



# Memorandum

**TO:** COMMUNITY ECONOMIC AND  
DEVELOPMENT COMMITTEE

**FROM:** Jacky Morales-Ferrand

**SUBJECT:** HOMELESS HOUSING  
STATUS REPORT

**DATE:** April 13, 2015

Approved

Date

*April 18, 2015*

## RECOMMENDATION

It is recommended that the Community Economic and Development Committee (CEDC) accept the Homeless Housing status report and discuss efforts to create a range of housing solutions for homeless individuals and families.

## BACKGROUND

Homelessness and the lack of available housing continues to be a pressing issue for the City of San José and Santa Clara County as a whole. According to the U.S. Department of Housing and Urban Development's 2014 Annual Homeless Assessment Report, among the 48 Major City Continuums of Care, Santa Clara County has:

- The seventh largest number of homeless persons on any given night
- The third largest number of chronically homeless persons
- The fourth largest number of homeless individuals
- The fourth largest number of unaccompanied homeless youth; and
- The fifth largest number of homeless veterans

In support of the goals of the new Community Plan to End Homelessness and following Council direction to explore alternative strategies to address homelessness in the community, the Housing Department has investigated a number of housing options to respond to the City's need for housing for its homeless population. The new Community Plan recognizes the varying needs of housing types and populations to be served in Santa Clara County and Destination: Home is in the process of conducting a housing study to determine exactly what level of homeless housing and support is needed in the region.

While the best practice, evidence-based “housing first” model – moving people immediately off the streets and into permanent living situations – remains the City’s preferred approach, market challenges have resulted in fully engaged program participants remaining unhoused for months before locating a place to live. Therefore, to get people quickly into safe, stable environments and ensure they remain connected to critical case management and other supportive services, the models considered below represent a wide spectrum of options from emergency shelter to permanent supportive housing to address both the immediate and long-term homeless housing needs for the City.\*

## ANALYSIS

### ENHANCED EMERGENCY SHELTER

While emergency shelter does not provide an end to homelessness in the community, it is still one of the most prominent short-term responses for unhoused individuals in our community, especially in the cold weather months. Countywide, there are 875 emergency shelter beds, 270 of which are seasonal, and 1,340 transitional housing beds, supporting populations ranging from youth to victims of domestic violence. Many homeless residents, however, frequently refuse shelter services when offered by outreach staff and non-profit partners. The reasons range from dislike of the rules to an unwillingness to leave behind pets or personal belongings.

Understanding this resistance to shelter is essential to ensuring that this resource is fully utilized. Over the past several months, staff has been working with non-profit organizations to analyze the system barriers and seek reasonable solutions. For example, the City has been working with HomeFirst on a project to install a set of kennels at the Boccardo Reception Center – the largest shelter in Santa Clara County – thereby allowing individuals with pets to accept shelter while remaining with their animal. More broadly, the City is funding an asset study with Destination: Home, examining shelter and interim housing assets throughout the community to determine the best possible utilization for each site. Lastly, Santa Clara County is considering adding 100 year-round shelter beds that have been unavailable due to lack of funding.

In addition, Destination: Home has received funding from Sobrato Philanthropies to conduct a Homeless Service Facility Asset Study in partnership with the City of San Jose. This study will assess how well facilities are addressing the needs of homeless individuals in Santa Clara County, determine the economic feasibility of continuing to operate current emergency and transitional housing facilities, and identify opportunities to repurpose assets to match both needs and funding. In addition to determining how well current homeless assets serve the need, the study will also help funders and organizations direct resources in a way that best supports the overall goal of ending homelessness in our community. This study is outlined as a key activity in Year One as part of the Community Plan to End Homelessness.

With his work, however, it should be noted that emergency shelter programs have been proven to be ineffective in transitioning homeless people into permanent housing. Nationally, 16% of

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\* Please see table 1 at the end of this document for a full summary of homeless housing responses.

single adults and 32% of families with children exit to permanent housing. Last fiscal year, 15% of people who resided in a shelter exited into permanent housing in Santa Clara County.

### MOBILE RESPONSE SERVICES

In the 2013 Homeless Census, surveyors counted 477 individuals living in vehicles in our community. With input from other jurisdictions and community partners, staff conducted a review of existing interim programs that effectively target homeless individuals and families residing in vehicles. Safe Parking Programs were identified as a best practice to address the safety of the community and the homeless participants. Benefits include increased access to services and permanent housing solutions for participants and reduced traffic, waste management, and enforcement issues for the City.

Following Council direction from the September 2014 Community and Economic Development Committee, Housing Department staff identified a suitable funding source and worked with the Office of Economic Development to locate two viable locations to launch a pilot Safe Parking Program. The pilot will serve up to 30 vehicle participants, providing safe overnight parking, sanitary facilities, security, and access to case management, housing, and employment services. The primary goal for all participants will be to transition to stable housing through rental subsidies and housing placement support. A request for proposals will be released in April 2015 with the target of full implementation by fall of 2015. Below is a staff estimate of the potential costs for the pilot.

