



AGENDA REPORT

TO: Jestin D. Johnson
City Administrator

FROM: LaTonda Simmons
Assistant City
Administrator

SUBJECT: Grant and Loan to Housing
Consortium of the East Bay for
Extended Stay America

DATE: November 4, 2024

City Administrator Approval


Jestin Johnson (Nov 7, 2024 15:23 PST)

Date: Nov 7, 2024

RECOMMENDATION

Staff Recommends That The City Council Adopt The Resolution Authorizing the City Administrator to:

- 1. Either Make A 55-year Capitalized Loan At An Interest Rate Not To Exceed 3% Or, In The Alternative, Award A Grant To Memar Properties, Inc. And Housing Consortium of The East Bay (“HCEB”) Or Their Affiliates, In An Amount Not To Exceed \$7,000,000, Using State Of California Encampment Resolution Funding (ERF), To Purchase The Extended Stay America Located At 3650 Mandela Parkway (Property) For Interim Shelter For Unhoused Individuals To Be Converted To 125 Units Of Permanent Supportive Housing; And**
- 2. Award A Grant To HCEB In An Amount Not To Exceed \$5,378,190 Using State of California Permanent Local Housing Allocation Funds (PLHA), State ERF, And Local Opioid Remediation Funding, To Operate An Interim Shelter Program At The Property And Provide Pre-Program Outreach and Exit Resources For Unhoused Individuals Through September 30, 2026;**
- 3. And Making Appropriate California Environmental Quality Act Findings.**

EXECUTIVE SUMMARY

On April 18, 2024, the City of Oakland (City) was awarded grant funding in the amount of \$7,216,307.00 from the State of California Encampment Resolution Fund (ERF) to fund interim housing activities and services related to the closure of three encampments located at Mosswood Park, Martin Luther King Jr. Way at 23rd Street, and East 12th Street. ERF is a competitive grant program administered by the State of California Business, Consumer Services

City Council
November 12, 2024

and Housing Agency's (BCSH) California Interagency Council on Homelessness (Cal ICH) and the California Department of Housing and Community Development available to assist local jurisdictions to provide services and supports to people experiencing homelessness in encampments. The ERF grant was a collaborative application between the City of Oakland and Alameda County (County). Activities to be funded using ERF grant funds and matching or in-kind services provided by the City and County include outreach to encampment residents, service coordination, case management, rental and move-in assistance, interim shelter including daily meals and permanent supportive housing.

The originally identified location for the interim housing program became unavailable subsequent to the award of the ERF grant to the City. The City's Housing and Community Development Department (City HCD) has identified an alternative preferred location for the interim housing provision at the Extended Stay America (ESA) located at 3650 Mandela Parkway in Oakland. Using the \$7.2 million of ERF grant funding award, HCD proposes to grant or loan, Memar Properties Inc. and the Housing Consortium of the East Bay \$7,000,000 to support the acquisition of the ESA. The acquisition of the ESA would immediately create 105 interim housing units to serve 150 individuals. Further, after the 12-month interim housing term, the ESA will be converted to 125 permanent supportive housing units that will serve the needs of vulnerable residents of the city over the long term.

Adoption of this proposed resolution would authorize the City Administrator to (1) provide a loan or grant to Memar Properties Inc. ("MPI") and the Housing Consortium of the East Bay (HCEB) to purchase the Extended Stay America (ESA) site in West Oakland, and (2) provide a grant to HCEB for property operations and supportive services at the site for a one year period during which the property will house Oaklanders experiencing homelessness residing in the encampments of Mosswood Park, Martin Luther King Jr. Way and 23rd Street, and East 12th Street.

REASON FOR URGENCY

The immediate use of ERF funds for the ESA site acquisition aligns with the State required spending deadlines of at least 50% spend down of grant funds by June 30, 2025. Additionally, the existing encampments located at Mosswood Park, and East 12th Street demand prompt action to safeguard the health and safety of affected individuals. Securing the proposed funds to acquire the ESA is crucial for the City to effectively address the encampment's immediate needs and mitigate potential negative impacts on our community.

