

February 11, 2025

Honorable Mayor and City Council
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to execute all documents necessary to return advance payment grant funding to the California Department of Housing and Community Development in the amount of \$5,616,752 for the Modular Non-Congregate Shelter Project for interim housing for persons experiencing homelessness, originally awarded under the State of California's Homekey Program (Citywide).

DISCUSSION

After nearly three years of planning and work on the Modular Non-Congregate Shelter Project, also known as the Tiny Homes Project, the City of Long Beach (City) is required to return awarded grant funds due to exhausting all possible locations for the project. The City was awarded grant funding from the State of California on June 28, 2022, to design, manufacture, and deploy 33 modular non-congregate shelter units (i.e. "Tiny Homes") that would serve as temporary housing for people experiencing chronic homelessness. The first of its kind in Long Beach, the Tiny Homes Project was conceptualized as a pilot program exploring a possible innovative solution addressing the regional and national homelessness crisis and was implemented during the City's homelessness emergency. The Emergency, declared on January 10, 2023, and concluded on February 29, 2024, mobilized City of Long Beach staff to utilize emergency provisions to bolster existing efforts and implement new programs to further address the crisis.

During the Emergency, the City built capacity and increased access to services, shelter, and housing through the deployment of the Mobile Access Center, Community Crisis Response Team, Safe Parking Program, Emergency Housing Vouchers lease-up and landlord engagement, Winter Shelter Program, Inclement Weather Shelter, additional encampment resolution programs, motel voucher program, new permanent supportive housing, and expedited progress on a Youth Navigation Center, upgrades to the existing Homekey Program site, purchased a new building along with programming expand congregate shelter capacity, and the conversion of a former motel to a non-congregate shelter. In all, the City added 125 new emergency shelter beds, with 150 new beds under construction, 80 additional rooms through motel vouchers, 50 Safe Parking spots, and 60 temporary inclement weather beds. One part of these efforts included the 33 modular non-congregate shelter units, explored as a possible model to quickly and cost-effectively deploy shelter units in suitable locations. After examining three different sites, including the parking lot of the Long Beach Multi-Service Center in partnership with the Port of Long Beach, a vacant parcel at the corner

of E Spring St and California Ave, and a partnership with Long Beach City College, the City found the Tiny Homes program as proposed was not feasible or cost-effective method in Long Beach for delivering interim housing for people experiencing homelessness.

City Council approval is requested to return an advance payment grant received from the California Department of Housing and Community Development (HCD) in the amount of \$5,616,752 for the Modular Non-Congregate Shelter Project for interim housing for persons experiencing homelessness, originally awarded on June 28, 2022, under the State of California's Homekey Program. Of this advance payment grant, \$2,936,485 has been spent as of January 2025. The largest portion of this expense was the purchase of 33 modular shelter units at \$2,087,940 from vendor Home EC, Inc. Personnel salaries, wages, and benefits accounted for \$146,945, and the balance of \$701,600 was spent on professional services consultants for environmental review, site review, design, and project management services. With the return of the full grant funds to the State, expenditures in the amount of \$2,936,433 have been transferred to the General Fund in the Health and Human Services Department (Health Department). A request to increase the Health Department's General Fund budget to offset the amount spent is included in the FY 24 Year End Performance Report.

Background

On April 19, 2022, the Long Beach City Council adopted a resolution to authorize the City Manager to apply for funding from the State of California's Homekey Program Round 2 to support the purchase, manufacture, construction, installation, and operation of 33 modular shelter units at the Long Beach Multi-Service Center. The City team had identified the modular non-congregate shelter (also known as "Tiny Homes") project as a priority pilot approach due to the immediate need for interim housing, potential low cost, synergies with existing homeless services, and potential to serve as a proof of concept for future implementation in other locations. City staff identified a portion of the parking lot at the Long Beach Multi-Service Center (MSC) as an ideal first location to house these units, as it was a vacant City-owned site with existing services and facilities for people experiencing homelessness that could be leveraged for the program as well as existing infrastructure such as fencing, utilities, access, and proximity to public transit.

On June 28, 2022, the City was awarded \$5,616,752 in grant funds towards the project. \$4,003,953 was awarded for capital improvements, and \$1,612,799 was awarded for operating subsidies.

After funding was awarded, City staff assembled a site design and delivery team comprised of staff from Public Works, Health, Economic Development, Technology and Innovation, and Fire departments, as well as City contractors providing construction management and architectural services. This team worked on implementing the project, including a competitive procurement process to select a vendor to design and manufacture the modular units, as well as the convening of a development team to complete site design, apply for necessary permits, and conduct all necessary demolition and construction to prepare the site for installation and operation.

On October 20, 2022, a Request for Proposals (RFP) HE22-158 was released to identify a qualified vendor. On February 7, 2023, the City Council approved the contract with HOME EC Inc., dba Connect Homes, to provide the design, manufacturing, delivery, and installation of 30-35 modular non-congregate shelter units to provide interim housing for people experiencing homelessness at the Long Beach Multi-Service Center. Once selected, the City team began collaborating with Connect Homes to design and begin the manufacture of the modulars in preparation for installation. On March 16, 2023, City staff provided a TFF [memo](#) providing a status update on the project.

