



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Item Number: 330

Review of FY 2018 City of San Diego Temporary Bridge Shelter Programs

OVERVIEW

On Tuesday, November 14, 2017, the Housing Authority and City Council will be asked to approve nine actions related to the execution of agreements for the operation and services at three temporary bridge shelter locations. The San Diego Housing Commission (Housing Commission) Board, which met on November 3, 2017, reviewed the proposed agreements and unanimously recommended that the Housing Authority and City Council take the proposed actions.

Under a Memorandum of Understanding (MOU) with the City of San Diego, the Housing Commission would oversee, manage, and administer the Temporary Bridge Shelter Programs (Shelter Programs). To operate the programs, the Housing Commission plans to execute agreements with three service providers: Alpha Project (Alpha), Veterans Village of San Diego (VVSD), and Father Joe's Villages (FJV).

The purpose of the Shelter Programs is to provide a safe place for individuals and families experiencing homelessness to access bridge housing¹, emergency shelters², and services, while they prepare for more permanent housing placements. The three agreements would provide up to 700 beds for these purposes.

The proposed agreements are for an initial term of seven months, and would run from December 1, 2017 to June 30, 2018. The agreements allow for two options to extend:

¹ Bridge housing is defined in the staff report as a “[s]afe, short-term program providing basic services, such as temporary housing, restrooms, meals, and services focused on supporting an individual or family to access permanent housing as quickly as possible. Bridge Housing is specifically defined as a temporary housing program for individuals or families who have accepted and are enrolled in a permanent housing program but have not yet moved into a permanent unit. In this situation, they are only using the program as a safe place to stay while they await permanent housing placement.”

² Emergency shelter is defined in the staff report as “[s]afe, short-term programs providing basic services such as temporary housing, restrooms, meals, and services focused on supporting an individual or family to access permanent housing as quickly as possible.”

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- 1) For one year, from July 1, 2018 to June 30, 2019; and
- 2) For an additional six months after the first extension, from July 1, 2019 to December 31, 2019.

Costs for the first seven months of operations are estimated to total \$6.5 million, in addition to \$1.1 million the Housing Commission has already provided for the set up of the three sites. The Housing Authority will also be asked to authorize the establishment of a contingency fund of a maximum of \$653,000 (or 10% of the \$6.5 million requested for the initial term of the shelter program agreements).

This report discusses costs associated with the temporary bridge shelters, highlights components of the proposed agreements, and offers several items for Housing Authority and Council consideration.

FISCAL/POLICY DISCUSSION

Agreement Highlights

On Tuesday the Housing Authority will be asked to authorize the Housing Commission President and CEO to sign agreements with three service providers for the operation of the Shelter Programs. The clients served, number of beds offered, and locations for each of the three sites are noted below.

Table 1: Temporary Bridge Shelter Sites

Service Provider	Clients Served	Number of Beds	Location	Neighborhood
Alpha	Single Adults	350	Cul-de-sac on 16th St & Newton Ave	Barrio Logan
VVSD	Single Adult Veterans	200	2801 1/2 Sports Arena Blvd	Midway
FJV	Families	150	14th St & Commercial Ave	East Village

Oversight

The agreements provide the Housing Commission with some oversight related to expenditures by service providers, and program outcomes.

Service providers will receive one month’s worth of funding in advance, but must follow a number of requirements to ensure that disbursement for work is in accordance with the agreements. Section 104.c. of the agreements outlines this in more detail, but we note the following:

- Contractors must submit a certification that the work performed is in accordance with the agreements.
- Proof of spending must be provided in the following month and must include, among other things, a detailed description of services performed and amount charged for work performed. A failure to meet this requirement could result in a delay in the next disbursement of funds.
- Any unspent funds will be deducted from the next disbursement.

The scope of work for each agreement also includes provisions to track program outcomes. First, service providers are required to submit monthly and term-end reports documenting their progress. For example, service providers are required to provide the following:

- Low barriers to entry. For instance, sobriety and/or treatment are not required to stay in shelters; and individuals and families who are living on the streets, in emergency shelters, or in safe havens are prioritized.
- Access to resources/services that will help clients move into permanent housing and stabilize. This is proposed to be measured by average length of stay in the shelter, with a goal of 120 days or less.
- Data about shelter exits. For instance, upon leaving the shelters, are individuals and families moving to permanent housing? For FY 2018 this information will be reported, but scope and outcome recommendations would be made by a third party consultant for future agreement extensions.
- Efficient/effective use of resources (i.e., average monthly occupancy rate of at least 90%)
- Quality data (i.e., data is complete and entered into the Homeless Management Information System within three business days)
- Recidivism rates. Specifically, how many of the clients who exited, returned to the shelter? For FY 2018 this outcome will be reported, but scope and outcome recommendations would be made by a third party consultant for future agreement extensions.
- Community Outreach (i.e., a minimum of two community meetings are held; opportunities for electronic or written feedback is provided to the community; and that input has been reviewed and included in operations plans as appropriate)

