



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Leslye Krutko

SUBJECT: SEE BELOW

DATE: January 25, 2008

Approved

Christine J. Shippey

Date

2-15-08

COUNCIL DISTRICT: 3
SNI AREA: Washington-Guadalupe

**SUBJECT: APPROVAL OF ASSUMPTION OF OWNERSHIP FROM EHC
LIFEBUILDERS FOR THE HAVEN DISASTER RELIEF SHELTER AND
THE LOCUST STREET TRI-PLEX.**

RECOMMENDATION

It is recommended that the City Council:

1. Approve the assumption of ownership through a deed in lieu of foreclosure of *The Haven* disaster relief shelter and the Locust Street tri-plex located at 937-943 Locust Street by the City of San Jose from EHC Lifebuilders (EHC).
2. Authorize the Director of Housing to negotiate and execute all required legal instruments to accomplish the assumption of ownership and continued operations of the property as a disaster and emergency relief shelter.

OUTCOME

Approval of the recommended actions will allow EHC to progress with its plan for financial stability while ensuring the continuation of the disaster relief shelter. It also provides staff with the opportunity to evaluate options for providing disaster relief services prior to seeking a new owner and/or operator for the property.

BACKGROUND

In 1998, the Redevelopment Agency acquired 0.3 acres of property located at 937-943 Locust Street from the Center for Employment Training (CET) as part of a larger property transaction with CET. Contained on this property were a triplex and a vacant Single Room Occupancy

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(SRO) building that was designed for shared housing. The triplex has three units that all contain two bedrooms and two bathrooms. The SRO is comprised of four units each with a master bedroom, a second bedroom with a bunk bed, a living room and a bathroom. The SRO also includes a manager's unit, an office, and a shared kitchen and common area.

The property was subsequently identified as a potential site for affordable housing use and the City Council approved its transfer from the Redevelopment Agency to the City on April 10, 2001. On June 5, 2001, the City Council approved a Planned Development Zoning to provide affordable housing and emergency transitional housing for up to 20 victims of fires or other disasters. On June 22, 2001 the property was conveyed to the City.

On October 2, 2001, City Council approved a Disposition and Development Agreement (DDA) between the City of San Jose and Emergency Housing Consortium, Inc., or its designated affiliate, for a conditional grant of up to \$1,000,000 for the acquisition, minor repairs to the triplex, and the rehabilitation of the SRO building for post-disaster shelter use. In 2002, the project was completed at a cost of \$902,594.

Since its inception, the shelter, designated as *The Haven*, has been a source of short-term shelter for fire victims of limited resources. After a fire, the Red Cross provides disaster victims with a three-day hotel stay and a \$180 Client Assistance Cash Card to use for food and/or clothing. If displaced families and individuals need housing after three days, they can stay at *The Haven* for up to 30 days -- provided that their income does not exceed 120% of area median (moderate income level). Residents pay no rent for their short-term stay at the facility. The triplex is rented to individuals and families that make 60% or less of area median income.

In 2007, EHC informed the Housing Department that the organization was experiencing financial difficulties. Department staff have been participating in financial restructuring discussions with EHC to help ensure they remain a viable organization that can continue to meet the needs of the City's homeless population. One component of EHC's plan for fiscal stability involves disposition of some real estate assets. *The Haven* shelter and triplex site located at 937-943 Locust Street has been identified as one of the assets to liquidate.

ANALYSIS

As part of EHC's effort to attain financial stability, the Agency has evaluated its financial assets as they pertain to its mission and core programs. The organization has recently undergone substantial restructuring and staff downsizing in order to focus on delivering services to the extremely low-income population. The Haven and the adjacent triplex on this site have been identified as properties that do not serve its core mission.

Because there is an important public purpose being served by the use of *The Haven* as a refuge for Disaster victims, the Housing Department is recommending that the City assume ownership of the property for the near-term. If the City Council approves the transfer of ownership, the

Department will analyze options for the long-term use and disposition of the property. In the interim, the Housing Department has assumed tenant selection and management oversight for *The Haven*; EHC will continue to provide property maintenance for both the shelter and the triplex at a cost of \$1,275 per month. EHC will also continue to provide an on-site staff presence at the shelter during this transition period.

EVALUATION AND FOLLOW-UP

Upon City Council approval of staff's recommendation to assume ownership of the property at 937-943 Locust Street, the Housing Department will evaluate options for the disposition and operation of *The Haven* site. Staff will return to the City Council with a recommendation pertaining to these issues once the analysis is completed.

POLICY ALTERNATIVES

Alternative 1: Do not take ownership of the property at 937-943 Locust Street.

Pros: The City would not have to assume ownership responsibilities for the property.

Cons: EHC would have to continue operating the facility without adequate funding or decide to stop managing this facility. This would diminish the use and capacity of the structure and result in additional deferred maintenance. The City would, as a result, be required to take legal action against EHC for not meeting the obligations of its conditional grant.

Reason for Not Recommending: By assuming ownership of the property, the City can help EHC attain financial stability while ensuring continued operation of the disaster shelter.

PUBLIC OUTREACH

Although the criteria below do not apply at this time, this memorandum will be posted on the City's website for the City Council agenda of February 26, 2008. If a decision is made by subsequent City Council action to sell *The Haven* property and/or find another service provider, a Request for Proposals will be published and all potential service providers will be notified.

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

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COORDINATION

This report has been coordinated with the City Attorney's Office.

FISCAL/POLICY ALIGNMENT

By relieving EHC of the financial responsibility to manage *The Haven* disaster shelter, EHC can focus on its core mission of serving the homeless population, thus helping the City meet its goal to end homelessness.

COST IMPLICATIONS

There are no implications to the General Fund. The Housing Department will utilize its Loan Management Reserve to pay EHC approximately \$1,275 per month to operate the shelter and maintain the facility until a new owner and/or service provider is procured.

BUDGET REFERENCE

| Fund # | Appn # | Appn. Name | Total Appn | Amt. for Contract | Appropriation Ordinance | Last Budget Action (Date, Ord. No.) |
|--------|--------|-----------------|------------|-------------------|-------------------------|-------------------------------------|
| 443 | 0109 | Loan Management | \$500,000 | \$7,650 | Section 23.03 Page 2 | 1/16/08 |

CEQA

Exempt. No change of use or operation will occur due to this action.


LESLYE KRUTKO
Director, Housing Department

For questions regarding this memorandum, please contact Dave Bopf at 535-3854.