



**Department:** Community Development  
**Cost Center:** 4008  
**For Agenda of:** 4/16/2024  
**Placement:** Consent  
**Estimated Time:** N/A

**FROM:** Timmi Tway, Community Development Director  
**Prepared By:** Teresa McClish, Housing Policy and Programs Manager  
Daisy Wiberg, Homelessness Response Manager

**SUBJECT:** APPROVE COOPERATING AGREEMENT WITH PEOPLE'S SELF-HELP HOUSING FOR THE CALLE JOAQUIN HOMEKEY PROJECT AND APPROVE AMENDMENTS TO RESOLUTION NO. 11439 (2023 SERIES)

### RECOMMENDATION

1. Approve the Cooperating Agreement with People's Self-Help Housing for the Calle Joaquin Homekey Project and authorize the City Manager, or their designee, to execute the agreement; and
2. Approve amendments to Resolution No. 11439 (2023 Series).

### POLICY CONTEXT

The City's General Plan 6<sup>th</sup> Cycle Housing Element<sup>1</sup> includes Safety as Goal 1, and Program 1.7 states "*Continue to support local and regional solutions to homelessness by funding supportive programs services and housing solutions.*"

Additionally, providing financial assistance to affordable housing projects is a theme supported throughout the Housing Element. Housing Element Goal 2 is Affordability, which specifically states "*Accommodate affordable housing production that helps meet the City's quantified objectives.*" HE Program 2.9 states "*Assist with the issuance of tax-exempt bonds, tax credit financing, loan underwriting or other financial tools to help develop or preserve at least 20 affordable units annually through various programs.*"

Goal 3 in the HE is Housing Conservation, to Conserve existing housing and prevent the loss of safe housing and the displacement of current occupants, and Policies 3.3, 3.5 and Program 3.9 respectively state:

- "*Encourage the construction, preservation, rehabilitation or expansion of residential hotels, group homes, integrated community apartments, and single-room occupancy dwellings,*"
- "*Encourage and support creative strategies for the rehabilitation and adaptation and reuse of residential, commercial, and industrial structures for housing,*" and

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<sup>1</sup> [City of San Luis Obispo 6th Cycle Housing Element](#)

- *“Work annually with non-profit organizations, faith-based organizations, or the Housing Authority of the City of San Luis Obispo to encourage rehabilitation of residential, commercial, or industrial buildings to expand extremely low, very-low, low- or moderate-income rental housing opportunities.”*

HE Goal 6 is Housing Production, which specifically states *“Plan for new housing to meet the full range of community housing needs.”* HE Program 6.20 states, *“Continue to financially assist in the development of housing affordable to extremely low, very-low-, low- or moderate-income households during the planning period using State, Federal and local funding sources, with funding priority given to projects that result in the maximum housing benefits for the lowest household income levels.”*

Additionally, the City’s Homelessness Response Strategic Plan includes Objective 2: to support efforts to establish emergency/transitional housing for key beneficiary groups including chronically homeless individuals, medically vulnerable individuals, and families, with a key task to establish partnerships with housing developers and homeless services providers to submit funding applications in coordination with the County (e.g., Homekey Grant Funding) that will provide new transitional and permanent supportive housing resources for families.<sup>2</sup>

## DISCUSSION

### Background

On March 29, 2023, the California Department of Housing and Community Development (HCD) announced a notice of funding availability (NOFA) of approximately \$736 million in Round 3 Homekey funds to sustain and rapidly expand the inventory of housing for people experiencing homelessness or at risk of homelessness.

On May 16, 2023, the San Luis Obispo County Board of Supervisors authorized a total of \$2.6 million for the Homekey project to cover the estimated \$650,000/year in project costs for four years. A subsequent commitment letter from the County authorized the project funding to be allocated for capital, renovations, and operations for the project.

On July 24, 2023, the City Council adopted a resolution<sup>3</sup> authorizing the submittal of a joint application for Homekey Round 3 grant program funds in conjunction with People’s Self-Help Housing (PSHH) for the proposed acquisition, rehabilitation and conversion of the 87-unit Motel 6 North located at 1433 Calle Joaquin in San Luis Obispo.

