

CITY OF OAKLAND
AGENDA REPORT

OFFICE OF THE CITY CLERK
2007 FEB -1 PM 6:14

TO: Office of the City Administrator
ATTN: Deborah Edgerly
FROM: Department of Human Services
DATE: February 13, 2007

RE: **Resolution Authorizing The City Administrator To Apply For, Accept, And Appropriate Funding In An Amount Up To \$1,000,000 From The State Of California 2006/2007 Emergency Housing And Assistance Program (EHAP) For The Rehabilitation Of The Henry Robinson Multi-Service Center, A City-Owned Transitional Housing Facility**

SUMMARY

Due to the passage of Proposition 46 (the Housing Bond Act of 2002), approximately \$31 million in State of California Emergency Housing and Assistance Program (EHAP) Capital Development Deferred Loans are available for 2006/2007 to acquire, construct, or rehabilitate sites for emergency shelters, transitional housing, or safe haven facilities for homeless persons. The Department of Human Services desires to apply for up to the \$1,000,000 maximum in loan funds available through the EHAP program for the purpose of performing eligible rehabilitation work to the City's Transitional Housing facilities. The 2006/2007 EHAP funding will be used for rehabilitation of the Henry J. Robinson Multi-Service Center (HRMSC) facility.

Payments on principal and interest of the EHAP Capital Development Deferred loans accrue at 3% annually but are deferred for the seven-year term of the loans. EHAP loan principal and interest are forgiven at the end of the term, provided the affected facilities remain in use as emergency shelters, transitional housing, or safe haven facilities for homeless persons. In essence, the loans function as grants, and do not need to be repaid by the City, as long as the transitional housing facilities remain dedicated to the homeless for the term of the loans.

BACKGROUND

The State of California released the Notice of Funds Availability (NOFA) for Capital Development Loans in late November 2006. The NOFA defined application guidelines, which require detailed cost estimates for the proposed rehabilitation work. Staff is currently working to obtain the required cost estimates for the rehabilitation work. The maximum amount of loan funds that the City is eligible for under the EHAP program is \$1,000,000, and staff requests approval to apply for funds up to that amount.

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The City successfully applied for and was granted an award of \$763,401 under the 2004/05 EHAP application process for the purpose of completing rehabilitation work for five City-owned properties used to house and serve homeless families under the City's Families In Transition/Transitional Housing Program (FIT/THP). Rehabilitation work started in December 2006 and is expected to be completed by the end of October 2007. The City recently received an award under the 2005/06 EHAP for \$998,677 to complete rehabilitation work at the Matilda Cleveland Transitional Housing Program (MCTHP) facility. Rehabilitation work for the MCTHP will begin following the complete execution of the 2005/06 EHAP grant agreement.

The property intended for rehabilitation through the 2006/2007 EHAP loan program is the Henry Robinson Multi-Service Center (HRMSC) at 559 16th Street in Oakland. Operation of this program is funded through HUD's Supportive Housing Program (SHP) annual grant. The HRMSC facility consists of 66 units which are used to provide transitional housing and supportive services to assist up to 66 families, including over 100 children, in their transition from homelessness to self-sufficiency. The City has no baseline budget for ongoing maintenance and repairs at the HRMSC, so a number of more significant repair problems have been deferred over the years, including elevator rehabilitation, roof repairs, flooring, plumbing, heating, electrical and other major repairs.

In the past, limited funding sources such as Community Development Block Grant (CDBG) funds and mortgage revenue bonds proceeds have been identified to provide temporary and emergency repairs to the transitional housing facilities. However, a reliable ongoing source of funds for the repair and maintenance of transitional housing properties has never been identified and a gradual deterioration of the properties has occurred as a result. The availability of EHAP funds for the comprehensive rehabilitation of the HRMSC facility presents an opportunity to shore up the property for the long term, which is vital to the continuation of the transitional housing program.

Public Works staff is currently in the process of preparing professional cost estimates of rehabilitation and repairs in coordination with licensed contractors for the HRMSC property as required by the State as part of the loan application process. When the cost estimation work is completed, the loan funding amounts can be specified and the application process can move forward. If EHAP funding is approved by the State of California, we shall establish a project number, and the Public Works Agency will award a contract through competitive bid process. A resolution has been prepared authorizing the City Administrator to apply for the 2006/2007 EHAP Capital Development Deferred Loan funding, accept the funding if granted, and appropriate the funds for major rehabilitation work to the HRMSC facility.

