

Homeless Supportive Housing Project

Development Model Options

Homeless Task Force

- ▶ In January 2011, the Homeless Task Force was formed to address challenges posed by the homeless population.
- ▶ The mission was to “establish realistic strategies and make recommendations that address the needs of the Costa Mesa community, residents, businesses and the homeless”.
- ▶ The Homeless Task Force identified the following nine goals:

Homeless Task Force Goals

- ▶ Define who is a Costa Mesa homeless individual
- ▶ Protect the health and safety of Costa Mesa residents through enforcement of “civility” laws and provide Alternate Storage facilities
- ▶ Institute proactive problem resolution with regard to high-crime/vice motels which cater to transient populations and enforcement of local codes and ordinances at problem halfway/sober living homes
- ▶ Centralize homeless service coordination

Homeless Task Force Goals

- ▶ Integrate law enforcement, mental health and legal strategy as a coordinated approach to homelessness
- ▶ Research permanent supportive housing and possible access center for Costa Mesa homeless residents
- ▶ Review interim housing options
- ▶ Develop appropriate metrics system to monitor reduction in homelessness
- ▶ Promotion of Lions Park as a local venue for special events

Study Session Focus

- ▶ The City is currently undertaking a multifaceted approach to ending homelessness. This includes permanent housing, transitional housing, rapid rehousing, and policing.
- ▶ The Study Session discussion is focused on Task Force Goal #6: Research permanent supportive housing and possible access center for Costa Mesa homeless residents

Developer Selection

- ▶ In September 2012 the Housing Authority distributed an RFQ for homeless and pre-homeless services.
- ▶ In May 2013, the City selected the Mercy/Wakeland development team:
 - In July 2013, the City Council approved a predevelopment loan agreement for \$585,000.
 - The City Council has also allocated \$1 million in General Fund revenue that is currently in a fund designated for “problem properties”.

Housing Options

- ▶ The original RFQ identified two options for creating a permanent supportive housing project:
 - The conversion of an existing motel into a rental housing project; and
 - The development of a new rental housing project.
- ▶ Since the development team selection, additional options being considered include acquisition of small scale apartments and creation of a Tenant Based Rental Assistance program.

Financing Issues

- ▶ The project location needs to meet the competitive Low Income Housing Tax Credit (Tax Credit) Requirements.
- ▶ The City's funding commitment is as follows:
 - \$585,000 in HOME Program funds have been committed to the project; and
 - \$1.0 million in General Fund revenue that has been committed to buying problem motels is assumed to be shifted to this project.
- ▶ The County of Orange is willing to recommend an award of up to \$3 million in MHSA finding to the project. The County deadline for site control is February 28, 2013.

Project Scenarios

▶ Base Options

- Option #1: Motel acquisition and conversion
- Option #2: New Construction of a Project with 100% of the units provided to homeless tenants
- Option #3: New construction of a 50% homeless and 50% very-low income households project

▶ Alternate Options

- Option #1: Acquisition and renovation of existing apartment buildings
- Option #2: Tenant Based Rental Assistance Program

Base Options

Option #1: Motel Acquisition and Conversion

- ▶ Pros
 - Removes a negative use and provides supportive housing units
 - Community support for renovating an existing use
 - Tax Credits could fund up to 50% of project costs

- ▶ Cons
 - Currently there are no motels available for sale
 - Design limitations in converting motel rooms into apartment units
 - Limited cash flow generated by a 100% homeless project
 - Relocation obligations

Option #2: New Construction 100% Homeless Tenants

▶ Pros

- Efficient design
- Outside funding provided by Tax Credits & MHSA

▶ Cons

- An exhaustive search identified only two privately owned sites currently for sale
- Community opposition to new construction
- Limited cash flow generated by 100% homeless project

Option #3: New Construction 50% Homeless & 50% Very-Low Income

▶ Pros

- Efficient design
- Outside funding provided from Tax Credits & MHSA
- Supportive housing tenants benefit from interacting with a broader mix of residents
- Move-up options for homeless tenants
- Increased cash flow enhances financial viability

▶ Cons

- Reduced homeless prevention benefits
- Community opposition to new construction
- Marketing issues for the non-supportive housing units

Alternate Options

Option #1: Apartment Acquisition and Renovation

▶ Pros

- Smaller scattered projects might generate less community opposition than a larger single project
- Relatively short covenant period results in lowest financial gap of scenarios being evaluated

▶ Cons

- Currently there are no 4 to 8 units projects for sale
- Reduced homeless prevention benefits
- No on-site services
- Limited pool of developers
- Lack of outside leveraging opportunities

