



City Manager's Office  
**STAFF REPORT**

2100 Thousand Oaks Boulevard • Thousand Oaks, CA 91362  
Phone 805/449.2121 • Fax 805/449.2125 • www.toaks.org

**TO:** Andrew P. Powers, City Manager

**FROM:** Ingrid Hardy, Assistant City Manager

**DATE:** January 25, 2022

**SUBJECT:** Project Homekey Update

**RECOMMENDATION:**

1. Adopt resolution to apply for and accept Homekey program funds from the California Department of Housing and Community Development (HCD) in an amount not-to-exceed \$28,000,000 to cover capital and operating expenses to rehabilitate the Quality Inn and Suites site into 77-units of permanent supportive housing.
2. Authorize City Manager to execute a standard agreement with HCD and any and all other documents required or deemed necessary or appropriate to secure Homekey funds from HCD.
3. Authorize expenditure in the amount of \$1,800,000 from A/C #165-4630-644-55-00 (HSHOME, Construction) for local fund match required by the Homekey program for rehabilitation construction costs.
4. Approve a fee waiver for all City planning, building permit, and development impact fees; wastewater connection fees excluded from waiver.
5. Authorize the City Manager to enter into an Operating Agreement with Shangri-La Industries (Los Angeles, CA) (and Partners) to operate the Quality Inn and Suites (12 Conejo Boulevard), as permanent supportive housing.

**FINANCIAL IMPACT:**

**No Additional Funding Requested.** Staff time to prepare required documents for the application is included in the Adopted FY 2021-22 General Fund Budget.

**Project Homekey Update**  
**January 25, 2022**  
**Page 2**

\$1.8 million in Housing Successor Funds is included in the Adopted FY 2021-22 Housing Successor Fund Budget, which will be used towards rehabilitation construction costs, to convert from a motel use to permanent supportive housing. This also fulfills Health and Safety Code requirements on use of Housing Successor funds towards the development and construction of extremely low rental housing. City fee waivers for planning, permitting, and development impact fees are necessary to assist in making the project financially feasible without debt financing by the co-applicant and reduce costs for development of permanent supportive housing.

Based on preliminary staff calculations, the proposed project would not have any traffic development impact fees owed and thus there is no financial impact for that waiver. The amount of planning and permitting fees requested to be waived is approximately \$25,000. Wastewater Connection Fees cannot be waived and are estimated at \$75,000 in revenue to the Wastewater Fund. Conversion of the Quality Inn and Suites to permanent supportive housing will lead to a reduction in transient occupancy tax revenue in the amount of \$0.2 million annually. In addition to applying for Homekey funding from the State, there is approximately \$5.8 million in potential additional grant funding from the County of Ventura for the Project for both construction and operating costs.

**BACKGROUND:**

In recent years, the combined efforts of the Ad Hoc Homelessness Committee, City staff, Thousand Oaks Police Department (TOPD), Ventura County Continuum of Care (CoC), local social service organizations, and other government agencies have helped to increase awareness, secure funding, respond to citizen complaints and calls for service, and increase communication amongst all agencies and organizations addressing homelessness.

Despite these collective efforts, Thousand Oaks continues to be hampered in its ability to comprehensively serve the unhoused population due to a lack of emergency shelter and available permanent supportive housing. Emergency shelter and permanent supportive housing are fundamental elements of an effective homelessness crisis response system.

California has committed unprecedented financial resources to combat homelessness and support temporary and permanent supportive housing through the Homekey program.

**Project Homekey Update**  
**January 25, 2022**  
**Page 3**

Building on the success of both Project Roomkey and the first round of Homekey funds, this significant investment continues a statewide effort to sustain and rapidly expand housing for persons experiencing homelessness or at risk of homelessness and who are, thereby, inherently impacted by COVID-19. The state's large financial commitment presents a unique and fleeting opportunity for the City to access significant funding to achieve the commitments specified in the City Council's Top Ten Priorities and outlined in the Countywide Regional Memorandum of Understanding on Addressing Homelessness (MOU).

Based on City Council's Top Ten Priorities for FY 2021-22, the City and County of Ventura (County) issued a Request for Qualifications (RFQ) on June 24, 2021, to solicit responses from developer/owner/operators to assist the City in identifying a potential location for acquisition and conversion into an emergency shelter and permanent supportive housing.

