



COUNTY OF SAN DIEGO

AGENDA ITEM

BOARD OF SUPERVISORS

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Second District

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Third District

MONICA MONTGOMERY STEPPE
Fourth District

JIM DESMOND
Fifth District

DATE: May 6, 2025

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TO: Board of Supervisors

SUBJECT

SUPPORT FOR ONE HOMEKEY+ PARTNERSHIP DEVELOPMENT WITH THE SAN DIEGO HOUSING COMMISSION AND AUTHORIZE AN AGREEMENT TO SUPPORT OPERATIONS OF THE DEVELOPMENT AND RELATED CEQA FINDING (DISTRICTS: ALL)

OVERVIEW

On November 26, 2024, the California Department of Housing and Community Development (HCD), in collaboration with the California Department of Veterans Affairs (CalVet), announced the availability of \$2.1 billion of Homekey+ program funds, of which \$148.2 million are available for the San Diego region, including \$91.9 million for Veterans housing. Homekey+ is the permanent supportive housing component of Proposition 1 passed by California voters in March 2024 that supports the State's goal to reduce homelessness and protect vulnerable populations through changes to the Mental Health Services Act.

Homekey+ provides an opportunity for regional and local public entities to develop permanent supportive housing for Veterans and people living with a behavioral health challenge, including mental health and/or substance use challenges, who are at-risk of or experiencing homelessness. Eligible applicants include cities, counties, regional and local public agencies including Public Housing Authorities who may apply independently or jointly with a development partner.

In partnership, the San Diego Housing Commission (SDHC), the City of San Diego, and County of San Diego (County) Health and Human Services Agency will expand on prior Homekey efforts to ensure Homekey+ funding allocated to the region is secured and leveraged to provide additional housing resources to the most vulnerable members of our community.

Today's actions request the San Diego County Board of Supervisors (Board) find that the proposed actions are exempt from the California Environmental Quality Act. They also request authorization of up to \$7 million in General Purpose Revenue made available through the American Rescue Plan Act revenue loss strategy to be reserved for the County's one-time capital contribution for one Homekey+ partnership development with SDHC. In addition, the Board is requested to authorize the execution of documents related to this one-time capital contribution. Today's actions further request authorization of a revenue agreement with SDHC to provide approximately \$3.4 million to support operations for no more than 40 units eligible for services under the Behavioral Health

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Services Act (BHSA). This is contingent upon receipt of HCD/CalVet Homekey+ funding. Veterans Affairs Supportive Housing vouchers through SDHC will support the remaining non-BHSA eligible households. Finally, the Board is requested to authorize approximately \$0.4 million of BHSA funding annually for behavioral health support services for no more than 40 units.

This item aligns with the County Framework for Ending Homelessness and Housing Blueprint by ensuring the County continues to focus on housing stability by addressing root causes, such as permanent supportive housing and supports. Additionally, today's actions support the County vision of a just, sustainable, and resilient future for all, specifically those communities and populations in San Diego County that have been historically left behind as well as our ongoing commitment to the regional *Live Well San Diego* vision of healthy, safe, and thriving communities. This will be accomplished by ensuring vulnerable populations at risk of or experiencing homelessness have access to suitable living environments, as well as enhancing their quality of life by creating decent and safe affordable housing coupled with supportive services.

RECOMMENDATION(S)