On December 19, 2023, and revised on January 18, 2024, HCD provided the City and PSHH a conditional Homekey Round 3 award commitment and acceptance of terms and conditions for the Calle Joaquin Homekey project for a capital award amount of \$17,414,328 and operating award of \$1,943,942. On January 22, 2024, the City Manager and CEO for PSHH, as co-applicants, executed the conditional award letter for Homekey Round 3 funding.

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<sup>2</sup> [City of San Luis Obispo Homelessness Response Strategic Plan](#)

<sup>3</sup> [Resolution No. 11439](#)

### **Cooperating Agreement**

The proposed Cooperating Agreement between the City and PSHH will provide the terms and provisions for the City and PSHH to construct and operate the Calle Joaquin Homekey project in accordance with the Homekey Standard Agreement, which will be drafted by HCD. The proposed Cooperating Agreement (Attachment A) includes a provision requiring that it shall be construed to be consistent with the Standard Agreement. The Homekey Program is intended to meet urgent housing needs, and as such, requires aggressive implementation timelines. Homekey capital funds must be expended within eight months of the date of award, December 19, 2023. Acquisition, rehabilitation and/or construction must be completed twelve months from the date of award and full occupancy must be achieved by fifteen months from the date of award.

The City and PSHH anticipate receiving the Standard Agreement from HCD in April 2024 and, upon receiving the agreement, will confirm that the terms of the Cooperating Agreement are consistent with the Standard Agreement. Staff request authorization to amend the Cooperating Agreement to address any non-substantive inconsistencies, since staff anticipate that HCD's Standard Agreement will not be negotiable. Staff is bringing forward this Cooperative Agreement in advance of the Standard Agreement due to the fast project timeline and need to continue to move the project forward. Staff does not anticipate substantive changes to the Cooperating Agreement; PSHH is familiar with the HCD Standard Agreement and was involved in the drafting of the Cooperating Agreement as a signing party. Council's authorization to apply for the program included an acknowledgement that the City shall be subject to the terms and conditions of the Standard Agreement.

### **Resolution Amendments**

The State of California's Department of Housing and Community Development (HCD), the entity which awards funds under the Homekey Program, requested corrections be made to the City of San Luis Obispo's Resolution No. 11439 (2023 Series) for the Calle Joaquin Homekey project. Previously, on March 21, 2024, some non-substantive amendments were previously made administratively regarding the naming of all co-applicants for the project and the resolution was amended to include the City, Peoples Self-Help Housing Corporation ("Co-Applicant 1"), Calle Joaquin Homekey LLC ("Co-applicant 2"), quin LP ("Co-Applicant 3"). HCD has requested additional amendments to the previously adopted resolution that staff have determined require Council approval.

Prior to issuing a Standard Agreement for the Calle Joaquin Homekey project, HCD has requested amendments to the Resolution regarding the anticipated project cost and funding sources. When the originally adopted Resolution was executed, an anticipated award amount of \$15,000,000 (with a not-to-exceed authorization of up to \$22,000,000) was included in the Resolution, however the final award amount requested on the Homekey Round 3 application was \$21,528,657. HCD requested the Resolution be amended to remove the anticipated award amount of \$15,000,000 and replace it with the authorized amount not to exceed \$22,000,000. Additionally, HCD requested that the City's \$400,000 Affordable Housing Funds (AHF) commitment be included in the Resolution as well as naming additional funding sources including: \$150,000 Wells Fargo Homekey Accelerator Funding and \$164,329 Deferred Developer Fee. All requested

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revisions are included in the amended resolution (Attachment B). The three sections of the amended Resolution are outlined below, including language from the originally adopted Resolution and the proposed amendments to the Resolution:

**Update #1** – Originally Adopted Resolution, Page 2, Section 3, Findings, No. 1:

“The City Manager or their designee is hereby authorized and directed to submit a joint Application to the Department in response to the NOFA, and to jointly apply for Homekey grant funds for an anticipated project cost of \$15,000,000. Per the Homekey grant provisions, it is recommended to identify an authorized dollar amount that is at least double the anticipated award. In line with available funding allocation for the Central Coast Geographical Area, the total authorized amount shall not exceed \$22,000,000.”

