



Office of the City Manager

27b

ACTION CALENDAR

December 3, 2019

(Continued from November 19, 2019)

To: Honorable Mayor and Members of the City Council
From: Dee Williams-Ridley, City Manager
Submitted by: Kelly Wallace, Interim Director, Health, Housing and Community Services
Subject: Companion Report: Recommendations for Allocation of FY19/20 Measure P Funds

RECOMMENDATION

The City Manager recommends that Council:

1. Approve the Homeless Services Panel of Experts' recommendation for the allocation of FY20 General Funds (Measure P) in the following investment areas:
 - a. Immediate Street conditions & Hygiene
 - b. Flexible Housing Subsidies; and
 - c. Infrastructure.

For any allocation of "Flexible Housing Subsidies" to families, limit eligibility to those who are imminently at-risk of homelessness, and allow the City Manager to sole-source contracts for the implementation of these subsidies.

2. Refer discussion of the recommendations pertaining to the following areas to the Council Budget & Finance Policy Committee:
 - a. Permanent Housing,
 - b. Shelter & Temporary Accommodations, and
 - c. Supportive Services.

The City Manager recommends that the Policy Committee consider the following pertaining to these funding areas:

- Allow the "permanent subsidies" allocation to fund tenancy sustaining services, and dedicate 10% of total funding to homeless families.
- Allow the "Shelter and temporary accommodations" allocation to fund the creation of new programs (including for new RV parking programs) or maintenance of existing shelter programs funded by HEAP, when that funding is exhausted.
- Authorize the City Manager to award any funding for shelter expansion and tenancy sustaining services to agencies that have already responded to the FY20-23 Community Agency Request for Proposals (RFP).
- Authorize the City Manager to release one or more RFPs for an RV parking program that would require a non-profit operator and for any supportive

services including street medicine, substance abuse treatment or mental health outreach.

FISCAL IMPACTS OF RECOMMENDATION

Approving the above recommendation would commit \$899,566 in General Fund revenues resulting from Measure P. The funds would be appropriated as part of the Second Amendment to the FY 2020 Annual Appropriations Ordinance and allocated to City departments as follows:

- To the City Manager Community Agencies Budget (011-51-507-506-5002-000-459-636110-):
 - 345,987 to short and medium term housing subsidies;
- To the FY2020 HHCS budget (011-51-504-535-5002-000-444-636120 - 011-51-504-535-5002-000-444-612990):
 - \$69,197 to training and evaluation.
- To the FY2020 budget of the Public Works Department(011-54-623-677-5002-000-444-612990) and/or PRW Department (011-52-541-598-5002-000-461-612990):
 - \$484,382 for immediate street conditions and hygiene.

CURRENT SITUATION AND ITS EFFECTS

The Homeless Services Panel of Experts (HSPE) convened its inaugural meeting on May 6, 2019 and on September 4, 2019 unanimously approved budget recommendations for the initial tranche of general fund revenues generated by the Measure P transfer tax increase. The City Manager commends the HSPE for this achievement and for the process by which it was accomplished. Over the course of two regular meetings and two subcommittee meetings, the Panel worked diligently with staff to ensure that all referrals to the Measure P process from Council, staff, and outside agencies to date were considered. The City Manager believes the final recommendations, in general, are an excellent reflection of City priorities and will help make a meaningful impact on homelessness in Berkeley.

The City Manager offers this companion report to complement, rather than contradict, the HSPE's recommendations. The goal is for Council to consider staff's perspectives on implementation processes and feasibility before making budget allocations.

While the City Manager supports these recommendations, she recommends referring investment areas that will require a significant ongoing investment (Permanent Housing, Shelter & Temporary Accommodations, and Supportive Services) to the Budget & Finance Committee for full vetting. The City Manager's Budget Office recommends monitoring revenues collected pursuant to Measure P to ensure that long-term commitments made now can be supported over time. The City Manager does, however, agree with immediate funding for investment areas that do not implicate future Measure P revenues. The City Manager further recommends that the Budget & Finance Policy

Committee consider the staff input outlined below for all recommended investment areas.

The HSPE's recommendations make categorical allocations to 6 focus areas. Staff's recommendations differ from the HSPE's in several areas, and we offer reasoning below:

1. **Permanent Housing:** as explained in the 1000 Person Plan,¹ staff have identified permanently subsidized housing as the single greatest need among people experiencing homelessness in Berkeley, and we are pleased that this need is reflected so prominently in the HSPE's proposed budget. We recommend that Council approve the HSPE's recommendation, with the following modifications and considerations:
 - a. First, we wish to clarify that the final amount of money allocated to permanent housing includes and authorizes funds for associated case management, or "tenancy sustaining services", to assist people in accessing and/or maintaining this housing. This is a critical component of Housing First, especially for populations with disabilities and/or substantial housing barriers. For ease and speed of implementation, we recommend allowing the City Manager to offer such funding to any agency that applied for tenancy sustaining case management in response to the FY2020-2023 Community Agency Funding Request for Proposals.
 - b. Second, we appreciate the HSPE's focus on families, but believe their proposed minimum set-aside of \$500,000 for families is disproportionate to the need actually reflected in the City's primary source of homeless data, the 2019 Point-in-Time Count,² which found that only 5% of Berkeley's homeless population lives in a household with minor children but 95% are single adults without minors.³ Moreover, the 2019 Count found that more than one third of Berkeley's population is now chronically homeless—a designation far more likely to afflict single adults and highly amenable to permanent subsidies and supportive case management. Recent evidence suggests that local increases in targeted homeless family assistance actually *increases* family homelessness, as homeless

