



AGENDA REPORT

TO: Edward D. Reiskin
City Administrator

FROM: Shola Olatoye
Director, HCCD

SUBJECT: Inn at Temescal Project

DATE: November 10, 2020

City Administrator Approval

Date: November 18, 2020

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Amending Resolution No. 88283 C.M.S., Which, Among Other Things, Accepted And Appropriated Up To \$3.15 Million, As A Local Agency Partner, In State Homekey Funds, And Awarded A Grant Agreement To Operation Dignity And Danco Communities (Development Partner) In An Amount Not To Exceed \$4.2 Million, For Development Partner To Acquire And Rehabilitate The Inn At Temescal For Permanent Affordable Housing, To:

(1) Accept And Appropriate Up To An Additional \$400,000 In Homekey Funds, As Local Agency Partner, For The Operation Of The Inn At Temescal For Permanent Affordable Housing For Homeless Veterans, And

(2) Award A Grant Agreement To Development Partner, Or An Affiliated Entity Approved By The City Administrator, In An Increased Amount Not To Exceed \$4,600,000 To Acquire, Rehabilitate, And Operate The Inn At Temescal.

EXECUTIVE SUMMARY

The City applied jointly with Operation Dignity and Danco Communities (the Development Partner) for funding from the State of California's Homekey grant program to acquire an existing 22-unit operating hotel located at 3720 Telegraph Avenue in the Temescal neighborhood of Oakland (Council District 3) – the Inn at Temescal – for up to 21 units (plus one manager's unit) for veterans who are experiencing homelessness and are at severe risk of COVID-19.

Staff is now seeking City Council approval of this updated resolution that increases the Homekey amount from \$3,150,000 to \$3,550,000 to reflect a Homekey award that has increased to include up to \$400,000 in capitalized Homekey operating subsidy to support the first two years of operations.

Besides this increase, there are no other changes to the project.

City Council
December 1, 2020

BACKGROUND / LEGISLATIVE HISTORY

At the special City Council meeting held on August 25, 2020, the City Council approved Resolution No. 88283 C.M.S., authorizing the City Administrator to apply for, accept, appropriate, and award up to \$3,150,000 in Homekey grant funds to the Development Partner for this project (see **Attachment A**).

Through a notice of funding availability (NOFA) issued on July 16, 2020, Homekey funding was made available to local public entities to purchase and rehabilitate housing, to convert into interim or permanent housing for people experiencing homelessness who are at high risk of serious illness and/or are impacted by COVID-19.

Of the \$600 million in Homekey grant funds, \$550 million is derived from the State's direct allocation of the federal Coronavirus Aid Relief Funds (CRF) for acquisition and rehabilitation. The remaining \$50 million is derived from the State's General Fund and is for operating subsidy. Each Homekey allocation must comply with the following expenditure deadlines:

- The \$550 million in CRF must be expended by December 30, 2020
- The \$50 million in State General Funds for operating subsidy must be expended by June 30, 2022

On August 13, 2020, the City jointly applied with Operation Dignity and Danco Communities for \$3,150,000 in Homekey funding for the Inn at Temescal project. Discussions with Homekey staff about this project's underwriting have resulted in an increase to the anticipated Homekey award to include up to two years of Homekey operating subsidy for up to \$400,000. This amendment to the existing resolution will increase the total Homekey grant amount from \$3,150,000 to \$3,550,000 to accommodate a capitalized operating subsidy of up to \$400,000 to support the first two years of operations. When combined with the \$1,050,000 of Measure KK funds allocated to the project, the project will now receive a total of \$4,600,000 of Homekey grant funds from the State and Measure KK funds from the City.

ANALYSIS AND POLICY ALTERNATIVES

The City and its developer partners have jointly applied for \$36,569,527 in Homekey funds for four affordable housing projects. All Oakland projects were awarded requested Homekey funds, with three projects moving forward to acquisition closing before December 30, 2020.

The Inn at Temescal will provide up to 21 units (plus one manager's unit) for veterans who are experiencing homelessness and are at severe risk of COVID-19. Operation Dignity and Danco are working closely with the City's Human Services Department to coordinate leasing to veterans from the Coordinated Entry System list, with focus on those that are exiting Alameda County Roomkey sites. In addition, staff is in conversation with the Oakland Housing Authority and the Oakland Veterans Affairs Supportive Housing (VASH) team at the Veterans Affairs Department (VA) to qualify and support veterans through lease-up. Operation Dignity will also leverage their deep relationships and experience working with unhoused veterans and others experiencing homelessness in Oakland to support residents at the Inn at Temescal.