The amended resolution will state:

“The City Manager or their designee is hereby authorized and directed to submit a joint Application to the Department in response to the NOFA, and to jointly apply for Homekey grant funds for an anticipated project cost not to exceed \$22,000,000. Per the Homekey grant provisions, it is recommended to identify an authorized dollar amount that is at least double the anticipated award. In line with available funding allocation for the Central Coast Geographical Area, the total authorized amount shall not exceed \$22,000,000.”

**Update #2** – Originally Adopted Resolution, Page 2, Section 1, Findings:

“SECTION 1. Findings. The City Council does hereby make the following findings in support of the proposed AHF awards:”

The amended Resolution will state:

“SECTION 1. Findings. The City Council does hereby make the following findings in support of the proposed \$400,000 AHF award:”

**Update #3** – Originally Adopted Resolution, Page 3, Section 1, No. 5, Financial Effectiveness, Paragraph 2:

“This is a highly effective use of the City’s Affordable Housing Funds, as it will leverage additional funding sources as they demonstrate local support and commitment to the development. These funding sources include the Homekey Grant Round 3 \$15 million, County of San Luis Obispo \$2.6 million; and Private Foundation funding \$800,000. Project financial feasibility is dependent upon Affordable Housing Funds.”

The amended resolution will state:

“This is a highly effective use of the City’s Affordable Housing Funds, in the amount of \$400,000, as it will leverage additional funding sources as they demonstrate local support and commitment to the development. These funding sources include the Homekey Grant Round 3 award for an anticipated project cost of \$21,528,657; County of San Luis Obispo funding commitment in the amount of \$2.6 million; Private Foundation funding in the amount of \$800,000; \$150,000 Wells Fargo Homekey Accelerator funding; and \$164,329 Deferred Developer Fee. Project financial feasibility is dependent upon the City’s Affordable Housing Funds.”

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The requested amendments to the Resolution are consistent with the partnership structure outlined in the Homekey Round 3 grant application and do not alter the project, partnership, or the City's financial obligations in any way. The anticipated award amount, Affordable Housing Fund commitment from the City, and additional funding sources were all outlined in the final Homekey Round 3 application that the City and PSHH submitted to HCD in July 2023.

Staff will submit the amended Resolution to HCD so that the Calle Joaquin Homekey project may move forward.

### **Next Steps**

PSHH will administer subrecipient agreements with the County of San Luis Obispo, 5Cities Homeless Coalition, and other service providers for the provision of ongoing funding and services at the project site. The Balay Ko Foundation, a nonprofit corporation, has also committed up to \$800,000 in gap funding for the project and the Wells Fargo Accelerator Fund contributed \$150,000. The Housing Authority of San Luis Obispo (HASLO) will provide 60 Project Based Vouchers as Operational Subsidy in years 4-14 of the project.

The tentative project timeline for the Calle Joaquin Homekey project, which is subject to change, includes the following estimated milestones:

- Property Acquisition – May 2024
- Start of Rehabilitation & Construction – June 2024
- Collaboration with County and Service Providers on Coordinated Entry System for Calle Joaquin Homekey Housing Placements – August 2024
- Rehabilitation & Construction Complete – December 2024
- Leasing Process Begins for Permanent Supportive Housing (PSH) Units – January 2025
- Calle Joaquin Homekey Opening – March 2025

### **Previous Council or Advisory Body Action**

On July 24, 2023, the City Council adopted a resolution authorizing the submittal of a joint application for Homekey Round 3 grant program funds in conjunction with People's Self-Help Housing for the proposed acquisition, rehabilitation, and conversion of the 87-unit Motel 6 North located at 1433 Calle Joaquin<sup>4</sup>.

The Resolution grants the City Manager, or their designee, authorization to enter into, execute, and deliver a Standard Agreement in a total amount not to exceed \$22,000,000, and any and all other documents required or deemed necessary or appropriate to secure the Homekey funds from HCD and to participate in the Homekey Program, and all amendments thereto.

