



# AGENDA REPORT

**TO:** Edward D, Reiskin  
City Administrator

**FROM:** Sara Bedford  
Director, Human Services

**SUBJECT:** Lake Merritt Lodge Lease Extension

**DATE:** February 14, 2022

City Administrator Approval

Date: Mar 3, 2022

## **RECOMMENDATION**

**Staff Recommends That The City Council Approve A Resolution:**

- 1. Authorizing Extension Of The Occupancy Agreement Between The City Of Oakland And Vima Harrison 1 LLC, Owner Of 2332 Harrison Street In Oakland (Lake Merritt Lodge) Through June 30, 2022 On The Same Terms As The Existing Agreement (Daily Room Rate Of \$132 Per Room For One Occupant Plus \$50 For Each Additional Occupant) For The Purpose Of Providing Up To 92 Rooms Of Emergency Non-Congregate Shelter To Unhoused Individuals At High-Risk From COVID-19; And**
- 2. Authorizing Amendment Of The Professional Services Agreement With Housing Consortium Of The East Bay To Extend The Term Through June 30, 2022, To Provide Building Operations And Services At Lake Merritt Lodge;**
- 3. Making Necessary Findings Under The California Environmental Quality Act.**

## **EXECUTIVE SUMMARY**

Adoption of the proposed resolution would authorize the City Administrator to extend the lease for the Lake Merritt Lodge (LML) and the corresponding professional services agreement for services and operations for residents with Housing Consortium of the East Bay (HCEB) through June 30, 2022. The Lake Merritt Lodge is currently used as a non-congregate shelter providing 92 units for people experiencing homelessness who are at high risk of complications from COVID-19. The project is currently funded under a Federal Emergency Management Agency (FEMA) reimbursement program which is set to expire on March 31, 2022. Providing non-congregate shelter to this population dramatically reduces their risk of becoming infected with COVID-19.

## **BACKGROUND / LEGISLATIVE HISTORY**

For the past two years, the City of Oakland (City), along with many other communities in the country, has been facing the dual humanitarian crises of increasing homelessness and the COVID-19 pandemic. People experiencing homelessness are especially vulnerable to contracting COVID-19 as they have limited ability to safely shelter in place. Many unsheltered people also have underlying medical conditions which put them at especially high risk of serious illness or death from this disease.

The United States Centers for Disease Control (CDC) recommended communities create protective housing options, such as non-congregate shelter, for people who are experiencing homelessness and are at increased risk for complications from COVID-19. Approximately 53 percent of people experiencing homelessness in Oakland are in the groups identified at high-risk for severe medical complications from a COVID-19 infection. Since the start of the pandemic, Alameda County and the City of Oakland have served over 2,000 people from Oakland experiencing homelessness in non-congregate shelters of this type (known as Safer Ground hotels) of which 1,150 are from Oakland.

In February of 2021, the Biden Administration issued a new directive stating that activities which had previously been eligible for partial FEMA reimbursement would be eligible for 100 percent FEMA reimbursement with an original end date of September 2021, later extended until March 31, 2022. This expanded reimbursement provided greater ability for jurisdictions to stand-up these interventions with the assumption that all, or most, of the costs will eventually be reimbursed.

On March 29, 2021, City Council approved Resolution 88572 C.M.S. which authorized the following actions:

1. Lease of the Lake Merritt Lodge (then known as the Hult Lodge) for COVID vulnerable residents who are homeless through September 30, 2021 with an option to extend for life of FEMA reimbursement program through March 31, 2022; and
2. A professional services agreement (PSA,) for building operations and services with a provider, to be named, for a term of up to one year.

In late summer of 2021 the LML owner and HCEB submitted an application under the Housing and Community Development Department's (HCD) request for qualification (RFQ) to be a qualified development team for Homekey Round 2 funding. They were found qualified under that RFQ. However, when the City issued its Request for Proposal (RFP) for HomeKey funding in the fall of 2021 the owner and agency indicated their intent to apply but never submitted an application. Initial feedback from the parties indicated there was no alignment on financing among the parties with ownership interest in the building and/or alignment with Homekey requirements.

The Lake Merritt Lodge program is part of the larger countywide RoomKey COVID hotel program. RoomKey sites were started during the pandemic to provide emergency, non congregate shelter for people who were at high risk of serious illness or death due to COVID. As part of the RoomKey program, the Lake Merritt Lodge residents are eligible for some permanent housing resources that are prioritized for people exiting the COVID hotels. In the first

six months of FY 21-22, 66% of exits have been placed in permanent housing including 9 people who have utilized the prioritized federal Emergency Solutions Grant-COVID (ESG-CV) funds for rapid rehousing subsidies. Another 80 people have been matched to the prioritized resource of Housing and Urban Development (HUD) Emergency Housing Vouchers (Section 8 vouchers) and are working with service providers to identify permanent units to move into.

## **ANALYSIS AND POLICY ALTERNATIVES**

This report recommends that City Council approve a resolution to extend the lease and services agreement for LML until June 30, 2022. It further recommends that City Council provide policy direction during its mid-cycle budget deliberations on the final disposition of the building.