The scope of work provides for additional compliance, performance, monitoring, and improvement activities through desk and site reviews, including the use of a third party consultant who will evaluate service providers for their alignment with Housing First³ principles. The consultant will also evaluate the documented exits and rates of recidivism to make recommendations for what these rates should be if the agreements are extended (since only reporting is required in FY 2018).

The Housing Commission Board, at its meeting on November 3, requested that it receive monthly informational reports, which are expected to include updates about project outcomes. **The Housing Authority and Council could request that updates be brought to either Council or the Select Committee on Homelessness as well. The Housing Authority and City Council may also want to request an update when the third party consultant’s review of service providers is completed since this work will include setting specific standards for exits and recidivism if the agreements are extended.**

Funding Uses and Sources Proposed for the Shelter Programs in FY 2018

If approved as proposed, the Housing Commission would be authorized to reallocate and spend up to \$6.5 million that was previously allocated to HOUSING FIRST—SAN DIEGO⁴ in the approved FY 2018 budget. The \$6.5 million would be used to support the operations of the three sites for the last

³ Housing First is defined in the agreements as “an approach to quickly and successfully connect individuals and families experiencing homelessness to permanent housing without preconditions and barriers to entry, such as sobriety, treatment or service participation requirements.”

⁴ HOUSING FIRST—SAN DIEGO is the Housing Commission’s homelessness action plan. In the FY 2018 budget, funding for HOUSING FIRST—SAN DIEGO was proposed for the following uses: creation of PSH; rapid re-housing; homeless prevention and diversion services; coordinated street outreach; the Moving On Program, and expansion of landlord engagement efforts.

seven months in FY 2018 (December 1, 2017 to June 30, 2018), as well as the Housing Commission’s oversight and management of the program. The Housing Commission (abbreviated as SDHC in Table 2) has also requested authorization to establish a contingency fund that would not exceed 10% of the total costs of the shelter program agreements (or \$653,000). Combined, the maximum amount of funding authorized by these actions for FY 2018 is \$7.2 million. We note (as is shown in Table 2) that the Housing Commission could spend up to \$8.3 million in FY 2018 for the Shelter Programs when you include the \$1.1 million the Housing Commission has already provided for start-up funding.

Table 2: Projected Costs for FY 2018

Funding Use	Start-up Funding	FY 2018 Operating Costs	Total Projected Cost for FY 2018
Alpha	\$ 220,748	\$ 2,888,176	\$ 3,108,924
VVSD	163,589	1,893,286	2,056,875
FJV	143,730	1,335,985	1,479,715
SDHC	592,635	412,665	1,005,300
Subtotal	\$ 1,120,702	\$ 6,530,112	\$ 7,650,814
<i>Contingency</i>	\$ -	\$ 653,000	\$ 653,000
TOTAL	\$ 1,120,702	\$ 7,183,112	\$ 8,303,814

Reallocation of Funds

The staff report notes that “[b]ecause Housing Commission funds are limited and have already been budgeted for FY 2018, this will require the Housing Commission to reprogram funds that are currently budgeted for Permanent Supportive Housing (PSH) projects that were to be funded in FY 2018.” The report further notes that other sources of funding will be pursued, including potentially seeking funds from the Successor Agency, in order to mitigate the loss of funds.

At the Housing Commission Board meeting on November 3, a number of community members raised concerns about using funding allocated for PSH projects since it would divert funding needed for the creation of housing units that serve homeless San Diegans. However, staff from the City of San Diego confirmed that approximately \$6.5 million in funding from the Successor Agency (specifically the Low-Moderate Income Housing Asset Fund⁵) would be recommended to be used as gap funding for PSH projects that would be impacted by the proposed reallocation of funds. According to staff, gap funding would come forward on a project-by-project basis. A list of projects that could receive gap funding and a schedule of when they would come before Council was not finalized by the time this report was issued. **The Housing Authority/Council may want to request more information about what projects are expected to receive gap funding from the Successor Agency.**

Future Costs

The third proposed action in the staff report would provide the President and CEO of the Housing Commission the authority to exercise, in his sole discretion, the option to renew the Shelter Program agreements. As we noted earlier, there are two options to extend. Given that operating costs for the

⁵ The Low and Moderate Income Housing Asset Fund is generally used to support the preservation, acquisition, and development of long-term affordable housing, and is frequently leveraged with other funding sources to support those ends.

first seven months are projected to cost \$6.5 million, there will be significant additional costs if the two additional options are exercised.