A committee comprised of City and County staff evaluated the proposals and identified two development teams who were the most experienced and qualified to successfully and effectively complete the scope of work detailed in the RFQ. The recommended proposers were Shangri-La Industries/Step Up on Second (Step Up) and Many Mansions/Area Housing Authority/Turning Point Foundation.

At the September 28, 2021, City Council meeting, City Council voted (4-1) to authorize the City Manager to enter into a cooperating agreement with each of the development teams. The agreements were not a financial commitment by the City, but rather a greenlight to take the necessary steps to identify and review potential project sites and rehabilitation plans for City Council's consideration.

Subsequently, City and County staff worked closely with the Shangri-La Industries/Step Up team to assess a proposal and associated Homekey application to rehabilitate and convert the Quality Inn and Suites, located at 12 Conejo Boulevard, into 77 units of permanent supportive housing ("Project"). The Ad Hoc Committee on Homelessness met and discussed the Project on Friday, January 14, 2022. The committee members are supportive of moving the Project forward to the full City Council for approval, as it addresses the City Council's Top Ten Priorities, fulfills City commitments made under the Countywide MOU on Addressing Homelessness, and adds to the supply of permanent supportive housing within the City, which is a critical feature of an effective homeless crisis response system. Moreover, the Project provides an opportunity to bring substantial state funding to the City to enhance its capacity to address the growing homelessness crisis locally.

**Project Homekey Update  
January 25, 2022  
Page 4**

**DISCUSSION/ANALYSIS:**

Since City Council's approval at the September 28, 2021, City Council meeting, City and County staff have actively engaged in negotiations with Shangri-La and Step Up to bring forth a financially feasible project for City Council's consideration and approval to apply for Homekey program funding. The Project site aligns acutely with Homekey site criteria and best practices, including proximity to local social services, County medical offices, and transit.

HCD administers the Homekey program and have established a four-month priority application period from September 30, 2021 – January 31, 2022. During this priority application period, HCD will group applications into one of eight geographic regions. Each region's share of the Homekey allocation is calculated based on its proportionate share of persons experiencing homelessness as indicated by both the sheltered and unsheltered 2019 Point-in-Time Counts, plus its proportionate share of extremely low-income renter households that are paying more than 50 percent of their income for rent. The County falls under the Southern California region, and there is over \$123 million for this region. Homekey funds will be available on a continuous, over-the-counter basis rather than on a competitive basis during the application period. Applications are being accepted on a first-come first-served basis until all funds are exhausted.

Applications received by January 31, 2022 have a greater likelihood of consideration because the funds are limited to applicants from within the identified pool only. Beginning February 1, 2022, all unused funds from the geographic regions will be placed into a statewide pool, and the process will become more competitive. For this reason, staff is seeking City Council approval to move forward with an application prior to the January 31 deadline, memorialized by adopting the attached resolution (Attachment #1).

**Project Financing**

The financing structure for permanent supportive housing is complex and typically involves an amalgamation of various funding sources. City staff, County staff, and the Shangri-La/Step Up team have evaluated and considered several potential funding sources to make the Project financially feasible and access the maximum amount of Homekey funding. Typically, a combination of project-based housing vouchers and Housing Choice Vouchers, also referred to as tenant-based vouchers, would be available to financially support a permanent supportive housing project. At this time in the Project stage, there are no project-based housing vouchers available.

**Project Homekey Update**  
**January 25, 2022**  
**Page 5**

As persons are placed into housing at the site through the Continuum of Care's Coordinated Entry System (CES), it is possible tenants will have tenant-based housing vouchers. These vouchers would then go towards offsetting the operating costs of the Project. In addition, as tenants of permanent supportive housing, residents sign leases and pay income-contingent rent amounting to approximately 30 percent of their income.

The application to HCD will include a request for acquisition, construction, and operations in an amount not to exceed \$28,000,000. Additional funding sources for construction and operations are necessary to cover the anticipated total cost of the Project through the first seven years. In order for the Project to be eligible for the maximum of three years of Homekey operating funding, a match of four years of operating funding from other sources, such as local funds, is required. This provides a total of seven years of operations for the Project. Pending County Board approvals, the County will contribute up to \$5.8 million towards the Project to fund both construction and operating costs. The County Board will consider an initial allocation of \$2.5 million on January 25, 2022. Shangri-La and Step Up have also applied for \$3.3 million in CDBG-DR Multifamily Housing Program (MHP) funding from the County. Funding recommendations will be made public in March and Board of Supervisors approval of recommendations are anticipated in May 2022. In addition, staff is recommending a City contribution of \$1.8 million from the Housing Successor Fund for the construction costs of the Project.