CHIEF ADMINISTRATIVE OFFICER

1. Find in accordance with Section 15060(c)(3) of the California Environmental Quality Act (CEQA) Guidelines, that the proposed actions described herein are administrative in nature and not a project as defined by the state CEQA Guidelines Section 15378(b)(5).
2. Authorize up to \$7 million in General Purpose Revenue made available through the American Rescue Plan Act (ARPA) revenue loss strategy to be reserved for San Diego Housing Commission (SDHC), or a to-be-formed limited partnership for the acquisition and rehabilitation of one development. Reservation of funds is contingent upon completion of an appraisal review, a financial feasibility review, and SDHC's award of funding through the Housing and Community Development (HCD) and California Department of Veterans Affairs' (CalVet) Homekey+ application process. ARPA Framework funding would be redirected primarily from funds allocated for Homekey Round 3 developments. If HCD and CalVet funds are not awarded, the reservation of County funds is void.
3. Authorize the Deputy Chief Administrative Officer, Health and Human Services Agency or designee to, upon successful appraisal review, underwriting, and financial feasibility review, execute any and all documents related to the capital loan for up to \$7 million to SDHC or a to-be-formed limited partnership to support one Homekey+ development and perform any actions necessary to administer or implement the Homekey+ loan.
4. Authorize the Deputy Chief Administrative Officer, Health and Human Services Agency or designee to, upon the SDHC's successful Homekey+ application, enter into an agreement with SDHC outlining the terms of use for a five-year operating reserve of approximately \$3.4 million of Behavioral Health Services Act funds for no more than 40-units at the development.
5. Authorize the Deputy Chief Administrative Officer, Health and Human Services Agency or designee to, upon the SDHC's successful Homekey+ application, allocate approximately \$0.4 million of Behavioral Health Services Act funds annually for behavioral health support services, beginning in Fiscal Year 2026-27. Services include, but are not limited to screenings, outreach, engagement to tenants, light case management, clinical case

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management, housing stabilization, and care coordination, for no more than 40 units within the development.

EQUITY IMPACT STATEMENT

The 2024 Point-in-Time Count (PITC) identified 10,605 individuals as living on the streets or in shelters throughout the county with the majority or 64% within the city of San Diego. There were approximately 544 unsheltered Veterans in the region as of January 2024 as well as 321 sheltered Veterans. According to a 2023 study by the Journal of American Medical Association Psychiatry, Veterans are at a higher risk of experiencing mental health challenges and substance use disorders, compared to the general population. Based on the latest behavioral health data collected in the 2023 PITC, a proportion of San Diego County's unsheltered homeless adults reported behavioral health conditions, with 28% (1,441 out of 5,171) experiencing serious mental illness and 34% (1,758 out of 5,171) experiencing substance use disorder. This underscores the critical need for integrated housing and behavioral health interventions tailored to this vulnerable population. The County of San Diego is committed to finding equitable solutions to prevent and end homelessness by providing supportive services and permanent supportive housing options.

SUSTAINABILITY IMPACT STATEMENT

Today's proposed actions support the County of San Diego's Sustainability Goal #2 to provide just and equitable access by ensuring affordable housing developments are restricted to individuals and families experiencing homelessness and chronic homelessness by cultivating strong relationships with other local governmental entities and community partners, thereby allowing a symbolic relationship that has, at its core, a mutual, mission-driven goal to serve the communities that have been disproportionately impacted by poverty.

FISCAL IMPACT

Recommendation 1

There is no fiscal impact with this recommendation. There will be no change in net General Fund costs and no additional staff years.

Recommendations 2 and 3

Funds for this request are included in the Fiscal Year (FY) 2024-25 Operational Plan in the Health and Human Services Agency (HHSA). If approved, this request will result in a reservation of up to \$7 million for the San Diego Housing Commission (SDHC) in FY 2024-25. The funding source is existing General Purpose Revenue previously made available through the ARPA revenue loss strategy. Reservation of funds is contingent upon completion of an appraisal review, a financial feasibility review, and SDHC's award of funding through the California Department of Housing and Community Development (HCD) and the California Department of Veterans Affairs (CalVet) Homekey+ application process. If HCD and CalVet funds are not awarded, the reservation of County funds is void. There will be no change in net General Fund costs and no additional staff years.

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Recommendation 4

Funds for this request are not included in the Fiscal Year 2025-26 CAO Recommended Operational Plan in HHSA. If approved, today's recommendations will result in no new costs or revenue in FY 2025-26 and \$0.4 million in FY 2026-27, with an estimated total cost of \$3.4 million over a five-year period. The funding source is Behavioral Health Services Act. Funds for subsequent years will be included in future Operational plans. There will be no change in net General Fund cost and no additional staff years.

