



STAFF REPORT

TO: Mayor and Council Members **DATE:** August 27, 2024
FROM: Community Development **DISTRICT(S):** 1
SUBJECT: Development Options for City Owned Property located at 1762 Dale Road

RECOMMENDATION

That the City Council:

1. Provide staff with direction on how to proceed with the site's development.

EXECUTIVE SUMMARY

At its February 27, 2024, meeting, staff provided the City Council with the findings of a Site Feasibility Analysis conducted for City owned property at 1762 Dale Road. The analysis was prepared with the assistance of Economic & Planning Systems (EPS) and John Kaliski Architects (JKA) through the San Gabriel Valley Council of Government's Affordable Housing Incubator Program (Incubator Program). At that meeting, the City Council directed staff to further explore potential funding opportunities and opportunities to utilize the site for both Permanent Supportive Housing and Transitional Interim Housing. Additionally, on August 7, 2024, a Special Meeting of the City Council was held to facilitate a tour of Permanent Supportive Housing and Transitional Housing sites. This report provides the additional information requested at the February 27th and August 7th meetings.

LEGISLATIVE HISTORY / PREVIOUS ACTIONS

The 2022 Community Survey completed in August 2022 identified homelessness and poverty as the number one issue that the City could change to make Glendora a better place to live.

The City Council approved a Purchase and Sale Agreement for acquisition of 1762 Dale Road in the amount of \$4,725,000 on April 25, 2023. Escrow closed, and the City took ownership of the property on July 31, 2023.

On October 9, 2023, the City held a community meeting with residents and businesses to share information and receive community feedback on plans for the site.

On February 27, 2024, staff presented a site feasibility analysis on potential development options for the site. The City Council requested additional information and no decision was made.

On August 7, 2024, a Special Meeting of the City Council was held to facilitate a housing tour of Permanent Supportive Housing and Transitional Housing sites in the San Gabriel Valley.

DISCUSSION

To address community concerns over homelessness and poverty, the City Council authorized the purchase of the Dale property on April 25, 2023. On July 31, 2023, escrow closed, and the City took ownership of the property.

On February 27, 2024 staff presented a feasibility analysis on development options for the site. The analysis identified three feasible development scenarios for the City Council's consideration:

- Affordable Housing for Families: Permanent apartment style housing. This type of development would maximize the site's capacity by providing up to 79 units ranging from one to three bedrooms and available to households earning less than 60% of Area Median Income (AMI).
- Affordable Housing for Special Needs Population: Permanent apartment style housing for special needs populations such as veterans, individuals with disabilities, or seniors, earning less than 30% AMI. This type of development would maximize housing affordability, providing up to 79 units, mainly one bedroom or studio apartments to those most vulnerable to becoming homeless based on their extremely low-income status.
- Transitional Housing: Temporary housing, up to 50 tiny home units that would shelter those experiencing homelessness for up to 24 months.
- Hybrid Housing: The analysis also considered utilizing the site for both permanent, affordable housing and transitional, temporary housing. After researching and discussing a hybrid project with developers, the analysis concluded that the site is not large enough to maximize the potential for both permanent and transitional housing. Additionally, the analysis did not find a developer interested in both development types and was therefore considered infeasible and not modeled.

Following the presentation and discussion, the City Council instructed staff to conduct additional research on funding opportunities and continue researching a scenario to utilize the site for both permanent and transitional housing.

Staff conducted additional research, including discussions with the County of Los Angeles Homeless Initiative, the San Gabriel Valley Regional Housing Trust, collected cost information associated with transitional housing, as well as funding sources. Staff also participated in the housing tour conducted on August 7th. Based on the additional research and the housing tour, staff developed the following options for consideration:

- Option One: Permanent Supportive Housing (up to 79 units)
- Option Two: Two Separate Projects:
 - Transitional Housing on a 0.5 acre site
 - Permanent Supportive Housing on a 1.67 acre site
- Option Three: Two Separate Projects
 - Transitional Housing on 11,000 Square Feet (0.25 acre)
 - Permanent Supportive Housing on a 1.92 acre site

For reference purposes, staff has included a spreadsheet (Attachment D) to better define the different types of housing generally referenced when this type of project is considered. The spreadsheet is intended to establish a common understanding of the terms and outline the options available within a continuum of housing that is affordable at various income levels.

