



Legislation Details (With Text)

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File created:	7/27/2020	In control:	City Council/Public Financing Authority
On agenda:	8/3/2020	Final action:	8/3/2020
Title:	Authorize and direct the City Manager to take the following actions needed to begin operating an expanded 174-bed shelter facility at the Cameron Lane / Beach Boulevard site effective the first week of November 2020: (1) execution of a homeless shelter operator contract with Mercy House with a first year cost of \$2,596,240 (utilizing CDBG, SB2, and COVID-19 response funds); (2) expenditures in an amount not to exceed \$2,220,000 for site work / FF&E costs related to expanding the Cameron Lane / Beach Boulevard shelter (utilizing COVID-19 response funds); (3) execute a ground lease agreement in an amount not to exceed \$120,000 for accelerated use of 17642 Beach Boulevard (utilizing COVID-19 response funds); and (4) allocation of \$3,214,035 in housing funds for acquisition of 17642 Beach Boulevard (utilizing Low-Moderate Income Housing Asset Funds)		
Attachments:	1. Att#1 - 174-Bed Shelter - Final Site Plan, 2. 7.31.20 Sup Com - Emails, 3. 8.03.20 Sup Com - Emails, 4. 8.03.20 Sup Com Luna-Reynosa PPT, 5. 8.03.20 Sup Com - Luna-Reynosa Memo		

Date	Ver.	Action By	Action	Result
8/3/2020	1	City Council/Public Financing Authority	approved	Pass

REQUEST FOR CITY COUNCIL ACTION

SUBMITTED TO: Honorable Mayor and City Council Members

SUBMITTED BY: Oliver Chi, City Manager

PREPARED BY: Ursula Luna-Reynosa, Director of Community Development

Subject:

Authorize and direct the City Manager to take the following actions needed to begin operating an expanded 174-bed shelter facility at the Cameron Lane / Beach Boulevard site effective the first week of November 2020: (1) execution of a homeless shelter operator contract with Mercy House with a first year cost of \$2,596,240 (utilizing CDBG, SB2, and COVID-19 response funds); (2) expenditures in an amount not to exceed \$2,220,000 for site work / FF&E costs related to expanding the Cameron Lane / Beach Boulevard shelter (utilizing COVID-19 response funds); (3) execute a ground lease agreement in an amount not to exceed \$120,000 for accelerated use of 17642 Beach Boulevard (utilizing COVID-19 response funds); and (4) allocation of \$3,214,035 in housing funds for acquisition of 17642 Beach Boulevard (utilizing Low-Moderate Income Housing Asset Funds)

Statement of Issue:

On April 20, 2020 the City Council took action to work in partnership with the County of Orange (the "County") to stand-up and operate a 75-bed shelter facility in Huntington Beach on the Cameron site. As part of that partnership project, the City would allow the County to use the Cameron site (which is being acquired by the City), and the County would construct (and eventually transfer to City

ownership) a 75-bed shelter facility.

Since that time, several developments have created an opportunity to accelerate and expand the process by which the City would begin operating the proposed shelter facility. Based on current developments, it is now possible for the City to begin operating a 174-bed shelter facility starting on Monday, November 2, 2020.

Financial Impact:

The City currently has restricted funding in the following amounts available for use towards establishment and operation of the 174-bed shelter facility:

Source	Available Funds	Notes
COVID-19 Funds - State & County	\$ 4,206,214	Available for homeless + COVID response
CDBG Funds	\$ 1,500,000	Programmed for Mercy House service contract
SB2 Funds	\$ 550,000	Programmed for Mercy House service contract
LMIHAF Funds	\$ 5,250,000	Available for purchasing Beach Site

Based on the available funding amounts, the proposed expenditure plan staff is recommending for authorization is as follows:

COVID-19 Funds Expenditure Plan

COVID-19 Funds Available	\$ 4,206,214
COVID-19 Funds Expenditure Plan	
174-Bed Shelter Site Development	\$ 2,220,000
Mercy House Operations Contract	\$ 550,000
Beach Site Shelter Ground Lease	\$ 120,000
FEMA Reimbursement Match	\$ 1,185,214
Enhanced Beach Restroom Cleaning	\$ 30,000
Enhanced Central Park Trash Clean-Up	\$ 40,000
Enhanced Park Restroom Cleaning	\$ 36,000
Enhanced Downtown Pressure Washing	\$ 25,000
TOTAL	\$ 4,206,214

174-Bed Shelter Facility Establishment Costs*

174-Bed Shelter Facility Establishment Costs	
SPRUNG Extension	\$ 275,000
Restroom / Shower Facilities	\$ 350,000
Off-Site Improvements	\$ 550,000
Trailers + Refurbishment	\$ 375,000
FFEs	\$ 300,000
Contingency (20%)	\$ 370,000
TOTAL	\$ 2,220,000

* Of note, the identified costs comprise City expenses to expand the shelter facility capacity from 75-beds to 174-beds. Also of note, Orange County is facilitating this project by coordinating and absorbing all costs associated with the on-site, utility, shelter installation, and associated development costs for the entire 174-bed shelter facility.