Recommendation 5

Funds for this request are not included in the FY 2025-26 CAO Recommended Operational Plan in HHSA. If approved, today's recommendations will result in no new costs or revenue in FY 2025-26 and approximately \$0.2 million in FY 2026-27, with an estimated annual cost of \$0.4 million for behavioral health support services. The funding source is Behavioral Health Services Act. Funds for subsequent years will be included in future Operational plans. There will be no change in net General Fund cost and no additional staff years.

Impending federal policy changes may have significant impacts on the financial sustainability of local mental health and substance use treatment programs funded through Medicaid, or Medi-Cal in California, and may significantly impact the County's ability to financially sustain behavioral health Medi-Cal programs.

BUSINESS IMPACT STATEMENT

This proposal will have a positive impact on the business community, since the recommended actions will result in construction work to be performed at the property that is awarded funding. Contracts resulting from these recommendations may be executed with private sector firms and will involve a competitive bidding process.

ADVISORY BOARD STATEMENT

N/A

BACKGROUND

The County of San Diego (County) administers a variety of housing programs to increase access to affordable and decent housing options for San Diego County residents. The County continues to make progress in increasing affordable housing opportunities regionwide through the issuance of affordable housing loans.

The California Department of Housing and Community Development (HCD) enacted Homekey in 2020 to provide funding to local public entities to expand permanent supportive housing opportunities through the conversion of hotel, motel, and underutilized commercial buildings for persons experiencing or at risk of homelessness and impacted by COVID-19. The City of San Diego (City), County, and San Diego Housing Commission (SDHC) have successfully collaborated on Homekey developments since 2020. The city of San Diego is home to four completed Homekey developments: Kearny Vista, Valley Vista, PATH Villas El Cerrito, and The Shores at North Beach. Two additional Homekey-funded developments, Pacific Village and

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Presidio Palms, are in progress with estimated completion in Summer 2025. If approved, the actions before the San Diego County Board of Supervisors (Board) today will expand on prior collaborative Homekey efforts.

On November 26, 2024, HCD, in partnership with the California Department of Veterans Affairs (CalVet), announced the availability of \$2.1 billion in funds from the Homekey+ program, with \$148.2 million available for the San Diego region, including \$91.9 million for Veterans housing. Homekey+ is the permanent supportive housing initiative stemming from Proposition 1, which was approved by California voters in March 2024. Homekey+ is supporting the expansion of housing, including housing for those most vulnerable in the community. This program advances the State's objectives of reducing homelessness and safeguarding vulnerable populations through changes to the Mental Health Services Act.

Homekey+ offers a significant opportunity for regional and local public entities to swiftly create permanent supportive housing for Veterans and people living with behavioral health challenges. This includes individuals with mental health and/or substance use issues who are at risk of, or currently experiencing, homelessness. This program allows the County to expeditiously utilize a key funding resource that was established to meet the needs of the most vulnerable residents with the foundation they need to thrive.

Eligible applicants (i.e., cities, counties, other state, regional and local public agencies including Public Housing Authorities) may apply independently or jointly with a development partner through the HCD/CalVet Homekey+ application process. The application process is open from January 30, 2025, to May 30, 2025. Awards are anticipated to be issued Summer 2025. The Homekey+ program has rigid timeframes and requires successful applicants to expend all Homekey+ funding within 15 months of award. In addition, awardees must complete renovations within 12 months of award and ensure all Homekey+ units are occupied by eligible households no later than three months following completion of renovations.

On January 31, 2025, the County released a Request for Statement of Qualifications (RFSQ) to identify potential developers (and particular development sites) to partner on one or more Homekey+ applications. The RFSQ was open through February 25, 2025. Although three responses to the RFSQ were received, no viable Homekey+ sites were identified. The site listed below, which staff are requesting Board approval to move forward with today, was identified by SDHC outside of the RFSQ process.

SDHC will be the applicant for Homekey+ funding in an amount up to \$35 million including funding for acquisition, renovations, and operations. The City will be contributing \$10 million to support acquisition, in addition to the County's contribution of \$7 million in one-time capital, \$0.4 million annually for behavioral health supportive services, and approximately \$3.4 million for five years of operating funds for up to 49% of the units at the property located at 7798 Starling Drive in the city of San Diego. In addition, SDHC, with the support of the United States Department of Veterans Affairs will contribute 40 Veteran Affairs Supportive Housing (VASH) vouchers valued at \$1.2 million per year.

