



DEPARTMENT OF
HEALTH AND HUMAN SERVICES

Promoting and protecting health, well-being, self-sufficiency, and safety of all in Marin County.



October 12, 2021

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DIRECTOR

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SUBJECT: Department of Health and Human Services, Division of Whole Person Care requests approval of a First Addendum to the contract with Episcopal Community Services for Predevelopment Funding for Project Homekey Development Sponsor for a total maximum contract amount of \$1,085,300. (Addendum)

Dear Supervisors:

RECOMMENDATIONS:

1. Authorize the President to execute a First Addendum to the contract with Episcopal Community Services, increasing the amount from \$49,000 to \$1,085,300 for Homekey feasibility activities.
2. Approve related one-time FY 2021-22 budget adjustment as detailed in the Fiscal Impact Section.

SUMMARY: The County has selected Episcopal Community Services (ECS) of San Francisco as a Development Sponsor for the Homekey Program through a Request for Proposals. ECS has extensive experience operating successful permanent supportive housing (PSH) programs in the Bay Area, and currently operates a portfolio of more than 1,600 PSH units with 98% of residents retaining housing year over year.

The County intends to apply for Homekey funding for up to two properties in partnership with ECS; one of which is the 1251 S. Eliseo property in Larkspur and the other is yet to be determined. ECS is performing the bulk of the due diligence work to identify, vet, and secure the sites in advance of the Homekey competition, and this work will cost an estimated \$1 million. Much of the predevelopment costs incurred by ECS will be included in the County's Homekey funding application and either count toward the required local match or be paid back if the project is awarded. The Department proposes a First Addendum to ECS' FY 2021-22 \$49,000 contract for Homekey feasibility activities increasing the contract by \$1,036,300 to an updated contract amount of \$1,085,300.

BACKGROUND: The California Department of Housing and Community Development (HCD) is issuing approximately \$1.45 billion of Homekey Program competitive grant funding. Project Homekey is a statewide effort to rapidly expand housing for persons who are currently experiencing or at-risk of homelessness, and who are impacted by COVID-19. Homekey is an

opportunity for local public agencies to purchase motels and a broad range of other building types to increase their community's capacity to respond to homelessness and the current COVID-19 pandemic by providing permanent supportive housing. Of the \$1.45 billion in Homekey funding, \$1.2 billion is derived from the Coronavirus State Fiscal Recovery Fund (CSFRF), which must be expended within 8 months of award and \$250 million is State General Funds (must be expended by June 30, 2026).

Homekey funds can be used for acquisition, rehabilitation, conversion of nonresidential to residential, master leasing of properties and purchase of affordability covenants and restrictions for units.

COMMUNITY BENEFIT: The Homekey program is an opportunity to increase the supply of permanent housing available to people experiencing or at risk of homelessness. To date, Homekey statewide has resulted in 6,029 new units of permanent supportive housing statewide, providing new housing for approximately 9,000 people. In Marin, the County received approximately \$8.6 million in 2020 to aid the purchase of 63 new units of supportive housing in San Rafael and Corte Madera.

In early 2021, as the Governor and State Legislature began signaling an interest in additional funding for Project Homekey in FY 2021-22, County staff began working in partnership with Opening Doors Marin, a local 501c3 nonprofit working to create more permanent supportive housing in Marin, to convene community stakeholders and gather input about a "Homekey 2.0" process. Over the past six months, County staff and community partners have worked to create dozens of engagement touchpoints, and this communication will continue over the coming months and years.

During the second half of April, in partnership with County staff, Opening Doors co-hosted 10 community information sessions for the public (all sessions can be viewed [here](#)), as well as a presentation for the Novato City Council. Through those information sessions, Opening Doors has compiled an email distribution list of approximately 500 people, which includes every city and town councilmember throughout Marin as well as every city manager. Over the past six months, Opening Doors has been sending out monthly Homekey updates to this group, including follow-up information from the info sessions, details on submitting projects, and updates on site selection efforts and the County's development sponsor Episcopal Community Services (ECS).

During those early information sessions, Opening Doors also advertised a community survey about the prospective Homekey 2.0 program. Through that survey, the County's project team observed consensus on a number of items, including elevating underused properties, finding potential projects that distribute housing opportunities across the county, and ensuring that projects are provided with the appropriate supportive services. Participants also requested updates on the success of Project Homekey 1.0 sites, which we have been providing.

Importantly, Project Homekey does not exercise eminent domain and requires the participation of interested property owners. To find potential sellers, at the end of April the County released a Request for Information (RFI) for property owners

who might want to participate in the program. The RFI was distributed widely, through numerous County mailing lists, to local hotel and motel owners, to the Marin Association of Realtors and local cities and towns. The County also received press coverage through the Marin IJ and KWMR, which helped to promote the opportunity.