Sample Safe Parking Program <sup>†</sup>				
Capacity	Annual Operating Cost	Annual Services Cost	Total Annual Cost	Cost per Day
30 Vehicles	\$62,766	\$86,542	\$149,308	\$14/vehicle

Safe Parking programs are most effective when the participants are connected to case management, rental subsidies, and housing placement. The City will utilize various forms of support, including tenant-based rental assistance coupons through HOME, and leverage supportive services from partners like the County to ensure that participants are able to transition from the Safe Parking Program as quickly as possible.

Beyond the Safe Parking Program, staff is also exploring a wide range of potential mobile service programs to bring help to those in need wherever they are. Currently, the Valley Homeless Healthcare Program provides mobile health services to homeless patients throughout the County through its health van and backpack doctors. Staff is evaluating the potential to augment these services and create other opportunities such as shower programs, emergency warming centers, and other direct support designed to address the basic needs of safety, hygiene and warmth. As a foundation, all of these programs would include access to individualized case management, housing search services, and basic needs assistance.

<sup>†</sup> City of San Jose Housing Department, 2014.

### HOTEL-MOTEL MASTER LEASING

In 2014, Council amended Title 20 of the San Jose Municipal Code to allow for “hotel supportive housing” at commercial hotel and motel sites in defined regions of San José. A master-leasing program provides benefits to the owner, nonprofit, and renter. In the short-term, the program provides a quick interim housing alternative for homeless people who have housing subsidies but cannot find a market-rate apartment to rent. As of February 2015, there are 70 homeless people who have City housing rental subsidies but remain homeless because they are unable to find suitable housing. Additionally, the proposed program could also potentially reduce rental costs for the target population due to the length of the long-term lease. Lastly, the program could also help to address concerns with nuisance motels/hotels by providing additional property management at the site.

Last October, staff released a request for qualifications to find a potential operator for the project, but no agencies replied. Staff then convened a group of homeless service providers to discuss their reasons for not responding. Agencies reported concerns ranging from the difficulties of the permitting process – a conditional use permit is required at each site under the current ordinance – to a lack of organizational capacity to take on a new set of potentially complicated services.

One agency, Abode Services, did express potential interest in exploring the issue further. Staff identified funding for this project through the Housing Trust Fund and is currently working with Abode to reach out to potential hotel and motel owners to explore opportunities available in the community. However, an initial expense analysis did reveal potential monthly costs as high as \$2,200 per unit for the master leasing option, effectively mirroring market-rate costs. With this in mind, Abode is continuing outreach to owners, but also expanding the search to include sites for potential acquisition and rehabilitation (see Conversion section below). Staff anticipates results from this initial exploratory effort by the end of the fiscal year.

### TINY HOMES

Tiny homes is an interim housing model designed to provide each homeless individual person (or couple) accommodation in free-standing, small, low-cost, private spaces grouped around a central service building with supportive services and eventual linkages to permanent housing. There are several examples of projects that are referred to as tiny homes in operation or under consideration in other jurisdictions throughout the United States, but none in a metropolitan area as large as San José. Travel trailer parks are also a widespread, long existing type development that is similar to the tiny homes concept.

The Mayor’s Budget message directs the City Manager to help develop a pilot tiny home project within the next fiscal year. There is an interest from the private sector to invest in this model resulting in little or no City funds needed. Staff is working on developing a regulatory framework that will include a review of the housing, building and zoning codes as well as General Plan considerations, while also re-examining the potential use of City-owned sites for the pilot. Staff will provide an update on these efforts at the committee meeting.

On referral from the Board of Supervisors, the County has conducted a review of the Tiny Homes model and is currently considering potential implementation options. Staff is monitoring this progress and will review the County's findings when available.

Tiny Homes are most effective as an interim housing solution that provides eventual linkage to traditional housing. The program has not been tested as a long-term housing solution. Therefore, the effectiveness of the program as a permanent housing program is currently unknown.

### TENANT-BASED RENTAL ASSISTANCE

Administered by the Health Trust, tenant-based rental assistance is one of the City's primary resources in helping participants, specifically non-chronic homeless households who are employable and capable of transitioning to some level of self-sufficiency – rapidly exit from homelessness into long-term stable housing. Funded through two sources, the General Fund and HOME, the City supports over 200 households annually with this service. Typically, the assistance lasts for a period of up to two years and is paired with case management, employment placement, and other supportive services. This helps to ensure that the participant is fully prepared to transition off the subsidy at the end of the program duration.

Most recently, the City employed this tool at the Story Road encampment to house individuals out of the site. As a market-based solution, however, the extremely low vacancy rate in rental units throughout the region has created a challenge in quickly moving people off the streets. Through these experiences, staff determined that this tool is most effective when attached to dedicated units before a given project begins, thereby ensuring more rapid re-housing for participants. Going forward, staff will continue to work with landlords, developers, and other property owners to build a more robust portfolio of partners who are willing to participate in programs with specific unhoused populations.

