



SAN JOSE DOWNTOWN
ASSOCIATION

MEMORANDUM

TO: Mayor Sam Liccardo and San Jose City Councilmembers
FROM: Scott Knies, Executive Director
DATE: November 15, 2021
RE: Project Homekey Permanent Homeless Housing proposal by City of San Jose

RECOMMENDATION: The San Jose Downtown Association support of the Project Homekey application for the Pacific Motor Inn (455 S. 2nd St.) is contingent on the City of San Jose conducting proper public outreach and the co-creation of community alternatives for this important SoFA location, including affordable housing, other uses and potential future increase in density. We realize such a request means deferring the December 1 Homekey application for this site, however, the City must first engage a compassionate and supportive downtown community in proper outreach, and integrate fully with the SoFA district strategic plan.

BACKGROUND:

On September 9, 2021, a Notice of Funding Availability from the California Department of Housing and Community Development's Homekey Program became available. There is \$200 million available to solicit to fund the Bay Area project requests.

On [October 5, the City Council](#) unanimously approved the city to pursue Project Homekey for permanent homeless housing, with one of the sites the 72-unit Pacific Motor Inn at 455 S. 2nd St. in the heart of the SoFA District. The City recommended partnering with PATH Ventures to provide services, and eventually develop the site within 5-7 years of potentially up to 400+ units. [Staff memo with more details here.](#)

There was no direct outreach to SoFA on this proposal, nor to SJDA which represents business and property owners downtown. On October 13, startled SoFA property and business owners called their own meeting (in person) to discuss the proposed \$18 million purchase of the Pacific Motor Inn for permanent supportive housing. Members expressed concerns about the fragility of the SoFA business ecosystem; an overconcentration of similar projects near SoFA; the loss of an affordable hotel used by artists and convention attendees on a budget; the appropriateness of the location given night clubs on the same block; and disregard for the longstanding investment and vision for SoFA as an arts, entertainment and cultural district,

including the complete lack of consideration for the SoFA Strategic Development Plan, which was adopted [by council in 2005](#).

On Oct. 25, the City Housing Dept. hosted a webinar on Zoom to discuss their Homekey funding application for the Pacific Motor Inn.

On Nov. 4, the SJDA Executive Committee requested SJDA staff prepare a position on the Pacific Motor Inn that recognizes SJDA's leadership in housing and outreach solutions for the unsheltered population downtown, including our support of other permanent supportive and transitional housing projects.

In an informational flier distributed by PATH Ventures on Nov. 10, the application for Homekey funding is Dec. 1 and "possible award; begin operation" is February 2022.

On Nov. 12, the SJDA Board of Directors could not reach consensus on the Homekey project. The passionate discussion centered on the SJDA strategic priorities for a safe and clean downtown and our leadership in homeless solutions juxtaposed with the city's disregard for public engagement, data, alignment with existing land use and economic development goals for the SoFA District and concern for the appropriateness of this specific site for permanent supportive homeless housing.

REASONS FOR RECOMMENDATION:

- 1) We support homeless projects because we want the unhoused population downtown to have a place to call home and because we believe that continuous high-level operational services with a partner like PATH could make such projects a success. For the Pacific Motor Inn, the utter lack of proper outreach to the downtown community by the city is inexcusable, especially given downtown's track record of strong support for thoughtful, well considered affordable housing projects, including SJDA's recent support of Villas on the Park and Plaza Hotel. The approach taken by the city to ignore the people who live, work, invest and study in this neighborhood and not take the necessary time to outreach and gain community support as was done for the aforementioned projects breeds mistrust and smacks of railroading a project with community involvement only taking place "after the fact." With just eight weeks between Council direction Oct. 5 and making the application Dec. 1, there is clearly not enough time to vet such an impactful and complex project. Plus, to approve a project first and only then begin to conduct outreach is not true engagement and disrespectful to the community. The city has made many mistakes over the years rushing forward projects without proper community engagement. The unintended consequences of such insular decision-making can have deep and lasting impacts, including a ripple effect on obtaining community trust and approval for similar projects throughout the city.
- 2) Before it was known as SoFA (coined by SJDA in 1988), the San Jose Redevelopment Agency called this neighborhood the Market Gateway Arts and Entertainment Area.

SoFA has always been planned as an arts, entertainment and cultural district, supported by numerous city documents, including a 2003 vision plan created with community members and approved by the City Council. San Jose barely can claim a handful of arts and cultural districts in its entire city limits. Why the City would suddenly disregard its vision for SoFA to place permanent, segregated homeless housing in the middle (400 block) of one of its established arts districts only makes sense for a city that does not value its own long-range planning, community input and the significant public and private investments made over the years based on that planning.