In order to reduce the development costs of the Project and eliminate the requirement of debt financing, staff is recommending a waiver of City planning, permitting, and development impact fees. City planning and permitting fees are estimated at \$25,000. Based on staff's preliminary calculations, due to the nature of the type of Project as a conversion of a motel use to a permanent supportive housing use, it is estimated that Traffic Impact Development Fees will be zero. However, as this is only an estimate, staff is including these fees, if any, be waived as well. Wastewater connection fees are estimated to be approximately \$75,000 based on adding kitchenettes to each unit. These fees are included in the development cost budget for the Project as they cannot be waived.

Target Population

Homekey program funds are designed to provide housing for individuals and families experiencing homelessness or who are at risk of homelessness and who are inherently impacted by or at increased risk for medical diseases or conditions due to the COVID-19 pandemic or other communicable diseases.

**Project Homekey Update**  
**January 25, 2022**  
**Page 6**

Based on Thousand Oaks data from the Homeless Management Information System (HMIS) and Project Roomkey participation, staff recommends the Project be comprised of 75 percent of units for chronically homeless households and 25 percent not requiring chronic homeless status.

Persons who are chronically homeless — per the U.S. Department of Housing and Urban Development (HUD) definition — are persons who have been homeless for 12 months or longer and have a documented disability including physical disabilities, health-related disabilities, mental health, and/or substance use disorders. Homeless households that have a need for supportive housing include seniors who are not disabled or persons who have not been homeless for 12 months or longer.

Homekey projects require persons to be referred and matched through the regional Continuum of Care's CES. The CES prioritizes and matches the most vulnerable households with available supportive housing units. Vulnerability is determined based on length of time homeless and other vulnerabilities and risk factors including health and risk to COVID-19 complications.

Fair Housing and other equal protection laws prohibit the City from solely restricting the project to Thousand Oaks citizens. In addition, the Homekey program requires that those with the greatest need get the highest priority. However, the City will make every effort within legal limits to serve Thousand Oaks residents. CES referrals will be coming from our local service providers, so it is highly likely that most, if not all, prospective tenants will be local.

Supportive services attached to Homekey or other supportive housing programs are tailored to the individual needs of the client and focused on housing retention and connections to other services including healthcare, behavioral health, substance use treatment, healthcare and mainstream benefits, and education and employment services. As part of this Project, supportive services are provided through Step Up.

Project Timeline

Homekey applications seeking geographic set-aside funds are due to HCD by January 31, 2022. Award letters are currently expected to be issued within 45 days. Funding distribution is expected to take an additional 4-6 weeks.

Project construction at the site would begin in April 2022 and is estimated to be completed by September 2022. Occupancy is anticipated to begin in October 2022 and fully occupied by the end of the calendar year.

**Project Homekey Update**  
**January 25, 2022**  
**Page 7**

Affordability Term and Other Considerations

The Project must be encumbered with a 55-year affordability covenant, declaration, regulatory agreement, or similar use restriction. In addition, funding commitments or other reasonable assurance to cover operations and service costs with specific funding sources for the proposed Project for five years and a budget covering operations and services costs for 15 years. As mentioned, the Project as currently proposed has funding identified for seven years, exceeding the five-year requirement. Various funding sources will be sought over the upcoming seven years to provide funding for extending beyond that, including federal, state, and County funds. It is possible that there will also be both project-based vouchers and tenant-based vouchers that become available within the next seven years that could be applied towards the Project, reducing the operating gap in the future. Because of the uncertainty of outside funding sources beyond the seven years, staff believes that committing City resources towards the Project for any longer a time period is premature. While the State has not addressed budget allocations for future operating expenses, staff believes that future funding will be available to support Project Homekey sites, as it is not in the best interest of the State or communities building these projects to have individuals and families return to homelessness due to lack of local funding resources. In addition, in staff's consultation with HCD, if necessary, the City can return to the State and request a change or increase in the affordability income category for the Project to generate more revenue.

Conclusion

Addressing homelessness has been a City Council priority since 2018. City Council has taken important action on homelessness over recent years with meaningful outcomes. However, the City continues to be hampered in its ability to sufficiently serve our unhoused population due to a lack of emergency shelter and available permanent supportive housing. The State has committed unprecedented financial resources to combat homelessness and support emergency shelter and permanent supportive housing through the Homekey Program. This large financial commitment presents a unique and momentary opportunity for the City to leverage the state's financial commitment to enhance the City's capacity to address the growing homelessness crisis locally and in a more cost-effective manner.