BACKGROUND / LEGISLATIVE HISTORY

Homelessness has been, and continues to be, a crisis throughout California, with Oakland being the most impacted City in the County. Oakland residents are regularly displaced from their homes to the streets of the city and need urgent support. According to the 2024 Point in Time Count (PIT), the City of Oakland has an estimated 5,490 unhoused individuals, 3,664 (67%) of which are unsheltered. The homelessness problem affects Oakland's population disproportionately; a majority of the unsheltered identify as Black or African American, while Black and African American households are a minority in the City's overall population.

The Extended Stay America Hotel (ESA)

The ESA hotel, located at 3650 Mandela Parkway in Oakland, is currently operating as an extended stay hotel with 149 rooms. The hotel conversion to permanent supportive housing was selected through response to HCD's Rapid Response Homeless Housing (R2H2) Request for Proposals in early 2024. The development team plans to acquire the 149-room hotel with a proposed plan to operate as 105 interim housing units serving 150 unduplicated individuals relocating from the previously identified encampment sites. After the completion of the 12-month interim housing program, the ESA will undergo renovations to add community serving space and convert to 125 units of permanent supportive housing. In addition to funding provided through HCD's R2H2 program and the ERF grant, funding from the State Community Care Expansion program is proposed to support the acquisition of the ESA.

Encampment Resolution Funds

In alignment with the City's commitment to addressing homelessness, Oakland City Council enacted Shelter Crisis Ordinance No. [13759 C.M.S.](#) on September 19, 2023, to authorize funding through state programs aimed at homelessness solutions. This ordinance approved multiple funding sources, including Encampment Resolution Funding (ERF) and Homeless Housing, Assistance, and Prevention (HHAP) funding up to \$65,000,000 through Fiscal Year 25/26. Staff recommends utilizing the approved ERF funding source to provide interim shelter and services in the ESA program site to older, unsheltered Oakland community members.

ANALYSIS AND POLICY ALTERNATIVES

In 2024, the City saw its rapid rates of homelessness slow. The PIT count noted an increase of 9 percent unsheltered since the 2022 count. The slower rate of increase demonstrates the positive impacts and points of program design and partnership success. With 5,490 unhoused residents residing in Oakland out of a county-wide total of 9,747, statistics highlight the need for high-quality, permanent exits from homelessness as a priority.

Aware of the need to increase pathways to Permanent Supportive Housing (PSH), Community Homelessness Services (CHS) applied to the State for Encampment Resolution Funds Round 3 (ERF).

The ERF grant awarded the City \$7,216,307, initially contemplating leasing a hotel to rapidly move three encampments totaling approximately 150 people into interim housing. After the ERF award was made, the initial interim housing site was no longer available and HCD worked to identify an alternative location to serve as interim shelter. The ESA had been identified as a location for permanent supportive housing through City HCD's R2H2 RFP. The project sponsors were excited to add the interim shelter to the scope of the project as interim shelter is a direct response to sheltering encampment residents and connecting them with services and case management. The revised approach to the ERF grant scope will continue to be a collaboration with City of Oakland and Alameda County. Activities to be funded using ERF grant funds and matching or in-kind services provided by the City and County will still include outreach to encampment residents, service coordination, case management, rental and move-in assistance, interim shelter including daily meals and permanent supportive housing as well as the addition of the acquisition of the Extended Stay America as a long term permanent supportive housing asset.

Outreach at each encampment will begin with housing coordination support 60 days before the move to interim housing provided by HCEB under oversight of CHS. The two months of pre-move outreach support will aid in the process of preparing individuals to become document-ready and ensure appropriate psychosocial services are available and linked to clients. Outreach services will also include WE-Empower Culturally Based Competent Coaching, Monthly Peer Group Facilitation, Naloxone Training, transportation vouchers, and storage bins and duffels for participants. The two months of outreach will be funded by California Opioid Settlement Funds.