Without Homekey funding awards, the City does not have enough funding to support these projects. Homekey funding also provides critical land use and California Environmental Quality Act (CEQA) streamlining opportunities.

FISCAL IMPACT

There is no change in the capital funds requested from the City for this project, and the City is not providing any operating subsidy to the project, as discussed in the August 25, 2020 staff report (**Attachment A**). The Development Partner will acquire the property with the \$3,150,000 in Homekey funds and a local match of up to \$1,050,000 in Measure KK funds for the acquisition and rehabilitation of the Property. As discussed above, the project will now receive up to \$400,000 in operating subsidy funding from Homekey, with a total grant amount of \$4,600,000. In addition to the Homekey operating subsidy for the first two years of operations from Homekey, the Development Partner will work with residents to secure available Veterans Affairs Supportive Housing (VASH) or Section 8 vouchers to support project operations.

PUBLIC OUTREACH / INTEREST

Because the amendment is not a significant change to the prior resolution, no additional outreach was deemed necessary for the proposed policy action beyond the standard City Council agenda noticing procedures.

Operation Dignity and Danco Communities will work with the City to develop the final and actionable community outreach plan to foster input towards the success of this project in early 2021.

COORDINATION

The Homekey applications, including this one, have required close collaboration between the Housing and Community Development Department, the Community Housing Services Division of the Human Services Department, the Planning & Building Department, Economic and Workforce Department, Budget Bureau, the Mayor's Office, and the Office of the City Attorney.

SUSTAINABLE OPPORTUNITIES

Economic: This project will generate a few construction, professional services, and ongoing property management jobs in Oakland. With no subsidy required from the City, the project has no fiscal impact while providing up to 21 units of housing for veterans experiencing or at-risk of homelessness.

Environmental: Through the acquisition of an existing motel in good condition, there will be less construction and less impact on the environment. This also reduces the pressure to build on agricultural and other undeveloped land. The Property is within 0.5 mile of essential services including grocery, healthcare, and pharmacy.

Further, the Inn at Temescal is located very close to public transportation – it is 0.3 miles from the MacArthur Bay Area Rapid Transit (BART) Station and bus stops for multiple routes are right outside the property. The proximity to public transit enables residents to reduce dependency on automobiles and further reduce any adverse environmental impacts of development.

Race and Equity: The Inn at Temescal and other Homekey projects will promote social, racial and health equity by providing permanent supportive housing to Oakland residents experiencing chronic homelessness. City data show that 70 percent of people experiencing homelessness in the city are African-American – far higher than their 24 percent share of the Oakland population. African Americans are also disproportionately impacted by COVID-19. Providing permanent housing to these at-risk individuals promotes racial, social, and health equity for the city of Oakland.

The COVID-19 pandemic has exacerbated existing community needs and inequalities. As described above, in many communities homelessness is already experienced disproportionately by race and other protected classes, and persons experiencing homelessness are at increased risk of infection and death due to COVID-19. The Centers for Disease Control and Prevention has also reported evidence of disproportionate impacts by race and ethnicity for COVID-19 hospitalization and death. As of June 12, 2020, age-adjusted hospitalization rates are highest among non-Hispanic American Indian or Alaska Natives (5 times greater than white persons) and non-Hispanic Black persons (5 times greater than white persons), followed by Hispanic or Latinx persons (4 times greater than white persons).

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council adopt a resolution amending Resolution No. 88283, which, among other things, accepted and appropriated up to \$3.15 million, as a local agency partner, in State Homekey Funds, and awarded a grant agreement to Operation Dignity and Danco Communities (Development Partner) in an amount not to exceed \$4.2 million, for Development Partner to acquire and rehabilitate the Inn at Temescal for permanent affordable housing, to:

(1) accept and appropriate up to an additional \$400,000 in Homekey funds, as local agency partner, for the operation of the Inn at Temescal for permanent affordable housing for homeless veterans, and

(2) award a grant agreement to Development Partner, or an affiliated entity approved by the city administrator, in an increased amount not to exceed \$4,600,000 to acquire, rehabilitate, and operate the Inn at Temescal.

For questions regarding this report, please contact Shola Olatoye, Director, at 510-238-3714.

Respectfully submitted,



SHOLA OLATOYE
Director, Department of Housing &
Community Development

Prepared by:
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Attachment (1):
A: August 25, 2020 Staff Report – Operation Dignity and Danco Communities (Development Partner) Inn at Temescal Project