FISCAL IMPACT

Approval of this resolution will authorize the City Administrator to apply for, accept, and appropriate funding in an amount up to \$1,000,000 in State of California EHAP monies for the rehabilitation of the Henry J. Robinson Multi-Service Center in Fiscal Year 2006/2007. The funds will be appropriated in the State of California – Other Fund (2159), DHS Administration Unit Org (78111), in a project to be established.

The State of California Emergency Housing and Assistance Program (EHAP) Capital Development Deferred Loans are deferred and forgivable, and, if the terms of the loan are satisfied, will result in no actual cost to the City. EHAP Capital Development Deferred Loans are available in amounts up to \$1,000,000 maximum for the purpose of performing eligible rehabilitation work to facilities providing housing for the homeless. Payments on principal and interest of the EHAP Capital Development loans accrue at 3% annually but are deferred for the seven-year term of the loans. The EHAP loans are forgiven at the end of the term, provided the affected facilities remain in use as emergency shelters, transitional housing, or safe haven facilities for homeless persons.

In the event of loan default, the City would have to pay back the loan principal (up to \$1,000,000) and accrued interest (3% annually for up to 7 years = \$210,000) for a total of \$1,210,000. Default would only occur if the affected properties were not used for the purpose of providing transitional housing to homeless persons during the seven-year term of the loan.

The use of EHAP funds to rehabilitate City-owned transitional housing facilities will arrest the deterioration of these assets, and will uphold and enhance the real value of the properties. Comprehensive rehabilitation of the properties will cut down on the amount of ongoing repairs needed to maintain the facilities in a habitable condition and reduce associated maintenance costs. Rehabilitation of the properties will also reduce the risk of liability inherent in the continued use of distressed buildings.

TRANSITIONAL HOUSING PROGRAM DESCRIPTION

The City of Oakland has a long history of providing housing and services to the homeless and poor within its boundaries. In 1984 the City of Oakland adopted a three-tiered strategy as its approach to breaking the cycle of homelessness:

- The provision of short-term emergency shelter and services;
- The provision of longer-term transitional housing and services; and
- The provision of adequate permanent and affordable housing.

The City developed an emergency services/shelter infrastructure as part of this tiered approach to breaking the cycle of homelessness and since 1984 has provided \$248,000 annually from the General Fund to fund this emergency shelter infrastructure. In the aftermath of the Loma Prieta earthquake of 1989, the federal government appropriated dollars for disaster relief. Since many low-income residential facilities were lost in the earthquake, the City used the federal funding to rebuild and strengthen its homeless housing infrastructure, and purchased HUD surplus properties to begin developing transitional housing, the second tier of the three tiered approach.

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The City leased 13 units, and eventually purchased from HUD 9 units of single and multi-family properties to house families entering transitional housing. In 1991, the City applied to HUD for Supportive Housing Program dollars and was successful in a nationwide competition. Because HUD's regulations required the City to provide matching funds, the City Council decided to use a portion of the \$248,000 from the General Fund traditionally allocated to shelters as the match source. Operation of the transitional housing facilities is contracted to qualified non-profit service providers. The City now provides a total of 77 units of transitional housing for families.

HUD funded transitional housing provides subsidized housing for up to two years with a continuum of services aimed at transitioning families to self-sufficiency and independence. The SHP grant funds cover the costs of housing and services to 77 families at any point in time, with an average of two children per family. The rehabilitation of the transitional housing facilities using EHAP funds will mean that the City of Oakland and its partner agencies can continue to provide, refine and grow in its skill and scope of housing services that remain integral to breaking the cycle of homelessness.

EHAP LOAN PROGRAM DESCRIPTION

The State of California Emergency Housing and Assistance Program (EHAP) Capital Development Loans are deferred and forgivable, and, if the terms of the loan are satisfied, will result in no actual cost to the City. Each loan will accrue three percent per annum simple interest. *Principal and interest payments are deferred for the term of the loan and forgiven as long as the project is used as a qualifying homeless shelter or transitional housing facility and proposed services are rendered as represented in the application.* Each deferred loan must be secured by a deed of trust (for owned property) or evidence of site control (for leased properties). The HRMSC property is owned by the City, and the loan can be secured by a deed of trust.

