



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Item Number: Item 332 and HA-3

Establishment of the City's Fourth Bridge Shelter

OVERVIEW

The item before the Housing Authority¹ of the City of San Diego (Housing Authority), on October 15, 2019 seeks approval of an operating agreement for a fourth bridge shelter located at 1710 Imperial Avenue. Both City Council and the Housing Authority are also requested to approve an amendment to the current Memorandum of Understanding (MOU) between the City and the San Diego Housing Commission (Housing Commission) to delineate responsibilities for the new shelter. The City's Bridge Shelter Program provides homeless individuals a safe place to be temporarily housed and receive services while preparing for permanent housing or other longer-term placements.²

The total cost for the new bridge shelter to operate for the remainder of Fiscal Year 2020 is \$2.8 million, and will serve up to 150 individuals. Ongoing full year costs are estimated to be \$3.7 million. We note that the backup materials for this item includes updated costs for the operating agreement but the bridge shelter costs and request for appropriations in the staff report have not been updated. **Our Office recommends that the funds appropriated for the fourth bridge shelter be adjusted to incorporate the updated operating budget figures reflected in the item backup documents, prorated for the rest of FY 2020.**

The purpose of this report is to provide information on the operating agreement terms and funding, and it includes one other item for the Housing Authority's consideration. We also comment on how the new bridge shelter fits into the vision and goals of the recently released Strategic Plan to Address Homelessness.

¹ Composed of members of the City Council

² Permanent housing means housing without a designated length of stay in which formerly homeless individuals live as independently as possible. Examples of longer-term placements may include a substance abuse treatment facility or a long-term care facility.

BACKGROUND

On November 14, 2017, Council and the Housing Authority established its Bridge Shelter Program consisting of three shelters targeting single adults, veterans, and women and families. When the shelters were initially approved, it was known that the Women and Family Program would eventually relocate due to a pending affordable housing project planned for that site. The shelter was relocated to Golden Hall at 202 C Street (near City Hall) and, at that time, was planned to eventually move to its permanent location at 17th and Imperial Avenue. However, upon approving extensions to the operating agreements for the existing three bridge shelters on June 11, 2019, Council and the Housing Authority directed staff to continue operating the Women and Family Program at Golden Hall. In addition, \$1.6 million in one-time state funds (HEAP) was reallocated from outreach activities to partially fund a fourth bridge shelter at the 17th and Imperial Avenue site.

The items before City Council and the Housing Authority bring forward the related operating agreement and MOU reflecting the action taken on June 11, 2019.

DISCUSSION

Operating Agreement Term for New Shelter Differs from Existing Shelters

If approved, the operating agreement for the new bridge shelter would cover the remainder of FY 2020 (October 16, 2019 through June 30, 2020) with two additional, one-year options to extend the contract (through June 30, 2022). The operating agreement provides that the option to extend the agreement may be granted by the Commission in its sole discretion, dependent upon availability of funds included in the budget.

We note that this contract term differs from the contract terms for the other three bridge shelters that were approved on June 11, 2019, which covers FY 2020 only. Staff indicated that the approval of only one fiscal year, as opposed to including options to renew, reflects the lack of funding identified for the program beyond FY 2020. Though funding is also not secured for the new bridge shelter for future years, its proposed operating agreement includes options to extend because staff would otherwise have to do another Request for Proposal (RFP) in just a few months.

Housing Authority may wish to consider requiring approval of options to extend the fourth bridge shelter operating agreement. This will allow all four bridge shelters to be considered by the Housing Authority as one program at the end of FY 2020. Requiring operating agreements come before the Housing Authority for approval thus far has provided transparency in the implementation of the City's Bridge Shelter Program. Once the program stabilizes, delegating this authority to the Commission will be more appropriate.

New Fund Sources Identified for New Shelter

The existing three bridge shelters have largely been funded with one-time resources from the Housing Commission's reserves (property reserves, contingency reserve, and federal Moving to Work reserves). Alternatively, the sources proposed for the new shelter include state HEAP funds and Low-Income Housing Lease Revenue funds. Although the Housing Authority took action to

reallocate \$1.6 million in HEAP funds to support the new shelter, only \$445,000 of HEAP funds is proposed for the operation of the program. According to staff, the remainder of HEAP funds are being used to support increased construction costs for the shelter. The remaining \$2.3 million in operating costs for FY 2020 is requested to come from Low-Income Housing Lease Revenue funds, for a total of \$2.8 million.

The Low-Income Housing Lease Revenue Fund was established in 1979. The fund generates revenue from lease payments on two properties providing low income housing as well as earned interest on the fund’s cash balance. The fund balance is currently \$2.6 million. Funds are transferred by the Housing Authority upon request by the Housing Commission for the purpose of increasing the supply of low and moderate income housing. Since 2011, there have been two transfers from the fund: 1) \$4 million to support the Homeless Veteran’s Initiative in 2016; and 2) \$170,000 to support the Serial Inebriated Program in 2017.

The Low-Income Housing Lease Revenue Fund is not an ongoing funding source to support the new bridge shelter. If this item is approved, the fund balance would largely be depleted, creating little opportunity to earn interest. In addition, the once City-owned properties that deposited lease revenue into the fund, have been sold to the Housing Commission, and associated funding will no longer be placed into the fund. However, the next section of this report discusses funding anticipated to support the bridge shelter for FY 2021 and FY 2022.