With as much as 50% of the homeless population in San José able to benefit from this support, rapid re-housing services coupled with appropriate levels of case management and employment placement support is a best practice model. Under the federal stimulus funded Homelessness Prevention and Rapid Re-housing stimulus program, 75% of households receiving this type of support successfully maintained their housing at program exit.

### PERMANENT SUPPORTIVE HOUSING DEVELOPMENT

Permanent supportive housing development is a best practice model that communities across the nation have implemented as an effective tool for ending chronic homelessness. Supportive housing enables persons with a history of long-term homelessness to remain stably housed and live as independently as possible by providing comprehensive wrap-around supportive services, including case management, medical care, and life skills training. While San José has been a leader in affordable housing development over the years, there are currently no 100% supportive housing developments in our community and fewer than 50 total project-based apartments of permanent supportive housing in operation.

To address this considerable shortage of stock, Housing Department staff has already initiated negotiations with developers regarding the inclusion of a small number of supportive apartments

in City-funded affordable housing developments. Significantly increasing this type of housing by funding 100% supportive housing developments requires a substantial investment of both capital and ongoing operating and services dollars. That aside, the long-term results in other jurisdictions have already demonstrated a measurable return on such investment by significantly reducing chronic homelessness in targeted areas.

In November 2014, Housing Department staff released a request for qualifications (RFQ) seeking experienced housing owners/developers/operators interested in acquiring or leasing, constructing or rehabilitating, and operating permanent supportive housing with a multi-service center in or around the Downtown to serve homeless residents currently residing in the Downtown core of San José. The RFQ closed in January and the City is in the process of selecting developer/provider teams from a field of high quality applications submitted by organizations throughout the State. A minimum of three development teams will ultimately be selected through the process for potential downtown supportive housing projects. The highest-ranked development team will begin the two-to-five-year development process that will require a partnership with the County, the Housing Authority, and other community partners to fund and operate the site. With its eventual completion, the project should serve as a blueprint for future supportive housing developments in the region.

### COMMERCIAL CONVERSION

The conversion of commercial buildings or motel/hotels is an alternative to building new permanent supportive housing. Most motels and hotels in the City are in Commercial Zoning Districts and are on sites with General Plan land use designations that do not allow residential uses. As a result, a developer seeking to convert a motel or hotel to permanent housing may be required to obtain approval for a General Plan Amendment (GPA) to change the Envision San José 2040 General Plan land use designations on the subject site to one that supports high-density residential or residential/commercial-mixed use development. The same is true for any other type of commercial or industrial property. Currently, the General Plan Goals and Policies for preservation of employment lands and improving the City's jobs: housing ratio discourage changing non-residential land use designations to residential. If the City Council approves the GPA, a rezoning would likely be needed and applicants would likely be required to obtain a Conditional Use Permit or Special Use Permit for a Single-Room Occupancy (SRO) Living Unit Facility.

On March 10, 2014, Housing Department staff proposed a pilot program to convert underutilized commercial buildings and hotels/motels to house the homeless to the Community and Economic Development Committee (CEDC). Under the proposed pilot program, staff recommended that up to three buildings would be allowed to be converted in R-M Multiple Residence, DC-Downtown Primary Commercial, and Commercial Zoned Districts. The CEDC did not support the pilot program but directed staff to find opportunities and allow Council to consider a conversion on a case-by-case basis.

As noted earlier in the memo, Abode is outreaching to motel/hotel owners and they are expanding their search to include sites for potential acquisition and rehabilitation under the conversion program. Staff anticipates results from this initial exploratory effort by the end of the fiscal year.

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Research has documented the effectiveness of providing permanent supportive housing as a viable model for reducing chronic homelessness. Nationally, research has shown that Housing First programs have led to higher rates of housing retention and participation in services. The National 100,000 Homes Campaign found that one-year housing retention rates range from 88% to 93% with an average of 91%. Locally, the County's Homeless/Help Management Information System reports a retention rate of 83%. As this relatively small local sample size increases, staff expects this rate to improve.

### ADDITIONAL EFFORTS

Outside of the initiatives described above, the Housing Department is reviewing all other assets – including its pipeline projects, multi-family loan portfolio, and available vacant land – for potential homeless housing units and future homeless housing developments. The goal is to provide a range of development models – from integration in mixed-income affordable projects to stand-alone supportive housing developments – to meet the diverse needs of homeless populations living in San José. To further support this work, the Department will explore policy recommendations to its programs to prioritize limited City funding to developments that include supportive housing apartments as long as services are provided. Lastly, the Department will continue to coordinate with the County, the Housing Authority, and Destination: Home to explore best practice approaches and build capacity within the region to address the housing needs of the most vulnerable individuals in our community.

Housing Department staff will be at the Community and Economic Development Committee meeting on April 27, 2015, to answer any questions related to this memo and to provide a brief verbal update on each of the key homeless housing initiatives. The Housing Department will return to the City Council in May with an updated work plan, funding and resource needs and specific timelines for each of the initiatives outlined in this memorandum.

/s/

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