If a change of use of the project property occurs prior to the completion of the required use term, resulting in the property no longer being used as an emergency shelter or transitional housing facility, the State shall terminate the loan and require the repayment of the deferred loan in full, including accrued interest. For rehabilitation loans of \$50,000 or less, the loan term is 5 years. For rehabilitation loans of \$50,001 or more, the term of the loan is 7 years. Under the 2006/07 EHAP application, the City will apply for a loan not to exceed the maximum of \$1,000,000. It is expected that the City of Oakland will apply for loans in excess of \$50,000 each; therefore, the term of the loans will be 7 years. EHAP Capital Development loans do not require matching funds.

KEY ISSUES AND IMPACTS

The City's transitional housing facilities are operated by two non-profit contractors under the HUD SHP program, Anka Behavioral Health Inc (formerly know as Phoenix Programs, Inc.) and East Oakland Community Project, Inc. Anka BHI operates the Henry Robinson Multi-Service Center at 1655 16th Street, which is a 66 unit building offering transitional housing and support services to families with children. The remaining 7 facilities, including the Matilda Cleveland property and the scattered site properties, are operated by East Oakland Community Project.

A number of significant repair problems have been deferred over the years at the transitional housing sites including roof repairs, flooring, plumbing, heating, electrical and other major repairs. The work to be performed at the Henry Robinson facility includes modernization of the elevator system, replacement of the sump pump and boiler, upgrading the security system, and other miscellaneous repairs, including, but not limited to, patching of roof leaks, fixing the trash chute system and general repairs to the heating and ventilation systems. As a condition of the loan application, the HRMSC facility must be tested for asbestos and lead paint, and removal/remediation work will be included in the scope of work as necessary.

Acceptance of the EHAP loan would obligate the City to continue to use the transitional housing facilities to house the homeless for the term of the loan. Although there is a risk of loan default if the transitional housing properties are used for another purpose than housing the homeless, staff assesses the risk of default to be very low. Based on prior agreements and long-standing policy commitments to provide transitional housing for the homeless, and since no other uses of the properties have been identified or are contemplated, it is deemed unlikely that the City would decide to use the facilities for an alternate purpose and thereby incur default penalties.

SUSTAINABLE OPPORTUNITIES

Economic: Transitional Housing programs and services for homeless provide opportunities for stability, training and support that assist them in transitioning to self-sufficiency and economic independence.

Environmental: Rehabilitation of the City's transitional housing units will bring the units into line with current code and habitability standards, and remediate possible environmental impacts of asbestos and lead based paint present in the facilities.

Social Equity: The expenditure of City funds for transitional housing rehabilitation will make the facilities more habitable for the homeless.

DISABILITY AND SENIOR CITIZEN ACCESS

Although each of the transitional housing facilities owned or leased by the City is in at least minimum compliance with disabled and senior citizen access standards, improvement and enhancement of disabled and senior citizen access will be integrated into the scope of rehabilitation work wherever possible, in accordance with established City contracting procedures.

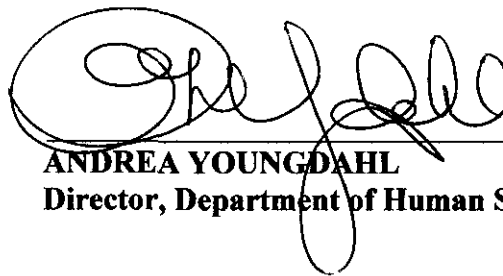
RECOMMENDATIONS AND RATIONALE

Staff recommends that the City Council pass the attached resolution authorizing the City Administrator to apply for the 2006/07 EHAP Deferred Capital Development Loan funding, accept the funding if granted, and appropriate said funds in a fund project designated for rehabilitation work to be performed under the 2006/07 EHAP award.

ACTION REQUESTED OF THE CITY COUNCIL

Approve a resolution to apply for, accept and appropriate funding from the State of California Emergency Housing and Assistance Program (EHAP) in an amount up to \$1,000,000 in fiscal year 2006/2007 to rehabilitate the Henry Robinson Multi-Service Center, a City owned transitional housing facility for the homeless.