Yes, it is true that long-range plans and priorities change over time. If the City of San Jose Housing Dept. and City Council have a new vision for SoFA let's hear about it, discuss it and create it together rather than introduce a potential vision-altering project under the pretense of a state funding deadline. The city's attempt to rush an application forward in just eight weeks does not honor San Jose's transparency, equity and community engagement goals. The downtown community's fervent desire to help our homeless population is not a blank check to cast aside our other important civic goals and strategies.

- 3) This site is a popular community-based motel frequently used by artists, residents and business travelers on a budget with more than a 90 percent occupancy rate in 2019. The Covid pandemic crushing the world's hospitality business is the *only* reason this motel was deemed "underutilized" and rented by the County of Santa Clara for the state's Roomkey program since last year. In fact, the Pacific Motor Inn was set to debut its new Best Western flag in Spring 2020 just as the Covid shutdown hit. This motel has been a vital and contributing business to SoFA and the downtown, and would be again once the economy recovers and Roomkey rentals are halted.
- 4) There has been zero data or outreach from the County on their Roomkey operations at Pacific Motor Inn, nor, for that matter, from the City when they converted the South Hall site, also in SoFA, as a temporary homeless shelter. The community figured both of these uses were temporary under the emergency pandemic provisions. The South Hall use has since been discontinued but the County continues to operate the Roomkey program and has not once surveyed or addressed its impacts to the neighborhood, and now with Homekey, the proposal is to make this use permanent.
- 5) SJDA would like to see the hotel rooms redesigned to include kitchenettes and our Downtown Design Committee would be willing to volunteer the time to help review plans for this conversation. There is data from other communities that have operated similar SRO style housing facilities that lack kitchens and other amenities of their impacts on the immediate block surrounding such facilities, especially at street-level. This is critical for the future of SoFA since this site is located in the 400 block and would impact numerous already established cafe, restaurant, nightclub, bar, museum, gallery, design and other small business operations.

- 6) The unsheltered population slated for this site must be accepted regardless of their sobriety, eviction history, incarceration history or whether they participate in mental health or other services. Furthermore, the Homekey program requires referrals of units on this site be made through the Coordinated Entry System, which means there is no priority for the homeless population in downtown San Jose and this site can accept tenants from throughout the County of Santa Clara. SJDA would request the projects we approve in DTSJ provide a preference to house the homeless population already in the San Jose downtown core and frame areas.
- 7) The Pacific Motor Inn contributes Transient Occupancy Tax revenue vital to funding local arts organizations, special events, Team San Jose and the Office of Cultural Affairs. Also, Homekey and affordable housing projects are exempt from contributing park fees required of other residential developments, funds that are much needed for nearby Pobladores and Guadalupe River parks. Furthermore, the potential loss of sales tax revenue, support of arts organizations and the convention center if the adjacent small business community is affected by the project has not been factored nor studied.
- 8) The City's own housing siting policy references the potential over concentration of uses in a particular neighborhood. Again, because of the rush job on this proposal, there has been no factoring of the currently existing or approved affordable housing/services projects already in SoFA: Plaza Maria, Sobrato House, YWCA, BWC Drop-In Center, Market-Gateway Section 8/Measure A high rise (also in 400 block), etc.
- 9) SJDA is intrigued by the long-term potential of incorporating more affordable housing into SoFA (as well as the rest of downtown) in projects where a variety of AMI individuals including homeless, workforce, veterans, and essential workers are all together in a true inclusionary housing manner. The type of affordable housing, the design, funding and operations are all issues the downtown community is keenly interested in and wants to co-create solutions with public and private partners.

CONCLUSION

SJDA has a long track record of supporting homeless and affordable projects/strategy downtown. We were the first community group to call for 25 percent affordable housing in the Downtown West plan. We have championed mixed income housing projects -- from moderate income to ELI to veteran and family housing. We have publicly supported permanent homeless housing projects downtown. Our Groundwerx teams have several lived-experience (formerly homeless) employees on staff and are frequently the first contact with our downtown homeless population seven days a week. Just last month on Oct. 8, in an effort to be "in the solution" on homeless issues, SJDA offered two new programs: a Clean Community Fee and incorporating new social impact teams through our property assessment district to provide more impactful street-level outreach services downtown.

By deferring the Pacific Motor Inn Homekey application, the city and community can create, together, a better short-term *and* long-term solution for this critical site for the benefit of the SoFA neighborhood and our homeless population in need of housing and services. SJDA is confident that with proper engagement, the city and community can balance the social justice and economic development issues inherent in this unique opportunity to provide more affordable housing in downtown San Jose.

Cc: SJDA Board of Directors
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