



To the Mayor and Members of the City Council

June 23, 2020

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**SUBJECT: DEVELOPMENT OF PERMANENT SUPPORTIVE HOUSING FOR COVID-VULNERABLE HOUSEHOLDS**

City staff is investigating the possibility of using approximately \$18.6 million in federal funds from the Coronavirus Aid, Relief, and Economic Security (CARES) Act to develop permanent supportive housing (PSH) for approximately 200 COVID-vulnerable individuals and couples. The following information describes this project in greater detail. If staff determines that this project is feasible, then staff will seek City Council authorization before obligating any funds for it.

**Project Description:** The City would award a grant in the amount of approximately \$18.6 million to a qualified agency or non-profit organization to acquire and rehabilitate hotels and/or motels that would provide up to 200 PSH units for COVID-vulnerable households for occupancy no later than December 1, 2020.

**Project Background:** The U.S. Centers for Disease Control and Prevention (CDC) has issued recommendations that emergency homeless shelters should decompress to allow for safe distancing of homeless clients. The CDC additionally recommends that COVID-vulnerable homeless populations exit congregate shelters altogether. Two homeless cohorts defined as particularly vulnerable to COVID are those over 65 years old and those with specific health conditions, particularly chronic lung disease or moderate/severe asthma, serious heart conditions, immunocompromised, severe obesity, diabetes, chronic kidney disease and liver disease.

PSH is a type of housing suitable for disabled households experiencing more than one year of homelessness. PSH clients require ongoing case management and assistance to remain housed. While there has been significant homeless system funding provided to the City and the Tarrant County Homeless Coalition through HUD's Emergency Solutions Grants (ESG) due to COVID 19, this funding cannot be used for PSH. ESG can and will be used for emergency shelters and for rapid rehousing (typically up to 12 months of rental assistance and case management), but other funding streams are necessary to implement PSH projects.

In view of the CDC recommendations and the lack of ESG funding for PSH, staff from the Directions Home Unit and the Neighborhood Services Department is pursuing the use of \$18.6 million in Coronavirus Relief Funds to create 200 new units of PSH for COVID vulnerable households through the acquisition and renovation of up to three hotels and motels.

**Project Eligibility:** This proposal meets the criteria for Title V of the CARES Act Spending Eligibility Criteria, which allows for the use of Title V for expenditures that are:

- (1) Unbudgeted as of March 27, 2020;
- (2) Incurred between March 1 and December 30, 2020; and
- (3) Necessary due to the COVID-19 public health emergency.

The CDC has stated that homeless shelters should reduce density, including by protective housing, for those at highest risk. The proposed high-risk PSH project will house those at highest risk, so the necessity test is met. Public health experts do not yet know how long COVID-19 will continue to be a health epidemic or how long recommendations for social distancing will be advisable. Nevertheless, staff anticipates that the pandemic may continue beyond the grant end date of December 30, 2020, and therefore, this PSH project would provide a solution for the full duration of COVID-19. Ongoing funding for the project will be as set forth below.

**Project Funding:**

Capital – Approximately \$18.6 million in Coronavirus Relief Funds will be needed for the acquisition and renovation of hotels/motels.

Operating – Approximately \$700,000 will be needed to operate 200 PSH units annually. Most of the cost will be covered by tenant rent, estimated to be \$205/month or 30% of income.

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For any gaps between operating cost and tenant rent, there are additional potential funding sources:

- Project-based vouchers from Fort Worth Housing Solutions – it is estimated that 32 vouchers could cover an operating gap for 200 units,
- Directions Home has a capital project fund of \$600,000 that could be converted to rental subsidies,
- The Directions Home budget could be re-configured to pay any gap in operating costs and
- An application for Continuum of Care rental assistance funds could be submitted.

In short, staff has determined that sufficient gap funds would be available.

Supportive Services – Directions Home is re-arranging its budget to fund eight new PSH case managers for an approximate annual cost of \$560,000.

**Project Process:** A Request for Proposals will be issued in July to identify qualified agencies/non-profits with experience in homeless services to accomplish the creation of 200 PSH units from hotel/motel acquisition and conversion. In August, selected non-profits would present sites and plans to the City for approval to purchase. During September, October and November, properties would be purchased and renovations would be completed. The zoning would be reviewed and, if necessary, an application for a reasonable accommodation would be made to allow the use of multifamily housing where it may not otherwise be allowed in the zoning district. Occupancy would occur by December 1.

**Comparable Project Examples:**

- Palmer Court, Salt Lake City, 201 PSH units, converted 1960s motel
- Hotel Berry, Sacramento, 104 PSH units, converted 1940s hotel

**Project Next Steps:**

- 1) Issue a Request for Proposals to identify qualified non-profits to acquire, renovate, own or lease, operate and provide supportive services for 200 PSH units of COVID-vulnerable households.
- 2) Create and Implement Evaluation team (including Property Management, Neighborhood Services, Development Services, Code Compliance, Directions Home) to review and score RFP responses.
- 3) Award grant to selected non-profit organization.
- 4) Develop a formal process for identifying suitable sites, including consultation with Council members and Development Services Department.
- 5) In August, Council votes to have a qualified developer purchase selected properties and initiate renovations.
- 6) All acquisitions and renovations completed by December.

For more information, please contact Directions Home Manager Tara Perez at [Tara.Perez@fortworthtexas.gov](mailto:Tara.Perez@fortworthtexas.gov).

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