Option #2: Develop a Tenant Based Rental Assistance Program

- ▶ Pros
 - Does not require a development site
 - Tenants may select units anywhere in Costa Mesa
 - May be appropriate for “higher functioning” homeless clientele

- ▶ Cons
 - The program requires a City subsidy each year
 - Lack of outside leveraging opportunities
 - Burden of identifying and coordinating services will fall on the City Staff
 - Tenants may not select projects equipped to accommodate tenants with mental health issues

Financial Gap Analysis

Base Options

	Option #1		Option #2		Option #3	
Project Type	Motel Conversion		New Construction 100% Homeless Tenants		New Construction 50% Homeless / 50% Very-Low Income	
Total # of Units	30	40	20	40	30	40
Total Project Cost	\$14.1 M	\$14.2 M	\$13.9 M	\$20.0 M	\$13.4 M	\$19.2 M
Gross Financial Gap	\$7.9 M	\$7.0 M	\$9.2 M	\$10.7 M	\$8.6 M	\$9.4 M
MHSA Funds	NA	NA	\$1.25 M	\$2.5 M	\$2.0 M	\$2.5 M
City Assistance	<u>\$1.58 M</u>	<u>\$1.58 M</u>	<u>\$1.58 M</u>	<u>\$1.58 M</u>	<u>\$1.58 M</u>	<u>\$1.58 M</u>
Remaining Gap	\$6.32 M	\$5.42 M	\$6.37 M	\$6.62 M	\$5.02 M	\$5.32 M
City Land Contribution	<u>NA</u>	<u>NA</u>	<u>\$2.5 M</u>	<u>\$5.0 M</u>	<u>\$3.75 M</u>	<u>\$5.0 M</u>
Unfunded Financial Gap	\$6.32 M	\$5.42 M	\$3.87 M	\$1.62 M	\$1.27 M	\$315 K

Financial Gap Analysis Alternate Options

	Option #1		Option #2	
Project Type	Apartment Acquisition & Renovation		Tenant Based Rental Assistance	
Total # of Units	4	8	10 - 12 Hhlds	
Total Project Cost & Gross Financial Gap	\$1.2 M	\$2.4 M	\$3.28 M	\$6.1 M
City Assistance	<u>\$1.2 M</u>	<u>\$1.58 M</u>	<u>\$1.58 M</u>	<u>\$1.58 M</u>
Unfunded Financial Gap	\$0	\$815 K	\$1.69 M	\$4.52 M

