



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Leslye Corsiglia

SUBJECT: SEE BELOW

DATE: May 29, 2012

Approved

Date

6/6/12

COUNCIL DISTRICT: 2

SUBJECT: APPROVAL OF A TWO-YEAR LEASE WITH THE DOWNTOWN STREETS TEAM, INC. FOR THE TWO PROPERTIES LOCATED AT 110 BUILDING #22 AND 127 ROUNDTABLE DRIVE

RECOMMENDATION

Adopt a resolution of the Council:

1. Approving a lease between the City of San José and Downtown Streets Team, Inc., for the two properties located at 110 Roundtable Drive building #22 and 127 Roundtable Drive for a period of two years, commencing on July 1, 2012 and terminating on June 30, 2014, for an annual rent of \$1.00.
2. Authorizing the Director of Housing, or her designee, to negotiate and execute all necessary documents.

OUTCOME

Approval of the recommended actions will provide housing for not more than 15 homeless individuals and one on-site manager, thus contributing to the City's goal of ending homelessness.

BACKGROUND

On November 18, 2008, the City Council authorized the Housing Department to accept approximately \$5,600,000 in Neighborhood Stabilization Program (NSPI) funds and utilize those funds for eligible NSPI expenses. At that time the Housing Department also outlined a strategy which included two programs to best utilize these funds while also prioritizing the City's needs as follows: 1) Rental Housing Development; and 2) Single-Family Acquisition/ Rehabilitation Program. As a condition of the grant the City was required to use a minimum of 25% of the

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grant award, or approximately \$1.4 million, for housing targeted to very low-income households earning 50% or less of the Area Median Income (AMI).

On June 2, 2009, the Housing Department partnered with the San José Redevelopment Agency to evaluate and purchase residential properties to meet NSPI's 25% requirement. In the fall of 2009, the City expended \$869,440 in NSPI funds to purchase two foreclosed four-plexes located at 110 Roundtable Drive building #22 and 127 Roundtable Drive in Council District 2. An additional approximately \$750,000 in NSPI funds were used to rehabilitate the properties including structural upgrades and incorporating practical green-building features.

On December 6, 2010, the City posted a Request for Proposals (RFP) for entities interested in purchasing and managing the two properties. The posting was closed on January 20, 2011, after being reviewed by a number of vendors but with no respondents. The Housing Department subsequently began engaging nonprofit service providers, including the Downtown Streets Team, Inc., in discussions regarding potential options for the purchase and management of the properties.

The Downtown Streets Team was founded in 2005 to address the two biggest concerns of Downtown Palo Alto business owners: cleanliness and pan handling. The agency employs a "work first" model in which homeless residents participate in a volunteer work-readiness program in exchange for services and housing assistance. The agency is funded almost entirely through contracts with government agencies, partner nonprofits, and private sector businesses, to provide critical services such as street sweeping, graffiti abatement, park/field maintenance, janitorial work, and cooking/kitchen management. These contracts also provide the work training opportunities for the homeless volunteers.

Although founded in Palo Alto, the agency has spread its work into San José including as a partner in the City's Clean Creeks, Healthy Communities pilot program which cleans up debris and illegal dumpsites along an almost five-mile stretch of the Coyote Creek environmental habitat and most recently through a Community Development Block Grant (CDBG) award to provide clean-up services in the City's three Place Based Strategy Neighborhoods. Downtown Streets Team was also awarded funding by Destination: Home to provide case management services to some of the City's most vulnerable chronically homeless residents.

ANALYSIS

The two Roundtable properties would provide much needed affordable housing opportunities for not more than 15 homeless persons, including two chronically homeless persons, who have an exceptional participation and work history in the Downtown Streets Team's San José based programs.

Entering into the proposed two-year lease would enable both the City and Downtown Streets Team to assess the appropriateness of the properties for the designated population. Furthermore, Downtown Streets Team has expressed interest in purchasing the properties. The two-year lease

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would allow the agency to determine whether they would be able to sustain the properties on an on-going basis should they decide to move forward with the purchase.

The Downtown Streets Team's use of the two Roundtable Drive properties will ensure that the City meets its federal obligation of utilizing 25% of its NSPI grant funds towards housing persons with very low-incomes. The agency's use of the properties will also contribute to the City's goal of ending homelessness by providing permanently affordable housing opportunities to homeless and chronically homeless residents.

The properties will be leased to the Downtown Streets Team for a period of two years for an annual rent for \$1.00. As a condition of its lease with the City, Downtown Streets Team will be restricted to housing only homeless or formerly homeless individuals or families that are active participants in Downtown Streets Team's volunteer work programs. In addition to an on-site manager, at least two of the residents must be considered chronically homeless under the federal Department of Housing and Urban Development's (HUD) definition, while the remaining residents must have been homeless for at least six months.

Downtown Streets Team will be required to assume both the tenant and building management responsibilities. Tenant management responsibilities include income qualifying the residents, establishing the affordable rents levels and developing and implementing operating procedures. Downtown Streets Team must also maintain the properties in good condition at its own expense. Further, every six months the agency will be required to provide the City with verification of their compliance with the affordability and occupancy requirements of the units and the following information:

- The reasons for which any tenants move from the properties, if known;
- The number of tenants that stay housed for six months, 12 months, and two years; and
- The number of tenants who obtain non-volunteer employment either with Downtown Streets Team or another employer.

Finally, on a quarterly basis Downtown Streets Team will be required to provide the City with a report showing all income received from, and income incurred for, operation of the properties.

EVALUATION AND FOLLOW-UP

Upon approval of this memo, staff will work with the Downtown Streets Team to execute the lease agreement. The performance will be included in the Homeless Update at the Neighborhood Services and Education Committee.

PUBLIC OUTREACH

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. (Required: Website Posting)

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- 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)

This action does not meet any of the above criteria, however it will be posted on the City's website for the June 19, 2012 City Council agenda.

COORDINATION

This report has been prepared in coordination with the Office of the City Attorney.

CEQA

Exempt, File No., PP10-066(f).

/s/
LESLYE CORSIGLIA
Director, Housing Department

For questions please contact Leslye Corsiglia, Director of Housing, 535-3851.