¹ See: https://www.cityofberkeley.info/Clerk/City_Council/2019/02_Feb/Documents/2019-02-26_Item_20_Referral_Response_1000_Person_Plan.aspx

² See: http://everyonehome.org/wp-content/uploads/2019/09/2019HIRDReport_Berkeley_2019-Final.pdf

³ For example, suppose Council allocates \$4.5M of Measure P to homeless efforts, and 30% of this allocation, as recommended by the Panel, to permanent subsidies. In that scenario, a \$500,000 set-aside results in 37% of all permanent subsidy funding going to families. If instead the overall Measure P allocation was \$8M—the upper bound of the expected annual proceeds from Measure P—a \$500,000 family set-aside results in 21% of all subsidies to families. As families represent 5% of the Point-in-Time population, both scenarios disproportionately favor families relative to chronically homeless and/or single adults, who remain the single largest (and growing) population of need in the City.

families relocate to jurisdictions with more generous funding; the same is not true for individual programs, which measurably reduce individual homelessness.⁴ With this in mind, and given the disproportionality of individual homelessness in Berkeley, we recommend no minimum dollar set-aside for families, but rather setting 10% of any permanent housing allocation aside for families. In practice, this would mean that every tenth voucher that becomes available through this funding source would be set aside for a Berkeley family, with a preference for unsheltered families.

2. **Shelter and Temporary Accommodations:** staff agree with the high priority placed on this category and offers the following considerations for Council:
 - a. First, staff continue to believe that the best use of new shelter funding is to invest in existing shelter capacity so all programs in Berkeley are able to function as Navigation Centers. This would allow our shelters to serve and house a greater number of people not otherwise prioritized for intensive services and subsidies through Coordinated Entry, and would position the City strategically to leverage any new State funds intended for navigation centers. For ease and speed of implementation, we recommend allowing the City Manager to offer such funding to any agency that applied for emergency shelter funding in response to the FY2020-2023 Community Agency Funding Request for Proposals.
 - b. Second, staff recommend allowing any funding allocated to sub-category #1 (“Expand shelter capacity”), to be used to “expand or maintain” shelter capacity. Currently, staff are using California HEAP to fund FY20 operations of the STAIR Center and Dorothy Day House Shelter—two shelter projects that are not fully funded beyond June 30, 2020. In the absence of guidance from the State and County on forthcoming Homeless Housing, Assistance, and Prevention Program (HHAPP) funding, and the amount (if any) that will be formulaically allocated to Berkeley, the City may need to use existing General Fund revenues in FY21 to keep these priority projects afloat when current funding sources expire.
 - c. Third, if a new program is most desired by Council, we recommend prioritizing such funding for any RV parking program(s) and associated services established in response to the Council referrals from March 26⁵ and July 23,⁶ 2019. Such a proposed use is consistent with the HSPE’s

⁴ See: <https://siepr.stanford.edu/sites/default/files/publications/16-022.pdf>

⁵ See: https://www.cityofberkeley.info/Clerk/City_Council/2019/03_Mar/Documents/2019-03-26_Supp_3_Reports_Item_21_Supp_Mayor_pdf.aspx

⁶ See: https://www.cityofberkeley.info/Clerk/City_Council/2019/07_Jul/Documents/2019-07-23_Supp_2_Reports_Item_39_Rev_Kesarwani_pdf.aspx

report, and full implementation of this Council priority is currently unfunded.

3. **Supportive Services:** staff agree with this recommended use of funding. To solicit the best possible uses of any funding allocated to this category, staff recommend widely circulating a new Request for Proposals that would include, but not be limited to, the following areas previously recommended by staff⁷ or recommended by the Panel:
 - a. Street medicine or mental health services;
 - b. Substance abuse treatment for persons experiencing homelessness;
 - c. Employment services.
4. **Short/Medium-Term Housing Subsidies:** Staff is supportive of the spirit of this recommendation. However, while the HSPE recommends funding for any family meeting the McKinney-Vento homeless definition (which includes households that are couch surfing or doubled up), staff recommend limiting eligibility to families who meet the criteria in Category 2 of the Federal definition of homelessness⁸--i.e., families who will lose their residence or sleeping situation within 14 days, have no identified alternative, and lack the resources or support networks needed to obtain other housing. Staff's reasoning is simply that these limited funds be prioritized for those families who are most at-risk of entering a shelter or the streets. In the Bay Area's housing crisis, households of all economic means are frequently forced into shared housing situations; staff believe those who can remain stably housed in such an arrangement should not be prioritized for flexible homelessness funding of this sort, which could likely result in a different shared housing accommodation.

