February 15, 2022

Marin County Board of Supervisors
3501 Civic Center Drive
San Rafael, California 94903

SUBJECT: Department of Health and Human Services, Division of Whole Person Care requests approval to accept a grant award of $15,497,200 from the California Department of Housing and Community Development (HCD) to support the Homekey Project for the acquisition and rehabilitation of the Homekey project site located at 1251 South Eliseo Drive. (New)

Dear Supervisors:

RECOMMENDATIONS:

1. Authorize the President to accept a grant of $15,497,200 from the California Department of Housing and Community Development (HCD) to support the Homekey Project.
2. Approve Episcopal Community Services as a subrecipient of the $12,900,000 capital Homekey award to fund acquisition of property.
3. Approve the related one-time FY 2021-22 budget adjustment of $2,597,200 as detailed in the Fiscal Impact Section.

SUMMARY: The Department anticipates receiving notification that the County is awarded $15,497,200 in Homekey funding to acquire, rehabilitate, and operate a 43 to 50-unit Permanent Supportive Housing (PSH) site located at 1251 S. Eliseo Dr. in Larkspur as part of ongoing efforts to end chronic homelessness in Marin. PSH is a housing intervention that combines affordable housing with wraparound supportive services and is an evidence-based solution to chronic homelessness. The Department requests authorization to accept this funding to allow acquisition of the property by Episcopal Community Services.

BACKGROUND: Building on the Project Roomkey initiative, which provided funds to lease motel rooms to house people experiencing homelessness, Project Homekey is a statewide effort begun in 2020 to rapidly expand housing for persons who are currently experiencing or at-risk of homelessness and who are impacted by COVID-19. Homekey provides an opportunity for local public agencies to convert motels and a broad range of other properties to housing to increase their community’s capacity to respond to homelessness and the current COVID-19 pandemic. Homekey funds may be used for acquisition, rehabilitation, conversion of nonresidential to residential, master leasing of properties, and purchase of affordability covenants and restrictions for units.
In 2020, Marin County was awarded approximately $9.2 million in State Homekey funding to support the development of 62 units of PSH at two sites: 1591 Casa Buena Drive in Corte Madera and 3301 Kerner Boulevard in San Rafael. The 18 units in Corte Madera have operated as interim housing since spring 2021 and are projected to open as PSH in the spring of 2022. The San Rafael site has temporarily accommodated the relocated Mill Street Center emergency shelter since autumn 2020 and is expected to open as PSH in late 2023 or early 2024. Based on the success of Homekey 1.0, the California Department of Housing and Community Development (HCD) has made approximately $1.4 billion available in a second round of Project Homekey competitive grant funding. 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 eight months of award and $250 million is State General Funds, which must be expended by June 30, 2026.

On October 12, 2021, your Board authorized the Department to submit a joint application with Episcopal Community Services – San Francisco (ECS) for $15,497,200 in Project Homekey funding for a project located at 1251 South Eliseo Drive in Larkspur. This anticipated Homekey grant of $15,497,200 represents a county allocation of $12,900,000 capital award and $2,597,200 operating subsidy. The capital funds will support the acquisition of the property by ECS as well as the renovations necessary to render the building habitable and convert it from a former skilled nursing facility to a residential building with space for on-site services and community gatherings. Additional funding from the County, other state funding sources, and the Marin Community Foundation will be necessary to support the acquisition and rehabilitation of the property.

The operating subsidy will support costs associated with running a residential facility (e.g., client care, security, utilities, maintenance, etc.). The Department will return to your Board to seek authorization to enter an operations agreement with ECS for management of the property. The property will provide from 43 to 50 units of PSH to people experiencing chronic homelessness, all of whom will have a qualifying disability. The Homekey program is an opportunity to increase the supply of permanent housing available to people experiencing or at-risk of chronic homelessness.

**COMMUNITY BENEFIT:** Permanent supportive housing with 24/7 onsite support is a significant gap in Marin’s homeless system of care. The model proposed at 1251 S. Eliseo is highly supportive, including on-site behavioral healthcare, housing case management, peer support, benefits counseling, and connection to physical healthcare. These funds will allow the Marin homeless system of care to fill that gap, reducing inflow into homelessness and improving housing success rates for high-needs individuals.

**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. 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:** Total acquisition and renovation costs for this project are expected to range between $26 million to $29 million with funding expected through varied County sources including this HCD grant, federal COVID-19 relief funds, County general funds and other state funding sources. With your Board’s approval, expenditure appropriations in the Department’s Homekey program will be increased by $2,597,200 for the State’s contribution to the required operating subsidy. The Department further estimates that the County will subsidize the ongoing costs of the facilities by an average of approximately $650,000 a year over the next 15 years.

The Department additionally estimates that the County will subsidize the acquisition and rehabilitation of the property by up to $7.7 million from County sources such as federal COVID-19 relief funds. The Department anticipates County funds to be augmented by State No Place Like Home funds of up to $6 million and at least $2 million from the Marin Community Foundation for the rehabilitation of the property. More detail concerning the construction and operating subsidy will be provided when the Department returns to your Board with a proposed operating agreement with ECS.

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**Total Revenue:** ($2,597,200)

**Total Expense:** $2,597,200

**Net Fund 2980 Adjustment:** $0

**REVIEWED:**
- County Administrator [X] N/A [ ]
- Department of Finance [X] N/A [ ]
- County Counsel [ ] N/A [X]
- Human Resources [ ] N/A [X]

Respectfully Submitted,

Benita McLarin
Director

Munis Budget Adjustment Number: BA 847 2022/08