



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Item Number: Item 331 and HA-2

Bridge Shelter Program Funding Plan

OVERVIEW

The item before the City Council, acting as the Housing Authority, on June 11, 2019 is a request to authorize the award and execution of operating agreements for each of the City of San Diego's three Temporary Bridge Shelters (Shelters) to cover Fiscal Year 2020 (July 1, 2019 to June 30, 2020). There is also a request to update and approve the Memorandum of Understanding between the San Diego Housing Commission (Commission) and the City for the administration of the program. The Shelters provide homeless individuals a safe place to be temporarily housed and receive services while preparing for permanent housing or longer-term placements.

In the context of this item, this report reiterates our Office's concerns with the Bridge Shelter funding strategy as discussed in previous reports and offers potential funding sources that could be considered to develop a funding plan that matches ongoing resources with this ongoing need.

DISCUSSION

Unlike the initial contract structure for the Shelter operating agreements, which provided two options to extend, the proposed operating agreements do not include similar options to extend past FY 2020. Staff indicates that this reflects the lack of ongoing funding identified for the program.

The Shelters were initially approved in November 2017 in response to the hepatitis A outbreak and at that time it was unknown how long they would be in place. Therefore, most of the program has been funded with one-time resources coming from the Commission's property reserves.¹ Since, according to the Commission, the continued use of property reserves is unsustainable, the Commission's FY 2020 budget is now using a combination of federal reserves from the Section 8 Moving to Work Program and its contingency reserve to fund the Shelters.

¹Property reserves are the net income from the Commission's properties after accounting for costs to operate them. They are used for capital improvements of existing properties and to purchase new affordable housing.

Though not expressly stated in the staff report as with previous similar items, the City's commitment to make a good faith effort to backfill entirely, or as close to entirely, the Commission's costs for FY 2020 was reaffirmed at the Budget Review Committee on May 6, 2019. Including FY 2020 costs, the City is falling short by about \$8 million.²

It is evident that an ongoing funding plan should be developed for the Bridge Shelters (as well as the Storage Connect Center which is similarly funded). As a Strategic Plan for Homelessness is being developed for the City, appropriate funding for existing programs should be an integral part of the discussion. Below, we offer two potential resources that could begin to address this issue.

Potential Funding Sources for Future Consideration

Senate Bill 2 (Chapter 364, Statutes of 2017, Atkins) was enacted in fall of 2017. The bill imposes a \$75 fee on real estate transaction documents, as specified. Local governments will receive 70% of this revenue through the Permanent Local Housing Allocation, creating an ongoing funding source to address unmet housing needs of local communities. Among the program's eligible uses, is assistance for homeless individuals or those at risk of becoming homeless. After accounting for funds required to go towards affordable workforce housing, preliminary estimates indicate about \$3.7 million would be available to partially fund the City's Bridge Shelter Program.³ Guidelines for these funds are expected to be completed in the fall which would provide greater clarity on spending requirements. Given that the Commission is expected to spend \$11.4 million on the Shelters in FY 2020, other ongoing funding sources need to be identified.

As noted in our Office's review of the FY 2020 – FY 2024 Five Year Financial Outlook, a potential new ongoing revenue source for homelessness could become available if voters were to approve the 2020 ballot measure for an expansion of the convention center. In addition to the expansion, the measure would provide about \$139 million for homelessness programs in the first five years.

CONCLUSION

Identifying a stable funding plan for the Bridge Shelter Program is critical for consistency with the City's Budget Policy where ongoing costs do not rely on one-time resources, like reserves. Additionally, financial stability would benefit the Shelters programmatically as their continuity would be more certain. Finally, it would also free up funding in the Commission's budget that would otherwise be used to support affordable housing, federal Moving to Work initiatives, and replenish reserves. With SB 2 resources coming online and other potential ongoing funds, the Council could request that the Mayor identify ongoing resources to fund the Shelters.



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² In our Office's review of the Commission's FY 2020 Proposed Budget, we cited \$13.1 million which includes costs for both the Shelters and Storage Connect Center. Since then we have learned that \$5 million in Community Development Block Grant funds will go to the Commission to acquire a hotel for affordable housing.

³ Funding will likely vary from year to year as it depends upon the frequency of real estate transactions.