Mercy House Operating Contract

Mercy House Funding	
CDBG	\$ 1,500,000
SB2	\$ 550,000
COVID-19 Funds	\$ 550,000
TOTAL	\$ 2,600,000
Mercy House Operating Budget - Year 1	
Shelter Operations	\$ 1,774,698
Security Cost	\$ 433,333
FF&E	\$ 152,187
Yr. 1 Contingency (10%)	\$ 236,022
TOTAL	\$ 2,596,240

Beach Site Acquisition*

Beach Site Acquisition Funds	
LMIHAF Funds Available	\$ 5,250,000
TOTAL AVAILABLE	\$ 5,250,000
Beach Site Acquisition Cost	
Property Acquisition Cost	\$ 3,214,035
MAX TOTAL NEEDED	\$ 3,214,035

* Of note, based on environmental findings at the Beach site, staff would negotiate an

appropriate purchase price credit, and the \$3.2 M acquisition cost is the maximum expenditure amount that could be needed.

Recommended Action:

Authorize and direct the City Manager to take the following actions to begin operating an expanded 174-bed shelter facility at the Cameron Lane / Beach Boulevard site effective November 2, 2020:

- (1) Execution of a homeless shelter operator contract with Mercy House with a first year cost of \$2,596,240 (utilizing CDBG, SB2, and COVID-19 response funds); and,
- (2) Expenditures in an amount not to exceed \$2,220,000 for site work / FF&E costs related to expanding the Cameron Lane / Beach Boulevard shelter (utilizing COVID-19 response funds); and,
- (3) Execute a ground lease agreement in an amount not to exceed \$120,000 for accelerated use of 17642 Beach Boulevard (utilizing COVID-19 response funds); and,
- (4) Allocation of \$3,214,035 in housing funds for acquisition of 17642 Beach Boulevard (utilizing Low-Moderate Income Housing Asset Funds).

Alternative Action(s):

Do not authorize the recommended actions and provide staff with additional direction.

Analysis:

On April 20, 2020 the City Council approved an agreement with the County of Orange (the "County") to stand-up and operate a 75-bed shelter facility in Huntington Beach on the Cameron site. As part of that partnership project, the City would allow the County to use the Cameron site (which is being acquired by the City), and the County would construct (and eventually transfer to City ownership) a 75-bed shelter facility.

Since that time, several new developments have created an opportunity to accelerate and expand the process by which the City would begin operating the proposed shelter facility. Based on the current situation, it is now possible for the City to begin operating a 174-bed shelter facility starting on Monday, November 2, 2020.

This new opportunity has been made possible due in part to the fact that the City has received an infusion of restricted COVID-19 funding (in a total amount of \$4,206,214) that can be used to aid in our homeless response efforts. Those restricted dollars can fund an expansion of the original 75-bed shelter into a 174-bed facility. Of note, by establishing a 174-bed facility, the City will have shelter bed capacity for 60% of our unsheltered homeless population, which is the standard that has been established by the Federal Courts in Orange County for those local agencies that aim to begin enforcing their quality of life regulations.

Additionally, after extensive discussions with the County, the City will be allowed to begin operating and using the expanded 174-bed shelter as soon as it becomes operational, provided that the City's shelter operator take on the responsibility effective day 1. Given the advance work coordinated by staff, we have followed our procurement processes and identified Mercy House as the City's homeless shelter operator. After extensive discussions, assuming City Council authorization of their

service contract tonight, Mercy House has agreed to begin operating the City's 174-bed shelter effective Monday, November 2, 2020.

Finally, the expansion of the shelter is made possible so long as the City procures access to the property adjacent to the Cameron site, which is referred to as 17642 Beach Boulevard (Beach site). As the City Council may recall, on February 17, 2020, the City Council authorized the acquisition of the Cameron site. As part of that action, the City also procured an option to purchase Beach site. For tax purposes, the seller does not want to sell the Beach site until 2021. In advance of that action, a ground lease to utilize the Beach site can be procured, for a total amount not to exceed \$120,000. By consummating a ground lease to begin using the Beach site immediately, coupled with the other actions contemplated in this request, it will be possible to have the expanded 174-bed shelter constructed and operational by November 2, 2020.

Of note, staff has been working with consulting firm EEC Environmental to perform requisite environmental due diligence as part of the possible acquisition of the Cameron site and the Beach site. While both sites do have soil contamination present (including pesticides, arsenic, lead, and hexavalent chromium), after extensive testing and analysis, the Orange County Health Care Agency has issued findings deeming it safe to operate a shelter facility on the site, so long as an asphalt pavement cover is placed over the soil. Further, staff has performed a comprehensive assessment of the feasibility of utilizing the properties for a proposed future affordable housing project in light of the contaminants found. That analysis has determined that the soil contamination will not prevent a future housing project from occurring on the combined Cameron / Beach properties.

Environmental Status:

A ground lease of the Beach site is exempt in accordance with Section 15061(b)(3) of the California Environmental Quality Act ("CEQA") Guidelines as the lease will not cause a significant effect on the environment. A future project contemplating the residential development of affordable housing may be exempt in accordance with Section 15194 subject to requirements listed in Sections 15192 and 15194 of the CEQA Guidelines. Such environmental analysis will be conducted once an application is submitted and a project description is defined.

Strategic Plan Goal:

Non-Applicable - Administrative Item

Attachments:

1. 174-Bed Shelter Site Plan