

9.1 Change in Population for Sobrato House Located at 496 South Third Street.



Memorandum

TO: SUCCESSOR AGENCY BOARD

FROM: Richard A. Keit
Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: March 20, 2017

Approved

Date

3/30/17

COUNCIL DISTRICT: 3

SUBJECT: CHANGE IN POPULATION FOR SOBRATO HOUSE AT 496 SOUTH THIRD STREET

RECOMMENDATION

Successor Agency Board adopt a resolution approving a request by HomeFirst, the nonprofit services organization that owns Sobrato House, a 19-unit affordable property located at 496 South Third Street, to discontinue the City Year Youth Program currently required under a Deed Restriction for the benefit of the former Redevelopment Agency and to allow an alternative use of five (5) permanent housing units currently dedicated to City Year/Americorps workers for transition-aged youth.

OUTCOME

Approval of this action will provide nine additional homes for youths transitioning out of the foster care system. This population is generally at an extremely high risk of homelessness. This change is consistent with the existing target population of this facility and is expected to improve HomeFirst's financial stability.

BACKGROUND

Located on the southeast corner of South Third and William Streets ("Site"), the Sobrato House ("Property") provides permanent and transitional homes and services space for transition-aged youth exiting the foster care system ("TAY"). The Property also includes five units for employees of two nonprofit agencies using Americorps workers: 1) City Year, a national nonprofit that employs youth to do community work; and 2) Habitat for Humanity, which builds homes for low-income families. Sobrato House is owned by HomeFirst, a nonprofit service provider for the homeless formerly known as Emergency Housing Consortium and as EHC Lifebuilders ("EHC" or "HomeFirst"). Upstairs, the Property offers nine permanent residences, including five offered as a priority to Americorps households and four for TAY households.

Each upstairs unit houses one to three people. Downstairs, four bedrooms with shared living spaces offer transitional homes of up to 18 months for TAY residents. In total, the 13 apartments and shared housing units (“units”) can serve up to 23 households. Also downstairs are offices, conference rooms, a computer lab, training spaces for youth activities, and a youth drop-in center.

For many years, both the former Redevelopment Agency of the City of San José (“Agency”) and the City worked to locate a site and to fund the construction of Sobrato House. The Sobrato House is currently located on a site that was acquired by the City, conveyed to the Agency, and later conveyed to EHC through a Grant Deed from the Agency. The Grant Deed contains a covenant requiring EHC to provide housing for City Year youth participants unless an alternative program is approved by the Agency. City Year is a non-profit organization that brings young people to urban areas to perform various volunteer services. Between 2001 and 2007, the Agency committed \$5,840,000 in grant funding, donated and moved the historic Greninger House, and sold the property to EHC. In its 2004 and 2006 actions, the City Council also approved total grant funds of \$2,035,000 in 20% Low and Moderate Income Housing Funds for construction of the Sobrato House. The total development cost was \$12.9 million.

After many years of planning and fundraising, approximately two dozen community meetings, and EHC’s assembly of 16 different funding sources for construction, EHC acquired the current site from the Agency and started construction in mid-2006. Construction was completed in March 2008 and the Property has been operating continuously since that time.

Housing Department staff continues to monitor the recorded Affordability Restrictions for Sobrato House, which were recorded against the site as consideration for the City financial assistance to the project. As consideration for the Agency’s final grant increase through the Third Amendment to its Relocation and Development Agreement in October 2007, 10 years were added to the City’s 55-year Affordability Restriction. Therefore, the City’s Restrictions ensure 65 years of affordability for extremely low-income residents at or below 30% of area median income (\$23,450 for one person). The City’s documents specify only the income levels but not the specific population to be served.

Current Request

HomeFirst has requested that it be allowed to discontinue setting aside five apartments (four two-bedroom apartments and one one-bedroom apartment) for City Year workers so it can focus solely on serving the TAY population at Sobrato House. There are two major reasons for this request. First, HomeFirst’s primary focus is on serving the homeless and populations at-risk of homelessness. Second, the Property has been incurring annual deficits, in part due to the costs of service provision for the interim units’ residents. These deficits have caused a significant financial strain on HomeFirst.