The purchase of Extended Stay America by the project sponsors ensures long-term, non-congregate housing protections for 105 formerly unhoused individuals or families (150 unduplicated individuals) who are our most vulnerable community members. At the conclusion of the 12-month interim housing program at ESA, the building will be renovated to increase community gathering space for residents and will provide 125 units of long-term supportive housing to ensure sustainability in the community. Participants in the interim shelter program who are not placed in PSH in the Extended Stay America or other Homekey properties in the City will be provided with ongoing support including case management for 12 months and titrating rental subsidy for 6 months. These services will be provided by HCEB through the Opioid Remediation Funds.

During the interim program, HCEB will provide property operations and resident services including shelter staff, service coordinators, and program managers, meals, laundry, transportation, and community activities. The property management tasks for the building will be included in the scope of work for the HCEB grant of \$5,378,190. Funding for this grant is provided by the sources described below.

Encampment Resolution Funds

On April 18, 2024, the City of Oakland was awarded \$7,216,307 in Encampment Resolution Funds (ERF) from the to address urgent housing needs for Oakland's unsheltered residents. In response, Oakland's Housing and Community Development (HCD) Homeless Housing Unit partnered with MPI and HCEB to secure the ESA, aligning with the Human Services Department's housing goals. This strategy utilizes ERF resources for immediate and lasting housing solutions, such as the acquisition of a property that will serve people experiencing homelessness.

MPI and HCEB will use \$7,000,000 of ERF to support the acquisition of the ESA and make 105 units available for interim housing for 12 months. The ESA will serve as non-congregate interim housing for encampment residents, offering private rooms, essential amenities, on-site clinical services, and case management. After the 12-month term, ESA will convert to 125 units of permanent supportive housing.

Permanent Local Housing Allocation Program

The Permanent Local Housing Allocation program (PLHA) was created by the State of California pursuant to the Building Homes and Jobs Act (Senate Bill 2, 2017), which established a \$75 recording fee on real estate documents to support increasing the supply of affordable homes. It is an ongoing source of funding available to local governments. Oakland is an entitlement jurisdiction and is eligible to receive funding on a non-competitive basis. The program has been structured in five-year cycles. For the first five-year cycle, The City delegated the administration of these funds to Alameda County to fund an operating subsidy program that

will increase the number of supportive housing units serving people experiencing homelessness. The first year (2019) allocation was \$3,704,475, and the first five-year cycle is projected to total \$19,667,562.

At the July 14, 2020, City Council meeting, staff proposed that the City apply for the PLHA funds as part of a countywide application. At that meeting, Resolution No. [88211 C.M.S.](#) was adopted authorizing the City Administrator or their designee to negotiate and enter into a legally binding agreement with Alameda County to authorize the County to apply for State of California PLHA funds allocated to the City for a period of up to five (5) years; accept said funds on behalf of the City; and administer the funds on behalf of the City.

At the November 7, 2023, City Council meeting, staff presented the Rapid Response Homeless Housing (R2H2) program to serve as the vehicle for deploying the PLHA funds and other local resources. At that meeting, Resolution No. [89977 C.M.S.](#) established the R2H2 program. It authorized staff to implement the program, including authorizing the City Administrator to select borrowers or grantees and award loan or grant funding under the R2H2 program without returning to the Council. On November 30, 2023, the R2H2 Request for Proposals was issued; 19 applications were received. One of the applications was for the Extended Stay America hotel, submitted by HCEB and MPI. Working with the developers, HCD staff explored multiple financing scenarios to ensure the property could deliver the maximum impact, leverage various resources, and shift to online expeditiously. Based on staff review, a conditional commitment letter was executed with the developers on October 9, 2024, to provide \$6,035,000 in PLHA funds for operating subsidies. Of this amount, \$4,813,460 million is being deployed for the first year of operations, during which the property will provide interim housing for people experiencing homelessness; subsequently, the site will provide permanent supportive housing for people experiencing homelessness. The remaining PLHA funds will provide operating subsidies during the subsequent years of operations. The Resolution will also allow flexibility for the City Administrator to substitute State HHAP funding for PLHA operating costs if sufficient HHAP funds are available and eligible for this program.