Second Location

In August 2023, due to unforeseen challenges identified during the site survey and design process, City and Port of Long Beach staff determined that the initial location of the Long Beach MSC was no longer viable due to potential impacts on surrounding Port construction projects that would result from the introduction of residential use at the location for at least 15 years. This determination made the most ideal site for the Tiny Homes project no longer viable. The City team began urgently surveying and searching for a suitable replacement location that supported the same program scope to maintain the awarded State funding and utilize the modulars, which had already been designed and manufactured in preparation for deployment. City staff also notified the grant funder of this setback, the California Department of Housing and Community Development (HCD).

After surveying all City-owned vacant sites, the team identified a vacant commercial lot on the southeast corner of E Spring St. and California Ave. as the most promising location due to its vacant area, proximity to infrastructure, and amenities such as public transit, grocery stores, a library, and park space. On November 9, 2023, the City team provided a [follow-up memo](#) providing a status update on the project.

In April 2024, as the City team continued site design activities for the new project location, due diligence identified extensive challenges that would have incurred significant additional costs, including the need to construct a case management office, challenges with utility connections, and unsuitable soil that would need to be removed to accommodate these modular shelters. The City team identified nearly \$7.5 million in additional costs necessary to deliver the project. Tiny Home projects in other areas have been a viable approach to rapidly deploying housing and shelter where pre-established lots with existing utility connections exist. Where these conditions do not exist, such as in a fully built-out city like Long Beach, the costs to adapt a site quickly make the project no longer cost-effective. Had Long Beach proceeded with this identified site, the costs would have approached \$400,000 per unit, far more than other types of interim housing. For example, during the Homelessness Emergency, the City acquired and converted the former Long Beach Rescue Mission warehouse into the 702 Shelter, securing a facility that can support up to 121 beds at a cost of \$13.2 million or approximately \$109,000 per bed.

Third Location

Once the City team had determined that the location was no longer viable, the team began urgently searching for an alternative location, including reaching out to City partners for potential collaboration. All other possible City-owned facilities were ruled out. In March 2024, the City team entered preliminary conversations with staff at Long Beach City College (LBCC), given their commitment to expanding housing opportunities for students. The modular shelter units were envisioned as an emergency housing solution for LBCC students experiencing homelessness. The City team also confirmed with HCD that this would be an eligible use of funds under the Homekey program.

On July 31, 2024, City staff presented to the LBCC Board of Trustees about the potential project, including the specifications of the modular units and remaining grant funds. The LBCC Board directed LBCC staff to continue exploring the feasibility of deploying these units on their Pacific Coast Campus. On August 5, 2024, City Staff released [a press release](#) announcing the discontinuation of the project at the previous location and the potential project with LBCC. In November 2024, LBCC staff informed City staff that the project would not be viable for them due to challenges with design and approvals associated with introducing on-campus residential facilities for the first time under State permitting rules. The California Department of General Services' Division of the State Architect, has responsibility for land-use, permitting, design, and construction for community colleges and state-owned and leased facilities, ensuring that state and educational settings adhere to and comply with State of California accessibility, structural safety, and historical building codes, regulations, and standards.

In light of this notification, the City informed HCD that the third location was no longer viable and began the process to transition the disbursed grant funds back to the State after exhausting all possible Long Beach options.

As discussed, the modular shelter units were fully designed and manufactured and are currently in storage awaiting deployment and will remain in the City's possession as a tangible asset that can be sold to another group to recover the costs or utilized for another future use. As a result, the full contract amount for Connect Homes has been expended. Additional costs incurred include staff and consultant time delivering the full site design and permitting for the initial MSC site and additional work towards the exploration, survey, and site designs of multiple subsequent locations.

The City team is continuing to explore options for deploying the modular units, as well as options to recoup costs by re-selling the units to other agencies or jurisdictions.

This matter was reviewed by Deputy City Attorney Nicholas Masero on January 21, 2025, and by Budget Analysis Officer Greg Sorensen on January 27, 2025.

TIMING CONSIDERATIONS

City Council action to return grant funding is requested on February 11, 2025, to comply with the State of California's deadline for funding return.

FISCAL IMPACT

On December 13, 2024, the Health Department was notified by the California Department of Housing and Community Development to return advance payment grant funds in the amount of \$5,616,752. With the return of the grant funds, actual expenditures in the amount of \$2,936,433.25 were transferred to the General Fund in the Health and Human Services Department. The appropriation for these costs is requested in the FY24 Year End Performance Report, and will affect the amount available to fund additional priorities from FY 24 year end savings, as well as the request to reduce the appropriation in the Health Fund Group in the Health and Human Services Department by the grant amount of \$5,616,752. This recommendation has no staffing impact beyond the normal budgeted scope of duties. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



Alison King
Director
Health and Human Services

APPROVED:



THOMAS B. MODICA
CITY MANAGER