Continuing the operations of this building will support the Citywide priority of **housing, economic and cultural security**. In January and February of 2022, Oakland experienced a surge in COVID-19 cases greatly impacting the homeless community and shelter options. The CDC reported that the new Omicron strain of COVID-19 as highly contagious and hospital visits rose due to the spread of this strain. Alameda County opened additional non-congregate hotel sites to support the increase in cases throughout the County, including supporting Oakland residents. The need continues to exceed their capacity. Due to increased infections, the City's homelessness programs had temporarily halted intakes and one shelter had to briefly shut down due to the current impact of COVID-19 on clients and staff. There is still a need to provide non congregate shelter to people experiencing homelessness in Oakland who are at high risk from COVID.

### *Extending Lease and Services Through June 2022*

The overall costs for the building are outlined below and include both leasing and services for residents. The leasing costs for the building are priced with meal service and housekeeping as detailed below. The Professional Services Agreement (PSA) services including identifying and bringing people into residency, supporting their continued and successful residency in the building, security, providing support and health care services, and overall program management.

**Leasing costs:** meal service three times daily, housekeeping at least twice weekly, free on-site laundry, free wireless internet, parking for up to 23 vehicles reception, building maintenance, see below, **Table 1a**.

**Table 1a: Leasing Costs**

Number of Rooms	Average Cost per Hotel Room/night	Average Cost per month*	Cost for 3-month extension	Cost per year
92	\$132-\$182	<b>\$380,000</b>	<b>\$1,140,000</b>	<b>\$4,560,000</b>

\*based on actual invoicing

**Service Costs:** shelter staff, security, nursing care, transportation, service coordination, program management, see below **Table 1b:**

**Table 1b: Service Costs**

Number of People Supported		Average Cost per Month	Cost for 3-month extension	Cost per Year
115		<b>\$189,754</b>	<b>\$569,262</b>	<b>\$2,277,048</b>

**Table 1c: Total costs (leasing and services)**

Total		Cost Per Month	Cost for 3-month extension	Cost Per Year
		\$569,754	\$1,709,262	\$6,837,048

The costs of extending the lease and services agreement from April 1, 2022 through June 30, 2022 is approximately \$1.7 million. During the Fiscal Year 21-23 budget process, the City Council allocated \$2.2 million in one-time Measure W funds to provide exit resources for the building. These funds are still available and could be spent on this building extension. *Staff recommends that any unexpended balance after the \$1.7M is used (approximately \$500,000) be carried forward and used to sustain the building past June 2022 as outlined in the three policy scenarios below.*

**Policy Direction for FY 22-23**

In addition to sustaining the program through June 30, 2022, staff recommends that the City Council provide some policy direction during its mid-cycle budget deliberations on the final disposition of the building. The services contract for the building is \$2.27M for 12 months which is comparable to other large transitional housing programs funded by the City. The current annual costs of the lease, which is priced like a motel, is approximately \$4.5 million per year (at \$132-\$182/ night/unit). The City owns all of its other transitional housing buildings and therefore does not have this level of leasing costs associated with other transitional housing programs. The total costs of the program are approximately \$6.8 million per year or nearly \$59,000 per person annually.

The Economic and Workforce Development Department - Real Estate Division has been engaging in negotiations with the building owner to determine if more reasonable rental terms could be secured for this facility starting in April 2022 when FEMA funding expires, but these negotiations have, so far, not resulted in a meaningful reduction in the costs of the lease. It is under these conditions that the following policy options have been developed.

The chart below (**Table 2**) identifies three policy alternatives for City Council consideration and their associated costs for supporting the building and providing permanent housing placements for all clients. All alternatives assume 6 months are necessary to successfully place all clients and estimates the cost of those placements at \$2.2 million. All three options assume building operations continue through June 2022.

**Table 2: Policy Alternatives**

<b>Policy Alternatives</b>	<b>Scenario 1: 6 Months</b>	<b>Scenario 2: 9 months</b>	<b>Scenario 3: 15 months</b>
Term	April 2022-September 2022	April 2022-December 2022	April 2022-June 2023
Actions	Building does not backfill vacancies starting April 1, 2022 and closes by September 2022.	Building does not backfill vacancies starting July 1, 2022 and closes by Dec 2022.	Building does not backfill vacancies starting January 1, 2023 and closes by June 2023
Building Lease***	\$2,280,000	\$3,420,000	\$5,700,000
Client Support Services	\$1,138,524	\$1,707,786	\$ 2,846,310
Exit Resources	\$2,200,000	\$2,200,000	\$2,200,000
<b>Total Funding Needed</b>	<b>\$5,618,524</b>	<b>\$7,327,786</b>	<b>\$10,746,310</b>
Resources already budgeted and available **	\$2,200,000	\$2,200,000	\$2,200,000
<b>Funding Gap*</b>	<b>\$3,418,524</b>	<b>\$5,127,786</b>	<b>\$8,546,310</b>

\*Funding Needed to be identified

\*\*Funding Currently Available

\*\*\*Maximum costs as lease terms may lead to lower leasing costs as individual floors are vacated.