As of early September, from both the community information sessions and the announcement of the RFI, the project team received suggestions for 65 properties throughout the county and attempted to connect with the owners of these suggested properties. Of that total, five property owners ultimately submitted a formal RFI, and as those submissions came in, County staff updated the City Managers in the jurisdictions where those properties were located to keep them apprised about the opportunity. The feasibility of each property is evaluated using a number of factors, including location and proximity to amenities, potential size and scale of the site, the potential for voucher use, and financial feasibility.

On September 21, 2021, the County, the City of Larkspur, and ECS [co-released a media release](#) to announce the possibility of a viable Homekey site at 1251 S. Eliseo in Larkspur. The County, with your Board's approval, intends to submit an application in partnership with ECS for Homekey funding for the Larkspur property.. If awarded, the property will serve as a 43-unit permanent supportive housing (PSH) program for single adults experiencing homelessness. PSH is an evidence-based housing intervention that combines affordable housing with wraparound supportive services and is a proven solution to chronic homelessness. Once awarded, Homekey funds will support the acquisition and renovation of the property and portion of ongoing operating costs, and the County is working to secure additional operating and supportive services funding from both public and private sources. ECS will own the property. ECS is currently negotiating the purchase of the property, which will be subject to a professional appraisal and comprehensive due diligence.

Over the coming weeks ECS is committed to connecting with the local community and will be conducting exhaustive outreach via email, phone calls, and personal letters to key stakeholders in the community including neighboring residents and homeowners associations (HOAs), local businesses and business groups, schools, and other community institutions (e.g. MarinHealth, nearby senior care facilities) with the goal of providing individual briefings to those who would like more information about the project. Following these briefings, ECS will begin seating a Community Advisory Group, which will include community members, and coordinate larger town halls and community meetings for the broader public on an as-needed basis. This is an effective practice from Homekey 1.0, which has seen a successful similar effort in Corte Madera.

ECS is also working to identify additional sites that could be appropriate for PSH and eligible for Homekey funding. Due to the highly competitive nature of the Homekey funds and the real estate market, ECS must have funds in place to continue to evaluate other possibilities and be in a position to make a down payment if additional sites are identified. In order to be nimble and responsive, staff are recommending funding be made available. Before additional sites are considered, staff and ECS will follow the following protocol:

- Conduct feasibility analysis
- Consult with city/town staff, if applicable
- Review proposals with the Board of Supervisors Subcommittee on Homelessness

As indicated in the budget included in the proposed contract addendum as Attachment 2: “ECS: 2-Site Budget for Homekey Application”, the estimated cost for the predevelopment associated with up to two Homekey sites is \$1 million. This cost includes initial deposits for the acquisition of sites, architectural and engineering fees, geotechnical testing, due diligence, and other associated costs. The predevelopment work will directly support the completion of the Homekey application.

EQUITY IMPACT: African American and Latinx people are significantly overrepresented in Marin County’s homeless population compared to the general population. Marin County Project Homekey sites will be designed to stabilize and re-house people experiencing homelessness to directly address this inequity. Episcopal Community Services is committed to inclusivity and hiring culturally and linguistically competent staff that reflect the agency’s clientele and regularly provides staff training opportunities on racial, ethnic, and cultural competency issues. Clients will be placed through the County’s Coordinated Entry system, which has been designed to ensure that people are placed in housing in proportion to their representation in the homeless population, and which is currently being redesigned under an equity lens.

FISCAL IMPACT: Much of the predevelopment costs incurred by ECS will be included in the County’s Homekey funding application and either count toward the required local match or paid back if the project is awarded. With your Board’s approval, expenditure appropriations in the Homekey program will be increased by \$1,036,300 in FY 2021-22, fully offset by prior year funds held in the Homekey Operations Administrative Designation. The contract allows for cancellation, with thirty days’ notice, should the County not be able to continue to fund.

Action	Fund	Munis Org Code	Program Name	Object Code	Object Code Name	FY 2021-22 Budget Adjustment
Decrease	2800	28011001	General Administration	900148	Homekey OPS	(\$1,036,300)
Increase	2800	28051603	Homekey	522710	Prof and Sp Svcs – CBO Contracts	\$1,036,300
Net Adjustment						\$0

REVIEWED:	County Administrator	<input checked="" type="checkbox"/>	N/A	<input type="checkbox"/>
	Department of Finance	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
	County Counsel	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
	Human Resources	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>

Respectfully submitted,

Benita McLarin
Director

Munis Contract Number: 32200553
Munis Budget Adjustment Number: 2022/04 42