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The County's capital funding is contingent upon a due diligence review, including an internal appraisal review, a financial feasibility review, and SDHC successfully securing HCD/CalVet Homekey+ funds. Additionally, the County will coordinate the provision of supportive services for up to 49% of Homekey+ units (no more than 40 units) reserved for individuals experiencing chronic homelessness and who have a qualifying behavioral health condition as defined by the Behavioral Health Services Act (BHSA) funding requirements. The VASH vouchers through SDHC will support the ongoing operational needs for the remaining non-BHSA eligible households. By taking a mixed-population approach, the County is committed to creating a balanced and inclusive community where individuals living with serious mental illness or substance use disorders live alongside neighbors with diverse backgrounds. This integrated model, grounded in research and best practices, fosters safety, dignity, and community inclusion, reduces stigma, and supports stronger recovery and independent living outcomes for residents with behavioral health needs.

This item aligns with the County Framework for Ending Homelessness and Housing Blueprint by ensuring the County continues to focus on housing stability by addressing root causes, such as permanent supportive housing and supports. This will be accomplished by ensuring low-income persons experiencing or at risk of homelessness, including Veterans, have access to suitable living environments, as well as enhancing their quality of life by creating decent and safe affordable housing coupled with supportive services.

Today's actions request the Board find that the proposed actions are exempt from the California Environmental Quality Act. They also request authorization of up to \$7 million in General Purpose Revenue made available through the American Rescue Plan Act revenue loss strategy to be reserved for the County's one-time capital contribution for one Homekey+ partnership development with SDHC. In addition, the Board is requested to authorize the execution of documents related to this one-time capital contribution. Today's actions further request authorization of a revenue agreement with SDHC to provide approximately \$3.4 million to support operations for no more than 40 units eligible for services under the Behavioral Health Services Act. This is contingent upon receipt of HCD/CalVet Homekey+ funding. Finally, the Board is requested to authorize approximately \$0.4 million of BHSA funding annually for behavioral health support services for no more than 40 units.

ENVIRONMENTAL STATEMENT

Section 15060(c)(3) of the California Environmental Quality Act (CEQA) Guidelines provides that activities identified in Section 15378 of the CEQA Guidelines are not subject to CEQA review. Section 15378(b)(5) provides that administrative activities of governments that will not result in a direct or indirect physical change in the environment are exempt from CEQA review. The proposed activities involve the execution and authorization to reserve up to \$7 million for one Homekey+ development agreement with the San Diego Housing Commission (SDHC), and to also execute a revenue agreement for \$3.4 million with SDHC to support operations for no more than 40 units eligible for services under the Behavioral Health Services Act.

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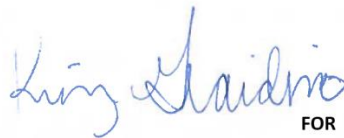
In addition, the partnership with SDHC, the City of San Diego, and the County of San Diego Health and Human Services will expand upon previous Homekey efforts by administering the Homekey+ funding to ensure additional housing resources are provided to the most vulnerable members of our community. Therefore, the proposed actions are not subject to CEQA, pursuant to Section 15378(b)(5).

Subsequent actions that may develop as a result of the partnership agreement will require subsequent environmental review by the applicable lead agency prior to acquisition, rehabilitation, or construction activities, as appropriate, and pursuant to the state CEQA Guidelines.

LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN

Today's actions support the County of San Diego 2025-2030 Strategic Plan Initiatives of Sustainability (Economy and Resiliency), Equity (Housing and Economic Opportunity), and Community (Quality of Life, and Partnership) by supporting community development and housing that reflect value areas identified by San Diego County Board of Supervisors, such as developing safe and affordable housing for low-income households; providing community infrastructure in historically underserved communities; and improving the housing and service delivery system for individuals at-risk of homelessness through collaborative solutions.

Respectfully submitted,



FOR

EBONY N. SHELTON
Chief Administrative Officer

ATTACHMENT(S)
N/A