Homeless Shelter Services in coordination with the host jurisdiction and the Hotline operator.
- b. Commitment to provide minimum services and performance standards consistent with shelter best practices and the Santa Clara Countywide Quality Assurance Standards for homeless Housing & Services Programs.
- c. A facility use restriction will be recorded upon the issuance of a certificate of occupancy and will ensure the property continues to be used as a service-enriched shelter for a minimum of 10 years.

## *Environmental Review and Land Use Approval*

The proposed project located at 359 North 4th Street in San José will be constructed on an undeveloped portion of the property. The site has a General Plan Land Use designation and zoning designation of Public/Quasi-Public (PQP), which allows Low Barrier Navigation Centers; the proposed new Service Enriched Shelter is consistent with the zoning for the site. The site is currently being considered a Low Barrier Navigation Center permitted by right in the Commercial Zoning Districts and PQP Zoning District, which requires a ministerial approval of service enriched shelters that meet specific criteria found in Government Code 65660 et. Seq. ("State Low Barrier Navigation Centers Law"). Under the State Low Barrier Navigation Centers Law, the ministerial approval would not constitute a "project" for purposes of the California Environmental Quality Act (CEQA). The County's commitment to fund, however, will be contingent upon the projects obtaining the necessary ministerial approval from the City including CEQA compliance.

## *Community Engagement*

The Salvation Army's community engagement strategy has included meetings with the surrounding community groups, immediate neighbors, and interested parties. This information is summarized in the attached Community Engagement Report (Attachment B).

## **CHILD IMPACT**

The recommended action will have no/neutral impact on children and youth.

## **SENIOR IMPACT**

The recommended action would create 74 new shelter units and would have a positive impact on homeless seniors by ensuring the long-term sustainability of emergency shelter and transitional housing facilities. According to the 2023 Homeless Census and Survey, there are 9,903 homeless individuals in Santa Clara County on any given night. Approximately 12% of people experiencing homelessness were 55 years of age or older.

## **SUSTAINABILITY IMPLICATIONS**

The recommended action will have no/neutral sustainability implications.

## **CONSEQUENCES OF NEGATIVE ACTION**

If the funding commitments are not approved, the Salvation Army would not have the necessary funding to pay for the capital outlay associated with building the new service enriched shelter and would need to identify a different funding source.

## **STEPS FOLLOWING APPROVAL**

The Clerk of the Board is requested to notify Consuelo Hernandez in the Office of Supportive Housing.

## **ATTACHMENTS:**

- Attachment A Service Enriched Shelter Project Review
- Attachment B Community Engagement Report