To place the new bridge shelter costs in context of the broader program, the table below summarizes the City’s Bridge Shelter Program for FY 2020, totaling \$17.5 million. The new shelter is identified as “Flexible Population” since the program may serve more than one sub-population at a time. Starting in FY 2021, costs are estimated to be \$18.4 million accounting for the full-year costs of the new bridge shelter.

City of San Diego Bridge Shelter Program

Shelter Program	Costs	Beds
Single Adult 16th St and Newton Ave Service Provider: Alpha Project	\$ 5,317,000	324
Veterans 2801 1/2 Sports Arena Blvd Service Provider: Veterans Village of San Diego	3,408,000	200
Women and Families¹ Golden Hall, 202 C St Service Provider: Father Joe's Villages	2,472,000	141
Flexible Population² 17th St and Imperial Service Provider: Alpha Project	2,782,000	150
Additional Costs		
Housing Commission Administration	429,000	
City General Fund Equipment Rental	3,066,000	
Program Total FY 2020	\$ 17,474,000	815
Additional Costs for Full Year Operation of Flexible Population Shelter	901,000	
Program Total Beginning FY 2021	\$ 18,375,000	815

¹ Staff have indicated that costs will be higher to continue operations at Golden Hall, but they have not yet been finalized.

² Costs are inflated as new operating budget costs have not been incorporated.

The average cost per bed, per night for the three existing bridge shelters is about \$61. The average cost per bed, per night for the new bridge shelter, serving a flexible population, is about \$67 using the costs in the staff report. However, if using the updated operating budget figures, the cost is about \$59, which is better aligned with the other shelters.

Anticipated Funding Beyond FY 2020

The staff report identifies new state funding called Homeless Housing, Assistance, and Prevention Program (HHAPP) as the anticipated funding source to support the new bridge shelter through the full contract term, if both options to renew were exercised through FY 2022. HHAPP funding was approved in the state budget for FY 2020 and provides jurisdictions with one-time grant funds to address and prevent homelessness. Examples of eligible activities include: rental assistance, outreach, delivery of permanent housing solutions, and support of emergency shelters. Funding for the City will be based on the 2019 point-in-time count finalized by the United States Department of Housing and Urban Development. According to the City's lobbyist, the City could stand to receive roughly \$20 million.

To receive funds, the City must submit an application for funding by February 15, 2020 with award determinations to be made by April 2020. Half of the allocation must be contractually obligated by May 2023 and fully spent by June 2025.

Connection to the Strategic Plan to Address Homelessness

The item before Council is the first homelessness-related action to be considered within the context of a Strategic Plan to Address Homelessness developed by the Corporation for Supportive Housing (CSH), which Council will be asked to accept on October 14, 2019. The plan establishes a vision, guiding principles, goals, strategies, and related actions for addressing homelessness.

The need for the new bridge shelter is supported by the plan. One guiding principle within the plan is to create new housing options as quickly as possible with consideration of both short and longer-term options. In addition to recommending a significant investment in permanent housing solutions, CSH recommends an increase in temporary crisis response solutions to meet immediate needs. Crisis response options include emergency and bridge shelter beds, safe haven, and transitional housing.

CSH estimated a need of between 350 and 500 new crisis response options to meet the needs of individuals who are homeless in the system and the estimated new individuals that will enter emergency shelters. To achieve this need, CSH recommends, among other things, repurposing 25% (206) of existing transitional beds to emergency shelter beds by 2021 due to lack of utilization, as well as creating 100 to 200 new beds. Assuming the transitional beds will be repurposed, the fourth bridge shelter will add 150 new beds allowing the City to largely meet the current estimated need for new crisis response options.

CONCLUSION


The item before City Council and the Housing Authority brings forward the related operating agreement and MOU reflecting the action taken on June 11, 2019 to establish a fourth bridge


shelter. As noted in the beginning of this report, the backup materials for this item includes updated costs for the proposed operating agreement but the bridge shelter costs and request for appropriations in the staff report have not been updated. **Our Office recommends that the funds appropriated for the fourth bridge shelter be adjusted to incorporate the updated operating budget figures reflected in the item backup documents, prorated for the rest of FY 2020.**

The proposed operating agreement covers the rest of FY 2020 and provides for two, one-year options to extend the contract at the Commission’s sole discretion. This differs from the operating agreement terms for the existing three shelters as they only cover FY 2020 due to unidentified future funding. Since all four bridge shelters do not have future funding secured, and to facilitate continued transparency, the **Housing Authority may wish to consider requiring approval of options to extend the fourth bridge shelter operating agreement.** Once the program stabilizes, delegating this authority to the Commission will be more appropriate.

The item before Council is also the first homelessness-related action to be considered within the context of a Strategic Plan to Address Homelessness. The fourth bridge shelter supports the goals of the plan and would play a significant role in meeting the currently-estimated crisis response options identified and recommended by CSH.

However, as discussed in this report, it continues to be the case that the funding sources for the City’s bridge shelters, including the shelter proposed in this item, are one-time in nature. Thus, there continues to be a need to identify ongoing funding to support the longevity of the City’s Bridge Shelter Program, in support of the Strategic Plan on Homelessness. This should be addressed when the City moves forward with one action recommended within the plan – to develop a Citywide funding plan for homeless services.


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