**Project Homekey Update  
January 25, 2022  
Page 8**

**COUNCIL GOAL COMPLIANCE:**

Meets City Council Goals A, B, C, and D:

- A. Create a more equitable, accessible, safe, welcoming, and inclusive government and community regardless of race, color, ethnicity, religion, sex, physical or mental ability, sexual orientation, gender identity and expression, age, language, education, and/or socio-economic status.
- B. Provide municipal government leadership, which is open and responsive to residents, and is characterized by ethical behavior, stability, promoting public trust, transparency, confidence in the future, and cooperative interaction among civic leaders, residents, business representatives, and staff, while recognizing and respecting legitimate differences of opinion on critical issues facing the City.
- C. Operate City government in a fiscally and managerially responsible and prudent manner to ensure that the City of Thousand Oaks remains one of California's most desirable places to live, work, visit, recreate, and raise a family.
- D. Maintain strong commitment to public safety (including Police, Fire, Emergency Medical Services, and Emergency Management) to ensure City remains one of the safest Cities in the United States with a population over 100,000.

**PREPARED BY:** Dusty Russell, Economic Development Analyst

Attachment:

Attachment #1 – Resolution



## ATTACHMENT #1

## RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF  
THE CITY OF THOUSAND OAKS AUTHORIZING  
JOINT APPLICATION TO AND PARTICIPATION  
IN THE HOMEKEY PROGRAM

WHEREAS, the Department of Housing and Community Development (Department) has issued a Notice of Funding Availability, dated September 9, 2021 (NOFA), for the Homekey Program (Homekey or Program). The Department has issued the NOFA for Homekey grant funds pursuant to Health and Safety Code section 50675.1.3 [Assembly Bill No. 140 (2021-2022 Reg. Sess.), § 20.]; and

WHEREAS, CITY OF THOUSAND OAKS (Co-Applicant) desires to jointly apply for Homekey grant funds with SHANGRI-LA INDUSTRIES, LLC and STEP UP ON SECOND STREET, INC. (Developers). Therefore, Co-Applicant is joining Developers in the submittal of an application for Homekey funds ("Application") to the Department for review and consideration; and

WHEREAS, the Department is authorized to administer Homekey pursuant to the Multifamily Housing Program (Chapter 6.7 (commencing with Section 50675) of Part 2 of Division 31 of the Health and Safety Code). Homekey funding allocations are subject to the terms and conditions of the NOFA, the Application, the Department-approved STD 213, Standard Agreement (Standard Agreement), and all other legal requirements of the Homekey Program.

NOW, THEREFORE, the City Council of the City of Thousand Oaks does resolve as follows:

1. Co-Applicant 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 in a total amount not to exceed \$28,000,000.
2. If the Application is approved, Co-Applicant is hereby authorized and directed to enter into, execute, and deliver a Standard Agreement in a total amount not to exceed \$28,000,000, any and all other documents required or deemed necessary or appropriate to secure the Homekey funds from the Department and to participate in the Homekey Program, and all amendments thereto (collectively, the "Homekey Documents").
3. Co-Applicant acknowledges and agrees that it shall be subject to the terms and conditions specified in the Standard Agreement, and that the NOFA and Application will be incorporated in the Standard Agreement by reference and

made a part thereof. Any and all activities, expenditures, information, and timelines represented in the Application are enforceable through the Standard Agreement. Funds are to be used for the allowable expenditures and activities identified in the Standard Agreement.

4. City Manager, or his or her designee, is authorized to execute the Application and the Homekey Documents on behalf of Co-Applicant for participation in the Homekey Program.

PASSED AND ADOPTED THIS 25<sup>th</sup> day of January, 2022, by the following vote:

Ayes:

Noes:

Absent:

---

Bob Engler, Mayor  
City of Thousand Oaks, California

ATTEST/CERTIFY:

---

Cynthia M. Rodriguez, City Clerk

Date Attested: \_\_\_\_\_

APPROVED AS TO FORM:  
Office of the City Attorney

---

Tracy Friedl, Assistant City Attorney

APPROVED AS TO ADMINISTRATION:

---

Andrew P. Powers, City Manager

*The presence of electronic signature certifies that the foregoing is a true and correct copy as approved by the City of Thousand Oaks City Council on the date cited above.*