Option One: Permanent Affordable (Supportive) Housing

Option one would utilize the Dale site in its entirety for permanent affordable housing (which could include supportive housing). This type of development would maximize the site's capacity, providing up to 79 units of apartment style housing ranging from one to three bedrooms and available primarily to households earning less than 60% AMI. The development would utilize the entire 2.17 acres and, depending on the target population, contain family apartments (two and three bedroom) or special needs (one and two bedroom) population units. The development will be two to three stories.

Under this option, the City would issue a Request for Proposals (RFP) to partner with an affordable housing developer. The City's contribution would be the land and long-term affordable housing monitoring. To date, the City's investment is approximately \$6.5 Million (\$5 million acquisition / \$1.5 million abatement and demolition) sourced from several City funds including Measure E, Affordable Housing, the Housing Authority, and the Permanent Local Housing Allocation (PLHA) grant. The City will have an ongoing role

in monitoring the Dale development to ensure that residents are within the targeted income limitations and to ensure that the correct affordable rent amounts are utilized. Due to the requirements of some funding sources, the project will require a deed restriction recorded against the property to ensure that the rental product remains affordable housing for a minimum of 55 years. The selected developer would be responsible for securing the financing for development and ongoing management of the site through various funding sources (i.e., grants, tax credits, loans, etc.).

Permanent Supportive Housing Costs	
City Financial Contribution (Acquisition & Demo):	\$6.5 M Complete. No further costs.
Staff Time	Ongoing affordable housing monitoring

Option Two: Hybrid, Permanent Affordable Housing and Transitional Housing (0.5 acre)

Option two would be a combination of both permanent affordable housing and transitional housing, utilizing a 0.5 acre for transitional temporary housing and the remainder of the site, 1.67 acre, for permanent affordable housing.

Cities in the San Gabriel Valley (SGV) with transitional “tiny home” housing sites include Baldwin Park, Montebello and Azusa. These tiny homes are private sleeping units with a living area that includes climate control, a window, bed, desk, and shelves; there is an option for each to also include their own bathroom. The goal of transitional housing is to provide interim housing and support services along with a pathway for people experiencing homelessness to secure permanent housing. The target time frame is 90 days for individuals to cycle through, however up to six months is possible.

The number of tiny homes at each of the SGV city sites ranges from 25 to 30 single occupancy units to 16 “family” units with an occupancy of up to three people each (48 people); the ideal number is 20-25 single occupancy units. These sites range from approximately 10,000 square feet (SF) to 25,000 SF, depending on the product type.

The feasibility study presented in February 2024 suggested that the site was not large enough to simultaneously accommodate both permanent housing and transitional housing. It was also noted that there was no support from a developer to build and oversee both types of housing. If the City were to move forward with Option 2, staff recommends moving forward with each of the two types of housing as two separate projects. Through the site feasibility analysis, staff understood that permanent affordable housing would require a minimum of 50 units, but closer to 60 units to reach financial feasibility.

The Dale site is 2.17 acres or 94,450 SF. Setting aside 0.5 acres for transitional housing, the site will be able to accommodate between 28 and 50 tiny homes. The remaining 1.67 acres could then be used for permanent affordable housing. The current zoning of the site permits 20 dwelling units per acre (dua). Under the State’s Density Bonus law however, a 100% affordable housing development is permitted a density bonus of 80%, thereby increasing the density to 36 dua, and the potential for 60 units on the 1.67 acre.

Dale Site:	94,450 SF (2.17 acres)	
Transitional Housing:	28 - 50 units	0.5 acre / 22,000 SF
Permanent Housing:	60 units max	1.67 acre / 72,450 SF

The San Gabriel Valley Regional Housing Trust (SGVRHT) has worked with the San Gabriel Valley cities in the establishment of their transitional sites and can provide the City with guidance on the development of a tiny village to provide transitional housing. In addition to the acquisition, abatement and demolition costs, this option will require upfront capital costs and ongoing operating costs.

Similar to Option 1, there is no additional City financial investment for permanent affordable housing. The City would issue an RFP to partner with an affordable housing developer. The City's contribution would be limited to the land contribution and affordable housing monitoring.

The transitional housing portion would require additional costs for the city.

Initial Set Up Costs

Development of the site will require the individual sleeping unit "tiny home" each with its own bathroom, a laundry room, a kitchen and/or community room, and offices for security and the site manager.

Upon review of the other cities and product types, Pallet appears to be the most cost-effective tiny home, while LifeArk units are attached and thus require less space. Due to the different space requirements, a 0.5 acre site can accommodate 28 Pallet beds (homes), but 50 LifeArk beds (homes) nearly double the Pallet amount. Sample site plans are included in Attachments A and B. Baldwin Park and Montebello both utilize the Pallet product, while El Monte and Azusa utilize LifeArk.