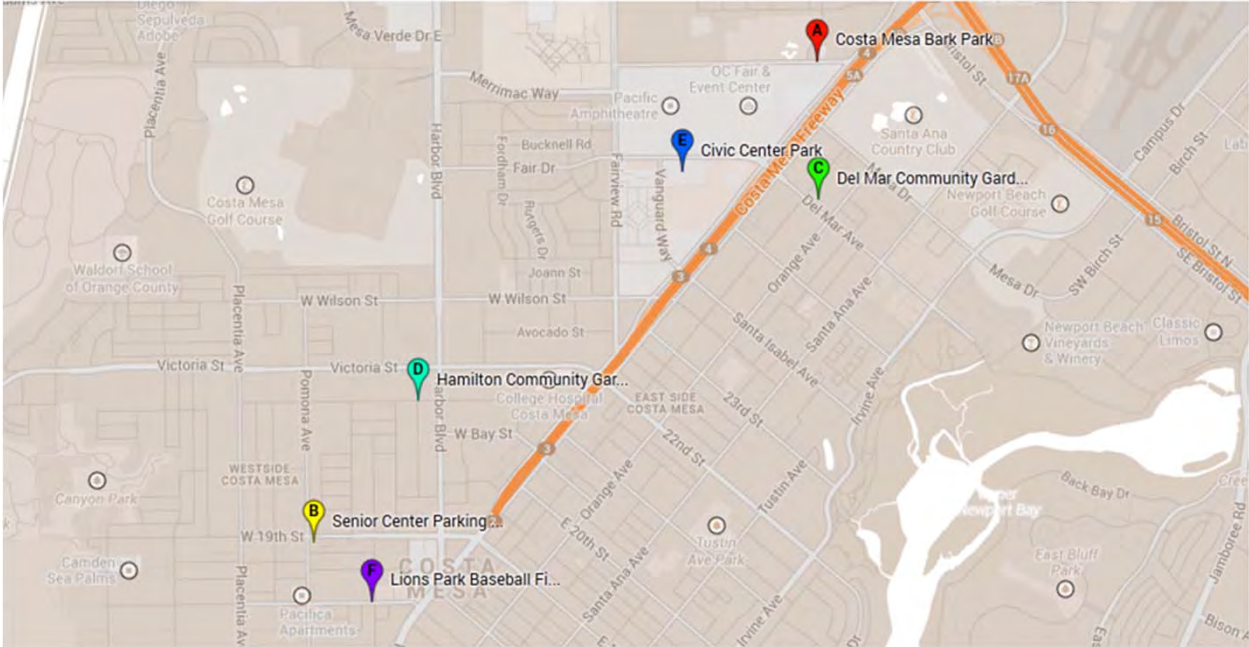
Financial Gap Conclusions

- ▶ To minimize the City financial contribution, the project needs to qualify for Tax Credits and MHSA funding.
- ▶ To obtain MHSA funds, site control must be secured by February 28, 2014.
- ▶ If the site is contributed to the project, the unfunded financial gap can be limited to a manageable amount.

Publicly-Owned Sites

- ▶ City Staff explored properties throughout Costa Mesa owned by the Federal Government, the State, the County of Orange and the City.
- ▶ The properties with the potential for near-term site control are presented on the following map.

City-Owned Sites



Site A: Costa Mesa Bark Park

2.05 Acres / Up to 41 Units

▶ Pros

- The property is located in a transitional zone between single and multi-family neighborhoods, park land and commercial strips. The location is buffered by the freeway on the east.

▶ Cons

- The dog park is heavily used, and has a vocal constituency. This group would likely organize opposition to it being put to another use.
- Soil remediation may be needed to allow the site to be developed with housing.

Site B: Senior Center Parking Lot 1.43 Acres / Up to 29 Units

▶ Pros

- The site is currently underutilized as a parking lot.
- Homeless people currently loiter in the parking lot. The project would eliminate this attractive nuisance.
- A supportive housing project would provide a barrier between the street and the Senior Center.

▶ Cons

- Seniors visiting the Center have expressed strong feelings of fear and intimidation. It may be difficult to overcome their opposition to a homeless project.

Site C: Del Mar Community Garden

.78 Acres / Up to 16 Units

▶ Pros

- Development of a supportive housing project would not displace any residents.
- The site is removed from the concentration of homeless activities in the downtown.

▶ Cons

- The project is too small to support Tax Credits.
- Development would eliminate gardens that are currently used by area residents.
- Nearby neighbors may oppose the project.

Site D: Hamilton Community Garden

.45 Acres / Up to 9 Units

▶ Pros

- Development of a supportive housing project would not displace any residents.
- Tenants would have convenient access to existing homeless services.

▶ Cons

- The project is too small to support Tax Credits.
- Development would eliminate gardens that are currently used by area residents.
- Potential neighborhood opposition to increasing the concentration of homeless services in the area.

Site E: Civic Center Park

2.52 Acres / Up to 50 Units

- ▶ Pros
 - Adjacent to:
 - Police Department, which will enhance security;
 - City Hall, which will allow the City's social workers to interface with tenants and management; and
 - Vanguard University, which will provide a volunteer base.
 - Direct residential impact is limited to townhomes to the south.
 - The site is conveniently located to transit and amenities.

Site E: Civic Center Park

2.52 Acres / Up to 50 Units

▶ Cons

- Members of the public may object to eliminating park land.
- There may be community members that want the space to be preserved for special events like the City's 60th anniversary party.
- Nearby home owners may oppose the development.

Site F: Lions Park Davis Field

2.46 Acres / Up to 49 Units

▶ Pros

- Tenants would have convenient access to existing homeless services.
- The project would serve that homeless population that is currently congregating in the area.

▶ Cons

- The site's proximity to homeless activities may be viewed as regressive siting of a public facility.
- Surrounding neighbors are already impacted by Light House Church activities.
- The Davis Fields restrooms were constructed with CDBG funds. A minimum of \$200,000 would need to be repaid to HUD.

Options

- ▶ If the City wishes to obtain MHSA funds for the project, site control must be achieved by February 28, 2014. A site control agreement would need to be approved by mid-February.
- ▶ If MHSA funds are foregone, the Homeless Task Force can be reconvened to review and evaluate sites identified by the Mercy/Wakeland team.
- ▶ The City could pursue an alternative homeless prevention strategy. In that case, the City would need to find replacement sources for up to \$3 million in MHSA funds and \$585,000 in HOME funds.