For ease and speed of implementation, we recommend:

- a. Allowing the City Manager to sole source any funding set-aside for transition-aged youth to the Coordinated Entry Services provider. The CES provider has experience in administering this type of program and is best placed to quickly provide funding for this population and report on the use of those funds to the City.

⁷ See:

⁸ See: https://www.usich.gov/resources/uploads/asset_library/Federal-Definitions-of-Youth-Homelessness.pdf. The HUD definition of homelessness includes four categories. Households who are at imminent risk of homelessness are included in Category 2; families and households who are doubled-up or couch surfing but not otherwise literally or imminently at-risk of homelessness are included in Category 3. Generally, households who are not literally homeless but otherwise homeless under Category 3 are ineligible for HUD CoC or ESG-funded homeless resources.

- b. Allowing the City Manager to sole-source funding set-aside for families to an agency currently providing housing navigation services through the Family Front Door. Specifically, staff recommend circulating a Request for Information (RFI) asking agencies who are interested, and believe they are capable of executing a sole-sourced contract to serve families that meet the McKinney-Vento definition of homelessness, to respond with their credentials and budget proposal for doing so. This ensures North County families continue to access the system through the Family Front Door, but creates more referral options for Berkeley families through that process.

BACKGROUND

In November of 2018, Berkeley voters passed Measure P, which raises transfer taxes on high-value real estate transactions by an estimated \$6-8M annually. As of June 30, 2019, \$3,459,868 in proceeds had been realized from this tax. With the adoption of the FY20-21 Biennial Budget, a portion of these funds have already been set aside for emergency mental health transport and for a new Community Services Specialist II position in HHCS.

While these are General Fund revenues, the ballot measure also created the Homeless Services Panel of Experts to advise the Council on best uses of this and other sources of funding for homeless services. The Panel of Experts convened for their inaugural meeting on May 6, 2019.

On September 4, 2019, the Homeless Services Panel of Experts took the following action with respect to any proceeds generated to date from Measure P:

Action: M/S/C Sutton/Trotz to adopt Budget A as amended:

- i. Re-prioritize item #2 (Permanent Housing) as item #1 (and vice-versa), and within the Permanent Housing category:
 - a. Replace “permanent supportive housing” with “permanent housing”;
 - b. Strike the language under “Additional considerations”;
 - c. Add “establish a minimum set-aside of \$500,000 for homeless families in this category”; Note that Transition-Age Youth should be included in funding for adults.
- ii. Remove the recommended dollar amounts in each funding category, replacing them with percentage allocations, and change the allocations to each category as follows:
 - a. #1 – Permanent Housing: 30%
 - b. #2--Shelter and Temporary Accommodations: 30%
 - c. #3--Immediate Street Conditions and Hygiene: 14%
 - d. #4--Supportive Services: 14%

- e. #5--Short/Medium Term Housing Subsidies: 10%
- f. #6--Infrastructure: 2%.
- iii. Within Category #2 (Shelter and Temporary Accommodations),
 - a. Add “City should ensure there is a focus on families living on the street”;
 - b. Remove “Support sanctioned encampments” as a specific line-item, and instead add reference to sanctioned encampments as a possible modality in line-item #1 (Expand shelter capacity), with the language “if the City should adopt such a policy”;
 - c. Add language in the report to reflect that City should study the potential for sanctioned encampments as a form of shelter expansion and if it adopts such a policy these funds could be used to support that modality.
- iv. Within Category #3 (Immediate Street Conditions and Hygiene):
 - a. Add “storage units” to the “lockers” item;
 - b. Add “including for encampments” to the “Toilets and Hygiene Stations” item.
- v. Within Category #5 (Short/Medium Term Housing Subsidies), remove the language on additional considerations and replace with:
 - a. Establish a 20% set-aside for families and youth (including transition-aged youth).
 - b. Use the McKinney-Vento definition of “homelessness” as an eligibility criterion, without limiting to BUSD-enrolled households to ensure coverage of families with children under school age.

Vote: Ayes: Carrasco, cheema, Gale, Jordan, Metz, Patil, Prado, Sutton, Trotz.

Noes: None. *Abstain:* None. *Absent:* None.

ENVIRONMENTAL SUSTAINABILITY

There are no identifiable environmental effects or opportunities associated with the subject of this report.

RATIONALE FOR RECOMMENDATION

The City Manager commends the recommendations made by the Homeless Services Panel of Experts as thoughtful and inclusive of numerous staff and Council priorities. The clarifications made in this companion report simply advise Council of important staff considerations, namely administrative flexibility and implementation feasibility.

ALTERNATIVE ACTIONS CONSIDERED

Any budget allocation made to Permanent Subsidies could:

- Also be allowed to support capitalized operating reserves and/or project-based subsidies. This flexibility would allow staff to permanently buy down affordability

on units, rather than tying those subsidies to particular tenants who would be subject to unit availability on the open market.

- Fund the subsidies as “extended” rather than permanent, which allows for housing subsidy longer and more intensively than rapid rehousing would, but does not obligate City General Funds indefinitely for this purpose.

CONTACT PERSON

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