HomeFirst estimates that, were all nine units filled by TAY residents, income from the units’ rental subsidies could more than balance the Property’s budget and cover service delivery costs. Transition-aged youth typically access County housing vouchers for General Assistance

recipients to supplement the amount they can afford to pay towards rent. The vouchers pay the difference between 30% of a resident's monthly income and an approved Fair Market Rent ("FMR"), including a reasonable utility allowance, as defined by the U.S. Department of Housing and Urban Development. FMRs would start at \$1,130 per current voucher payment standards.

City Year workers typically commit to one-year stays concurrent with their program assignments. HomeFirst gave oral notice to leadership at both City Year and Habitat for Humanity in late 2015 and early 2016 that it would seek approval to increase the number of TAY and phase out the non-TAY population. As of early March 2017, two City Year residents remained at the property, while the previous City Year and Habitat for Humanity residents had found different accommodations through their organizations.

ANALYSIS

Staff recommends approval of this change in population type for the following reasons:

1. The Agency's documents permit a change in use. In approving the Agency's First Amendment to its Relocation and Development Agreement in 2003, the Agency's Board added the requirement to house the local City Year/Americorps ("City Year") workers in addition to youth needing shelter or housing. However, there is latitude in the Agency's Grant Deed from June 2006, which conveyed the land from the Agency to EHC and which defines allowable uses for the Site. The Grant Deed requires the Site to be used as "a youth shelter or for other emergency or transitional housing purposes" and to house City Year Youth Program workers. The Grant Deed also allows for the Grantee, HomeFirst, to propose "an alternative use acceptable to Grantor [the Agency]" and the change aligns with HomeFirst's mission to serve the homeless and other populations at high risk of becoming homeless. Serving homeless youth and near-homeless youth was always the intention for this Property.
2. Housing additional TAY residents is consistent with local priorities on eliminating homelessness, as the TAY population is at high risk of becoming homeless. San José's 2015 homeless census identified 502 unaccompanied transition-age youth (18-24 years old) and the additional 21 transition-age youth with children of their own, were homeless. Of the 97 homeless youth surveyed for the census, 43% reported they had been in the foster care system, while 20% reported they were in foster care immediately prior to experiencing homelessness.¹ Yet, only an estimated 0.6% of the California's children under 18 were in foster care as of July 2009.²¹ The stark contrast between these numbers make clear that transition-age youth are extremely overrepresented in the homeless population, and need special accommodation.

² Danielson, C. and Lee, H., Public Policy Institute of California, "Foster Care in California: Achievements and Challenges," (2010), p.8, http://www.ppic.org/content/pubs/report/R_510CDR.pdf.

3. Eliminating the Property's ongoing budget deficit by increasing its rental revenues will financially strengthen HomeFirst, an important Santa Clara County-based nonprofit service provider for formerly-homeless and other vulnerable residents. While the City Year population is compatible with the Property's core population, it is financially difficult to serve given the lack of rental subsidies for City Year workers. HomeFirst estimates that if these five units remained occupied by voucher-holding TAY residents, the Property's annual revenues would exceed \$180,000. HomeFirst would no longer have to seek funds for services at the site.

Americorps workers from both City Year and Habitat for Humanity have been staying in the Sobrato House units since the project's completion. As of March 2017, only two City Year residents remain at the property. HomeFirst will allow those two workers to remain and complete their year-long assignment terms if City Year has difficulty finding alternative housing accommodations.

EVALUATION AND FOLLOW-UP

This action authorizes an alternative population in some units of this privately-owned Property. It will not result in amendment of the Agency's documents, nor will information on existing reports for the public be altered. Therefore, there is no follow-up.

POLICY ALTERNATIVES

In developing the recommendations set forth in this Memorandum, the following alternative was considered:

Alternative #1: *Deny the request to remove the Americorps population requirement.*

Pros: Five to nine City Year / Americorps volunteers, who need affordable housing, would continue to have extremely affordable residential accommodations close to Downtown and transit.