Respectfully submitted,



ANDREA YOUNGDAHL
Director, Department of Human Services

Reviewed by:
Susan R. Shelton, Manager
Community Housing Services

Prepared by:
Michael K. Church
Program Analyst II

APPROVED AND FORWARDED TO THE
COMMUNITY & ECONOMIC DEVELOPMENT COMMITTEE:

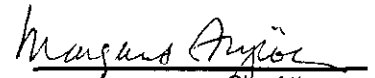


OFFICE OF THE CITY ADMINISTRATOR

OFFICE OF CITY CLERK
CITY OF OAKLAND

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Approved as to Form and Legality


City Attorney

OAKLAND CITY COUNCIL

RESOLUTION No. _____ C.M.S.

RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO APPLY FOR, ACCEPT, AND APPROPRIATE FUNDING IN AN AMOUNT UP TO \$1,000,000 FROM THE STATE OF CALIFORNIA 2006/2007 EMERGENCY HOUSING AND ASSISTANCE PROGRAM (EHAP) FOR THE REHABILITATION OF THE HENRY ROBINSON MULTI-SERVICE CENTER, A CITY OWNED TRANSITIONAL HOUSING FACILITY

WHEREAS, the City of Oakland Department of Human Services (DHS) consists of three THP programs: Homeless Families Support Network (HFSN), Families In Transition-Scattered Sites THP (FIT/SS-THP) and Matilda Cleveland Transitional Housing Program (MCTHP), which provide transitional housing and services to homeless families under HUD's Supportive Housing Program (SHP); and

WHEREAS, the City of Oakland Department of Human Services (DHS) Transitional Housing Programs (THP) are housed in several buildings and facilities which are owned or controlled by the City of Oakland; and

WHEREAS, as the owner or controller of the facilities, the City of Oakland is required under state law to provide adequate maintenance and repairs to the facilities to maintain a safe and habitable environment for residents of the transitional housing programs; and

WHEREAS, the City of Oakland has identified a number of conditions at the transitional housing buildings and facilities that require major rehabilitation; and

WHEREAS, the State of California, under the Emergency Housing and Assistance Program (EHAP) makes Capital Development Deferred Loans available to local government entities for the purpose of rehabilitating transitional housing and facilities for the homeless; and

WHEREAS, principal and interest payments for said Capital Development Deferred Loans are forgivable by the State of California under the EHAP program, provided subject transitional housing facilities are maintained as transitional housing for the homeless for the seven-year term of the Loans; and

WHEREAS, the City of Oakland desires to apply to the State of California for EHAP funding for 2006/2007, accept funds if granted, and appropriate such funds for the purpose of providing needed rehabilitation of the Henry Robinson Multi-Service Center facility where transitional housing clients are served and housed under the City's Homeless Families Support Network (HFSN) program; and;

WHEREAS, the City of Oakland desires to apply for, accept and appropriate funds to be awarded under the State of California for EHAP funding program for subsequent years for as long as EHAP funding remains available for the purpose of providing repair and maintenance to the City's transitional housing facilities; and

RESOLVED: That the City Administrator or her designee is hereby authorized to apply for, accept, and appropriate funding in an amount up to \$1,000,000 from the State of California Emergency Housing and Assistance Program (EHAP) for the rehabilitation of the City's transitional housing facilities for fiscal year 2006/2007; and be it

FURTHER RESOLVED: That if the loan application authorized by this Resolution is approved, the City of Oakland hereby agrees to use the EHAP funds for eligible activities in the manner presented in the application as approved by the State of California, Department of Housing and Community Development and in accordance with the program statute (Health and Safety Code Section 50800 – 50806.5) and Regulations (Title 25, Division 1, Chapter 7, Subchapter 12, Sections 7950 through 7976 of the California Code of Regulations); and the Standard Agreement; and be it

FURTHER RESOLVED: That EHAP funds received will be appropriated in the State of California – Other Fund (2159), DHS Administration Unit Org (78111), in a project to be established, and that should additional EHAP funds be received, the City Administrator or her designee is hereby authorized to appropriate same for the purposes described above; and be it

FURTHER RESOLVED: That the City Administrator is hereby authorized to include in the loan application a copy of this authorizing resolution in a format provided by the lender; and be it

FURTHER RESOLVED: That said Agreement(s) shall be approved as to form and legality by the Office of the City Attorney and placed on file with the Office of the City Clerk.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 20_____

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, CHANG, KERNIGHAN, NADEL, QUAN, REID, and
PRESIDENT DE LA FUENTE

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____
LATONDA SIMMONS
City Clerk and Clerk of the Council
of the City of Oakland, California