During the mid-cycle budget deliberations, staff recommends that the City Council identify the funding to adopt policy alternative #2 that will help support the LML through December 2022 and provide sufficient funding for exit strategies for all households staying at the facility. With this plan, LML would maintain current clients and continue work on exit strategies. During the six months between July and December no backfill of rooms will take place and all residents will be supported to have a safe and stable exit to permanent housing. The cost of this scenario is estimated at a maximum of \$7,327,786 of this cost, \$2.2 million is already available for the exit in Measure W, requiring additional funding of \$5.1million.

Without a permanent funding source identified to buy and operate the building, staff does not recommend keeping the building open past December 2022.

Without adoption of the current resolution, the building would be forced to close by March 31, 2022 without an exit plan for the over 92 current households staying at this facility.

### **FISCAL IMPACT**

Expenditures supporting this initiative have been authorized as emergency protective measures subject to FEMA reimbursement. Resolution No. 88075 CMS, adopted on March 12, 2020, ratified the City Administrator's proclamation declaring a state of emergency and provides authority for such actions to assure the safety and welfare of city residents. Based on recent FEMA directives and consultations with the California Office of Emergency Services, Alameda County, and the City's cost-recovery consultants, the City anticipates reimbursement by FEMA through March 31, 2022.

Under the recommended action the City would make payments under the lease and grant from April 1 through June 30, 2022 using City funds without reimbursement from FEMA. These funds would come from Measure W Fund (2270), Community Housing Services Org (78411), Project (1005626), Homeless Services & Support (NB41).

### **PUBLIC OUTREACH / INTEREST**

No outreach was deemed necessary for the proposed policy action beyond the standard City Council agenda noticing procedures

### **COORDINATION**

Several City departments, including the Human Services Department, Economic & Workforce Development Department, Finance Department and Office of the City Attorney have coordinated in drafting this proposed lease.

### **PAST PERFORMANCE, EVALUATION AND FOLLOW-UP**

The Lake Merritt Lodge is serving vulnerable homeless households, protecting these households from the COVID-19 pandemic. 72% of the individuals served identify as African American which is aligned with the ratio of African Americans experiencing homelessness in the City of Oakland.

HCEB and CHS are committed to ensure all participants staying at the Lake Merritt Lodge are offered a permanent housing exit. The program is part of the larger countywide RoomKey COVID hotel program and therefore its residents are eligible for some permanent housing resources that are prioritized for people exiting the COVID hotels. In the first six months of FY 21-22 66% of exits have been to permanent housing including 9 people who have utilized the prioritized federal Emergency Solutions Grant-COVID (ESG-CV) funds for rapid rehousing subsidies. Another 80 people have been matched to the prioritized resource of HUD Emergency Housing Vouchers (Section 8 vouchers) and are working with service providers to identify permanent units to move into.

## **SUSTAINABLE OPPORTUNITIES**

**Economic:** As noted in the report, all funds proposed in this report are for the purpose of providing housing and services to people experiencing homelessness to prevent serious illness and death due to the COVID-19 pandemic.

**Environmental:** The continued provision of housing for homeless persons will help to reduce the environmental degradation caused by homeless individuals living on the streets.

**Race & Equity:** In Oakland, the drivers of homelessness fall most squarely on the backs of the African American community who, due to long-standing structurally racist practices such as red lining and employment discrimination, are most vulnerable to losing their homes. One of the goals of Oakland's Permanent Access to Housing (PATH) Plan is to eliminate racial disparities in the rates at which people experience homelessness, and in exits to stable housing. According to the 2019 Point In Time count for the City of Oakland, 70 percent of the population experiencing homelessness in Oakland identifies as Black or African American; however, this demographic is only 24 percent of the general population. Lake Merritt Lodge is currently serving 72% African American homeless individuals.

## **CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)**

Staff has determined that the actions authorized by this resolution are exempt from CEQA pursuant to CEQA Guidelines section 15301 (existing facilities) as a lease of an existing property with no change of use, and Government Code section 8698.4(a)(4) as a lease for the purpose of providing emergency shelter.

## **ACTION REQUESTED OF THE CITY COUNCIL**

Staff Recommends That The City Council Authorize A Resolution:

1. Authorizing Extension Of The Occupancy Agreement Between The City Of Oakland And Vima Harrison 1 LLC, Owner Of 2332 Harrison Street In Oakland (Lake Merritt Lodge) Through June 30, 2022 On The Same Terms As The Existing Agreement (Daily Room Rate Of \$132 Per Room For One Occupant Plus \$50 For Each Additional Occupant) For The Purpose Of Providing Up To 92 Rooms Of Emergency Non-Congregate Shelter To Unhoused Individuals At High-Risk From Covid-19;
2. Authorizing Amendment Of The Professional Services Agreement With Housing Consortium Of The East Bay To Extend The Term Through June 30, 2022 To Provide Building Operations And Services At Lake Merritt Lodge;
3. Making Necessary Findings Under The California Environmental Quality Act.

For questions regarding this report, please contact Lara Tannenbaum, Community Homelessness Services Manager, at 510-238-6187.

Respectfully submitted,



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