Cons: Allowing HomeFirst to make all units available to TAY households helps to serve one of San José's most vulnerable populations, while also allowing HomeFirst to cover services expenses at this Property and to improve its own financial health. Serving TAY is consistent with local priorities, and youth have been the intended population for this development from its inception. This action will also enable replacement reserves to be created to benefit the Property's long-term viability.

Reason for not recommending: For the reasons stated above, staff recommends that this change in permitted use be made.

PUBLIC OUTREACH

This staff memorandum will be posted on the City Council Agenda website for the April 11, 2017, Council meeting. HomeFirst conducted public outreach for the Sobrato House as part of the development's initial entitlement process. This included disclosure of the TAY population. No additional public outreach is required for a change in population. HomeFirst also contacted its funders and County supervisors, who are in support of this population change.

COORDINATION

Preparation of this report was coordinated with the City Attorney's Office and the Housing Department.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

CEQA

Not a Project, File No. PP10-066(e), Agreements and Contracts, Services that involve no physical change to the environment.

/s/
JACKY MORALES-FERRAND
Housing Director

/s/
RICHARD A. KEIT
Managing Director

For questions, please contact Kristen Clements, Housing Department at (408) 535-8236.

Attachment: Site Map

ATTACHMENT A

Site Map
Sobrato House
496 S. Third Street
Council District 3



SUCCESSOR AGENCY
RESOLUTION NO. _____

A RESOLUTION OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE APPROVING A REQUEST BY HOMEFIRST, THE NONPROFIT SERVICES ORGANIZATION THAT OWNS SOBRATO HOUSE, A 19-UNIT AFFORDABLE PROPERTY LOCATED AT 496 SOUTH THIRD STREET, TO DISCONTINUE THE CITY YEAR YOUTH PROGRAM CURRENTLY REQUIRED UNDER A DEED RESTRICTION FOR THE BENEFIT OF THE FORMER REDEVELOPMENT AGENCY AND TO ALLOW AN ALTERNATIVE USE OF FIVE PERMANENT HOUSING UNITS CURRENTLY DEDICATED TO CITY YEAR/AMERICORPS WORKERS FOR TRANSITION-AGED YOUTH

WHEREAS, the Sobrato House, located at 496 South Third Street, is on a site that was acquired by the City of San José (%City+), conveyed to the former Redevelopment Agency, and later conveyed to Emergency Housing Consortium (%EHC+or %HomeFirst+) through a Grant Deed that contains a covenant requiring EHC to provide housing for City Year youth participants unless an alternative program is approved by the Redevelopment Agency; and

WHEREAS, the Sobrato House provides permanent and transitional homes and services space for transition-aged youth exiting the foster care system (%TAY+) and includes five units for employees of two nonprofit agencies using Americorps workers: City Year and Habitat for Humanity; and

WHEREAS, HomeFirst has requested that it be allowed to discontinue setting aside five units for City Year workers so it can focus solely on serving the TAY

population at Sobrato House since: (1) HomeFirst's primary focus is on serving the homeless and populations at-risk of homelessness, and (2) the Sobrato House has been incurring annual deficits in part due to the costs of service for the interim units residents; and

WHEREAS, staff recommends approval of the change in use for the following reasons: (1) the Redevelopment Agency's documents allow for HomeFirst to propose an alternative use, and the intention for the Sobrato House has always been to serve homeless youth and near-homeless youth; (2) housing additional TAY residents is consistent with local priorities of eliminating homelessness; and (3) eliminating the Sobrato House's ongoing budget deficit by increasing its rental revenues will financially strengthen HomeFirst, which is an important nonprofit service provider in Santa Clara County;

NOW, THEREFORE, BE IT RESOLVED THAT THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE:

Approves a request by HomeFirst, the nonprofit services organization that owns Sobrato House, a 19-unit affordable property located at 496 South Third Street, to discontinue the City Year Youth Program currently required under a Deed Restriction for the benefit of the former Redevelopment Agency and to allow an alternative use of five permanent housing units currently dedicated to City Year/Americorps workers for transition-aged youth.

ADOPTED this _____ day of _____, 2017, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

SAM LICCARDO
Chairperson

ATTEST:

TONI J. TABER, CMC
Secretary