California Opioid Settlement Funds

The City of Oakland began receiving opioid settlement funding in 2022 and is set to receive between \$9 million and \$20 million for opioid abatement from various national opioid settlements and bankruptcies through 2039. The city has already received approximately \$4.4 million for this purpose. Given that settlement fund payment times vary, the schedule for annual payouts for future years is hard to anticipate; however, the City anticipates receiving similar amounts per year in 2025 (between \$750,000 and \$2 million).

The money received to date and for the FY 2024-2025 was appropriated in the midcycle budget (Resolution Nos. [88980 C.M.S.](#), [89534 C.M.S.](#), and [89609 C.M.S.](#)).

The City Administrator, through the Medical Services Division of the Oakland Fire Department or as otherwise designated, oversees the appropriate use of the Opioid Remediation Funds consistent with the terms of the settlement and bankruptcy agreements, including but not limited to annual reporting requirements, applicable guidance from the California Department of Health Care Services, and timely encumbrance within five years of receipt (or seven years for capital outlays) to ensure that monies do not revert to the State of California.

The resolutions allow the funds to be transferred administratively to other City programs, with oversight and reporting responsibility resting with the Medical Services Division for the present

timeframe. Opioid funds must be allocated to the uses permitted by the settlement and bankruptcy terms. If the monies from the settlements are not encumbered within five years of receipt (or seven years for capital outlays), the dollars revert to the State of California with no opportunity to appeal the reversion. Alameda County is getting its significant opioid settlement funds; none of them are from or need to be shared with the city.

The three encampments selected to shift to interim housing currently reside on public easements and rights-of-way. They experience increased crime, mental health, and high levels of substance abuse. The MLK encampment that stood for multiple years had to be closed before the ESA was ready due to a double homicide on September 2, 2024. Of the encampment residents, 16 relocated to the community cabin program, nine enrolled in the Alameda County medical respite program, one resident was hospitalized due to two broken legs, and 12 opted to relocate. The 12 residents who opted to relocate are actively supported and engaged by the City of Oakland outreach teams. When the ESA opens to interim housing, the twelve will be offered interim housing opportunities.

To address the high number of co-occurring conditions of mental health and substance abuse and provide comprehensive services to this community, CHS staff explored the use of Opioid funds to give the encampments a warm hand-off to interim housing and psychosocial services during their stay and critical exit tenancy support in the form of ongoing housing navigation and tenancy rental subsidies for twelve and six months, respectively, after exiting from the ESA. City staff from the Budget Bureau and Oakland Fire Department met and subsequently have determined that \$564,730 in Opioid funds may be used to provide mental health and substance support for encampment communities devastatingly impacted by fentanyl, substance use, and mental health challenges.

FISCAL IMPACT

The proposed resolution would authorize the appropriation and expenditure of funds as described in **Table 1** below.

Table 1 Extended Stay America Funding

Grantee	Funding Source	\$ Amount	Grant Term
HCEB (operating costs for 12 months)	PLHA	\$4,813,460.00	July 1, 2024 – June 30, 2026
HCEB and MPI	Encampment Resolution Funds 3-R	\$7,000,000.00	September 26, 2024 – June 30, 2027
HCEB	Opioid Remediation Funds	\$564,730.00	July 1, 2024 – September 30, 2026

PLHA contract payment will not go through the City. Per the PLHA Agreement to Delegate between City of Oakland and Alameda County dated July 27, 2020, the City's portion of PLHA funds is administered through Alameda County Housing and Community Development Department for the five year grant period 2020-2024. The borrower will enter into an agreement directly with Alameda County to draw down the PLHA funds for the interim and permanent period operating support for the ESA. Disbursement and ongoing compliance monitoring of the funds will be completed by Alameda County.