The potential costs to extend either of the two option periods are not outlined in the staff report. Housing Commission staff indicate that they have not yet evaluated the projected costs of the options because they could vary considerably based on available funding, and upon evaluation of these first few months of operations. We further note that although requested action three would provide the Housing Commission President and CEO with the sole discretion to renew the agreements, the Housing Authority would have the opportunity to review the proposed expenditures and funding sources affiliated with an extension as part of the budget review process. **To support its role in reviewing the Housing Commission's Proposed Budget, the Housing Authority and Council may want to request an update about actual expenditures to date on the agreements before it considers the Agency's budget for FY 2019.**

Alternatively, the Housing Authority and Council could request that any renewal option return to the Housing Authority for approval so that it can review the anticipated costs and updated performance standards.

Costs NOT Included in the Requested Actions

The proposed funding authorization covers operating costs in the first term of the proposed agreements (for seven months of operations), plus a contingency of 10%. As noted earlier, this does not include \$1.1 million in start-up funding that the Housing Commission has already incurred to ensure sites are project ready. The staff report and a draft MOU with the City offer a glimpse into additional costs that the City has already covered or will need to cover. They include:

- Purchase and set-up costs related to the sprung structure at FJV
- “Site readiness” costs. The draft MOU notes eight items that the City is responsible for, including (but not limited to): installing fence perimeters around the sites; providing site security prior to the start of the programs; obtaining utility hook ups; and obtaining and installing toilets, office trailers, shower facilities, wash stations, storage for clients, portable toilets and/or modular restrooms.
- “Ongoing Obligations” costs. The draft MOU notes the City agrees to maintain a fence perimeter around each of the sites for the duration of the programs.
- “Post Operations” costs. The draft MOU notes the City will: take down each of the temporary shelters; provide storage and/or disposal for tents structures, beds, and other items acquired; and clean/sanitize each of the sites.

Due to the emergency nature of this request, these costs were not anticipated in the City's FY 2018 Adopted Budget. Since many of the costs noted above will occur in the second quarter (or later), they were also not included in the FY 2018 First Quarter Budget Monitoring Report, which was released on November 8, 2017.

Of note, the Mayor's Office has indicated that it will have a preliminary update about these costs prepared for the Council meeting on Tuesday. The Financial Management Department has also indicated that it will provide a programmatic update related to these costs when it releases the FY 2018 Mid-Year Budget Monitoring Report.

CONCLUSION

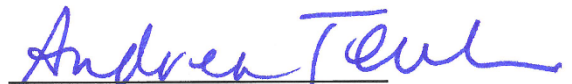
The nine requested actions before the Housing Authority and City Council would allow for the execution of agreements for the operation of three temporary bridge shelters in the City. The shelters are expected to provide up to 700 beds, and serve single adults, single adult veterans, and families experiencing homelessness. The proposed agreements are for an initial term of seven months, and would run from December 1, 2017 to June 30, 2018, but they also allow for two options to extend (through the end of December 2019). Costs for the first seven months of operations are estimated to total \$6.5 million, but as we note in this report, the actual costs for the shelters in FY 2018 (and beyond if extended) will likely be significantly higher when taking into account set-up costs, and costs to the City and Successor Agency.

In addition to discussing potential costs of the shelters, this report highlights components of the proposed agreements, and offers several items for Housing Authority and Council consideration, as follows:

1. The Housing Authority and Council could request regular updates about the programs and program outcomes be brought to either Council or the Select Committee on Homelessness. It may also want to request an update once the third party consultant's review of service providers is completed since this work will include setting specific standards for exits and recidivism if the agreements are extended.
2. The Housing Authority and Council may want to request more information about what projects are expected to receive gap funding from the Successor Agency.
3. To support its role in reviewing the Housing Commission's Proposed Budget, the Housing Authority and Council may want to request an update about actual expenditures to date on the agreements before it considers the Agency's budget for FY 2019.
4. Alternatively, the Housing Authority and Council could request that any agreement extensions return to the Housing Authority for approval so that it can review the anticipated costs and updated performance standards.



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