Ongoing Operational Costs

Transitional housing sites require ongoing operational costs which will include security costs and supportive services. The site will include 24-hour security providing secured entry. Only residents are allowed on the site. Guests and illegal or illicit substances would not be allowed. Supportive services include case management, health, and mental health services, three meals a day, job training and assistance with transitioning to a permanent home. Currently the operational costs for a transitional housing site are approximately \$110/bed/night.

Funding Sources

There are grants and programs that the City can pursue to help fund a transitional housing site.

Innovative Affordable Housing and Homeless Program (IAHHP) through the SGV Regional Housing Trust. The program will assist up to \$25,000 per unit; however, the program only has a \$500,000 remaining availability. Consequently, the City's application would be limited to that amount, (note, applications over \$250,000 require Board approval).

Permanent Local Housing Program (PLHA) funds are received annually; the estimated annual award to Glendora is approximately \$110,000. These funds can be applied towards capital and ongoing operating costs.

Cities and Councils of Governments Interim Housing Services Fund (CCOGIHS) available through the State will fund operating and supportive services costs for interim housing for the first year at a rate of \$88 per bed per night. These funds are available for the first year of operation, there is no guarantee of funding in future years. Funding is subject to availability.

The cost and grant opportunity estimates for the first year are summarized in the following table, with more detail included as Attachment C.

Option 2 Cost Analysis (estimated):

Permanent Affordable Housing: \$6.5 Million Complete, No further costs.				
Transitional Housing Options on 0.5 Acre (~22,000 SF)				
		Pallet (28 beds)		LifeArk (50 beds)
Estimated Expenditures	No. of Beds	Total Costs	No. of Beds	Total Costs
Capital Costs:	28	\$2,451,980	50	\$5,420,908
cost per bed:		\$87,570.71		\$108,418.16
Annual Operational Costs: (at \$110 per bed per night)		\$1,124,200		\$2,007,500
Total 1st Year Costs:		\$3,576,180		\$7,428,408
Funding Opportunities				
IAHHP:		\$500,000		\$500,000
PLHA:		\$110,000		\$110,000
CCOGHIS:		\$899,360		\$1,606,000
Total 1st Year Grant Funds:		\$1,509,360		\$2,216,000
Net Impact to City 1st Year:		\$2,066,820		\$5,212,408

Funding for the following years may be limited. The Innovative Affordable Housing and Homeless Program is intended for capital upfront expenditures and CCOGHIS may be available, although funding is intended for first year operations. Availability in successive years is dependent on funds available. To provide a conservative estimate, it is assumed the CCOGHIS grant will not be available. Grant and funding availability are continually changing. Staff will continue to explore additional funding opportunities.

Transitional Housing Costs, Year 2+		
	Pallet (28 beds)	LifeArk (50 beds)
Expenditures:		
Annual Operating Costs:	\$1,124,200	\$2,007,500
Grant Opportunities		
PLHA:	\$110,000	\$110,000
Net Estimated Costs/ Years 2+:	\$1,014,200	\$1,897,500

Option 3: Hybrid, Permanent Affordable Housing and Transitional Housing

Option three is similar to Option 2, but reduces the area set aside for transitional housing to 0.25 acres, roughly 11,000 SF, utilizing the LifeArk product, which requires a smaller area as compared to Pallet. This option provides nearly a 2-acre site (1.92 acres) for permanent affordable housing. With the State’s Density Bonus law increasing the density to 36 du/a, under option 3, there is potential for up to 69 units on the 1.92 acre site.

Dale Site:	94,450 SF (2.17 acres)	
Transitional Housing:	25 units	0.25 acre / 11,000 SF
Permanent Housing:	69 units max	1.92 acre / 83,450 SF

Once again, there is no additional City financial investment for the permanent affordable housing. The City would issue an RFP to partner with an affordable housing developer. The City’s contribution would be limited to the land contribution and affordable housing monitoring. The transitional housing portion would require additional costs to the City as summarized in the in the following table, with more detail in Attachment C.