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<sup>4</sup> [Resolution No. 11439](#)

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The Resolution also includes an acknowledgement that the City shall be subject to the terms and conditions specified in the Standard Agreement. The City Manager, or their designee, is authorized in the Resolution to execute the Homekey Documents on behalf of the City for participation in the Homekey Program and to execute such other documents and take such other actions consistent with the purposes of the grant as necessary to accept and comply with grant requirements and implement the project.

On March 21, 2024, the Resolution was administratively amended to include additional project co-applicants, per the request of HCD<sup>5</sup>. PSHH created a Limited Liability Company (LLC), Calle Joaquin Homekey LLC, and a Limited Partnership (LP), Calle Joaquin LP, for the Homekey project, and HCD requested that both entities be listed as additional co-applicants on the Resolution. The requested amendment to the resolution was consistent with the partnership structure outlined in the Homekey Round 3 grant application and did not alter the project, partnership, or the City's financial obligations in any way.

### **Public Engagement**

On October 11, 2023, PSHH noticed Calle Joaquin neighbors and stakeholders and conducted an informational meeting at City Farm SLO to provide an overview of the proposed project. Only one neighboring business attended but City staff have been responding to public inquiries regarding the project.

The City and PSHH plan to conduct additional community outreach to neighboring businesses and stakeholders in advance of the project groundbreaking, including providing an overview of the project timeline. Key stakeholders will be invited to a groundbreaking event for the Calle Joaquin Homekey project and additional community engagement opportunities will be provided throughout the development of the project.

### **CONCURRENCE**

The Homelessness Response Steering Committee is in support of the agreement.

### **ENVIRONMENTAL REVIEW**

As provided by Health and Safety Code section 50675.1.4, the guidelines allow for exemption of this Round 3 Homekey Project from the California Environmental Quality Act (CEQA). Compliance with Section 50675.1.4 is a material term of the Cooperating Agreement, and a Notice of Exemption has been filed. Additionally, a finding of no significant impact will be filed in accordance with the National Environmental Policy Act (NEPA) for the provision of Homekey funds.

### **FISCAL IMPACT**

Budgeted: No  
Funding Identified: Yes

Budget Years: 2023-24 & 2024-25

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<sup>5</sup> [Amended Resolution No. 11439](#)

**Fiscal Analysis:**

<b>Funding Sources</b>	<b>Total Budget Available</b>	<b>Current Funding Request</b>	<b>Remaining Balance</b>	<b>Annual Ongoing Cost</b>
General Fund	\$	\$	\$	\$
State	\$19,358,270	\$0	\$19,358,270	
Federal				
County	\$2,600,000	\$0	\$2,600,000	
Fees				
Other: AHF	\$400,000	\$0	\$400,000	
HASLO 60 Project Based Vouchers	Operational Subsidy (Years 4-14)	\$0		
Private Donation	\$800,000	\$0	\$800,000	
Wells Fargo Accelerator Fund	\$150,000	\$0	\$150,000	
<b>Total</b>	<b>\$23,308,270</b>	<b>\$0</b>	<b>\$23,308,270</b>	

City Council’s approval of the Cooperating Agreement does not have fiscal implications. The fiscal analysis reflects the Homekey project budget as previously approved on July 24, 2023.

**ALTERNATIVES**

1. **Council could deny approval of the Cooperating Agreement with PSHH.** Under this alternative, the City and its co-applicant would have no agreed terms to manage the Calle Joaquin Homekey project. Staff does not recommend this alternative.
2. **Council could deny approval of the amendments to Resolution No. 11439.** Under this alternative, the City would risk not being in compliance with HCD’s resolution requirements for the Homekey Round 3 program and may encounter delays with execution of the Standard Agreement. Staff does not recommend this alternative.

**ATTACHMENTS**

- A - Draft Cooperating Agreement for Calle Joaquin Homekey Project
- B - Amended Resolution No. 11439 (2023 Series)