Encampment Resolution Funds are appropriated in the State of California Fund (2159), Community Housing Services Organization (78411), ERF 4 Project (1007466), and the Homeless Services & Support Program (NB41).

Opioid Remediation Funds are appropriated in Fund (TBD), Project (TBD), Community Housing Services Organization (78411), and the Homeless Services & Support Program (NB41).

PUBLIC OUTREACH / INTEREST

No outreach was necessary for the proposed policy action beyond the standard City Council agenda noticing procedures.

COORDINATION

The Human Services Department, Housing and Community Development Department, Office of the City Attorney, and the Budget Bureau have reviewed this report and legislation.

SUSTAINABLE OPPORTUNITIES

Economic: Oakland must build or identify affordable housing solutions to address its homelessness crisis. The proposed resolution will advance Citywide Housing, economic, and cultural security priorities by increasing the number of clean, dignified interim housing units accessible to the homeless community in Oakland. At the end of the interim housing program, units will become Permanent Supportive Housing for the City, a valid winning proposal.

Environmental: The homelessness crisis impacts the health of the City's local environment. Encampments and associated debris and waste can foul the City's local water and soil.

Race & Equity: There are significant racial equity considerations to homelessness in Oakland. At a high level, the homelessness crisis is fundamentally an equity issue. According to the 2024 Point in Time count, an estimated 5,049 unhoused individuals reside in Oakland. This number represents a 24% increase from 2019 and an 83% increase since 2017. These additional disparities become apparent when applying a racial equity lens to the data. While Black or African American residents make up only 21% of Oakland's population, when viewing the City's statistics, this community makes up a whopping 59% of the unhoused demographics – an evident and apparent disproportionate rate. As such, the drivers of homelessness fall most squarely on the backs of our African American community, who, due to long-standing structurally racist practices such as redlining and employment discrimination, are most vulnerable to losing their homes. To end homelessness in Oakland, the CHS and contracting agencies are obligated to integrate efforts that reduce these historic racial disparities.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

The acquisition and conversion of an existing building to interim shelter and permanent supportive housing are exempt from further environmental review under CEQA guidelines

sections 15301 (Existing Facilities), 15302 (Minor Alterations), and 15326 (Acquisition of Housing) and the statutory exemption contained within Government Code Section 8698.4.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That the City Council Adopt a Resolution Authorizing the City Administrator To (1) Either Make A 55-year Capitalized Loan at An Interest Rate Not to Exceed 3% Or, In the Alternative, Award A Grant To Memar Properties, Inc. And Housing Consortium Of The East Bay ("HCEB"), Or Their Affiliates, In An Amount Not To Exceed \$7,000,000, Using State Of California Encampment Resolution Funding (ERF), To Purchase The Extended Stay America Located At 3650 Mandela Parkway (Property) For Interim Shelter For Unhoused Individuals To Be Converted To 125 Units Of Permanent Supportive Housing; And (2) Award A Grant To HCEB In An Amount Not To Exceed **\$5,378,190** Using State of California Permanent Local Housing Allocation Funds (PLHA), State ERF, And Local Opioid Remediation Funding, To Operate An Interim Shelter Program At The Property And Provide Pre-Program Outreach and Exit Resources For Unhoused Individuals Through September 30, 2026.

For questions regarding this report, please contact Shalawn Garcia, Housing Development Manager - Homeless Housing, Housing and Community Development Department, at 510.238.3715

Respectfully submitted,



[LaTonda Simmons \(Nov 7, 2024 13:43 PST\)](#)

LATONDA SIMMONS
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