Option 3 Cost Analysis (estimated):

Permanent Affordable Housing: \$6.5 Million Complete, No further costs.		
Transitional Housing on 0.25 Acre (~11,000 SF)		
LifeArk (25 beds)		
Expenditures		
	No. of Beds	Total Est. Costs
Capital Costs:	25	\$2,889,639
cost per bed:		\$115,585.55
Annual Operational Costs: (at \$110 per bed per night)		\$1,003,750
Total 1st Year Costs:		\$3,893,389
Funding Opportunities		
	IAHHP	\$500,000
	PLHA:	\$110,000
	CCOGHIS:	\$803,000
Total 1st Year Grant Funds:		\$1,413,000
Net Impact to City 1st Year:		\$2,480,389
Transitional Housing Costs, Year 2+ (25 units)		
Expenditures:	Annual Operating Costs:	\$1,003,750
Grant Opportunities	PLHA:	\$110,000
Net Estimated Cost / Years 2+ :		\$893,750

Additional considerations for the hybrid approach provided in Options 2 and 3:

- A minimum of two years operation of a transitional housing site is recommended. To maximize the Innovative Affordable Housing & Homeless Program amount at this number of units, one year is a minimum and two years is recommended. Less than two years may impact the amount of funding. With 25 units, two years, assuming an average resident stay of six months, will likely be required to provide an opportunity to all of Glendora’s current homeless residents to cycle through and obtain permanent housing. Two years of operation will cost the City approximately \$3.4 Million, after grants are applied.
- In pursuing a developer for permanent housing, the City may consider a phased approach, providing the land for an initial 60-69 units at the start with the potential to add additional land and additional permanent housing units, open space, amenities or parking once the transitional housing operation ceases to operate.
- Local Preference: The funding sources referenced allow for local preference. The City can prioritize the units to serve individuals experiencing homelessness in the City; however, the units cannot be restricted to only Glendora’s homeless population. The CCOGHIS grant requires that the City coordinate with the County to make beds available regionally when occupancy falls below 95%.

Considering the City’s average homeless count and the operating cost beyond year one, the City Council may opt to undertake a short-term operation of one to two years. Under a realistic expectation of transitioning individuals into permanent housing within a six-month period, two cycles of residents would be completed in a 12-month period. This theoretically places 100

individuals into permanent homes within one year's time (with 50 beds) or over two years' time (with 25 beds). At the conclusion of the transitional housing operation, the site could be repurposed for permanent affordable housing or sold pursuant to the California Surplus Land Act.

- Noncompliance with the Housing Authority Fund: Approximately \$1.3 Million from the Housing Authority Fund was utilized to acquire the Dale property. These funds have limitations; specifically, their main purpose is to increase the number of affordable housing units in the City. While a portion may be used towards addressing and assisting with homelessness, that amount is limited to \$250,000. If the site is used for transitional housing only, the City may be required to reimburse the Housing Authority Fund for its contribution to the land acquisition.

California Surplus Land Act

With the acquisition of the Dale site, the property is now subject to the California Surplus Land Act (SLA). The SLA requires the City to declare any land not necessary for a local agency's use to be declared surplus. Certain conditions, including restricting 100% of the site to affordable housing, will qualify the site to be declared exempt surplus. Upon City Council's determination of the site's development, staff will return with a report as applicable to comply with the California Surplus Land Act

FISCAL IMPACT

Approximately \$6.5 million from the Capital Projects Fund 301, Measure E, Affordable Housing Fund 228, and Housing Authority Fund 229 has been spent to date on the site's acquisition, abatement, and demolition. This report provides development options for consideration with additional costs ranging from \$0 to \$5,212,408 for year one and recurring costs ranging from \$1,000,000 to \$2,000,000 for year two and beyond. The City's resources beyond the grant opportunities mentioned in this report are limited. The Affordable Housing Fund and Housing Authority Fund were essentially depleted during the acquisition and demolition stages of this project and the Capital Projects Fund is dedicated to infrastructure needs throughout the City. Grant availability and funding will be crucial to the success of this development and to maintain ongoing operations.

ENVIRONMENTAL DETERMINATION

None at this time.

Prepared By	Valerie Velasquez Santoya, Economic Development and Housing Manager
Concurs With	Not Applicable
Reviewed By	Jeff Kugel, Community Development Director
Certified to Availability of Funds	Kyle Johnson, Finance Director/City Treasurer
Approved By	Adam Raymond, City Manager
Legal Review	Danny Aleshire, City Attorney
CEQA Review	Not Applicable

ATTACHMENTS:

- A. Pallet Site Plan and Estimate
- B. LifeArk Site Plan and Estimate
- C. Detail Cost Estimates
- D. Housing Types Spreadsheet
- E. Presentation