

CITY OF OAKLAND
COUNCIL AGENDA REPORT

TO: Office of the City Administrator
ATTN: Deborah Edgerly
FROM: Department of Human Services
DATE: January 11, 2005

RE: RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO APPLY FOR, ACCEPT, AND APPROPRIATE LOAN FUNDING IN AN AMOUNT UP TO \$1,000,000 FROM THE STATE OF CALIFORNIA EMERGENCY HOUSING AND ASSISTANCE PROGRAM (EHAP) FOR MAJOR REHABILITATION WORK TO THE CITY'S TRANSITIONAL HOUSING FACILITIES

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 Loans are available for 2004/2005 to acquire, construct, or rehabilitate sites for emergency shelters, transitional housing, or safe haven facilities for homeless persons. The Department of Human Services wishes 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 properties. 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' 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.

The State of California released the Notice of Funds Availability (NOFA) for Capital Development Loans in late November 2004, leaving a short amount of time to complete the loan application, which is due on January 27, 2005. The NOFA defined application guidelines, which require detailed cost estimates for the proposed rehabilitation work. Staff is working under a tight timeline to obtain the required cost estimates for the rehabilitation work. The costs of the rehabilitation work and the corresponding loan amounts are expected to be determined in time to meet the loan application deadline. 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 properties intended for rehabilitation through the EHAP loan program are a number of City-owned or leased residential buildings that house the City's three transitional housing programs: the Homeless Families Support Network (HFSN), the Families in Transition Program (FIT) and the Matilda Cleveland Transitional Housing Program (THP). Operation of these programs is funded through HUD's Supportive Housing Program (SHP) annual grant. These programs together provide transitional housing for a total of 77 families and their children, and provide supportive services to assist these families in their transition from homelessness to self-sufficiency. Oakland's transitional housing program has been hailed as a national model, and since 1991 has assisted over 1,000 families to break the cycle of homelessness.

There are eight separate properties in the transitional housing inventory, including the Touraine Hotel, a 62 unit former residential hotel which houses the Henry Robinson Multi-Service Center (HRMSC), the Matilda Cleveland facility (14 residential units in a former motel), and several scattered site facilities, including 1 multi-family triplex unit, one duplex unit and 4 single family units. The cost of routine maintenance and repairs to the HRMSC facility are offset through the SHP grant funds, and miscellaneous sources have been used to maintain the remaining transitional housing facilities. The City has no baseline budget for ongoing maintenance and repairs at the transitional housing facilities, so a number of more significant repair problems have been deferred over the years, including roof repairs, flooring, plumbing, heating, electrical and other major repairs. Since the facilities are owned by the City, the Public Works Agency is responsible for performing maintenance and repair activities for the properties, and has entered into maintenance agreements and repair contracts with outside vendors and contractors on an as-needed basis since the mid-90's.

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 City's transitional housing facilities presents an opportunity to shore up the properties for the long term, which is vital to the continuation of the transitional housing program.

Public Works staff is currently in the process of obtaining professional cost estimates of rehabilitation and repairs from a licensed contractor for each of the transitional housing properties as required by the State as part of the loan process. When the cost estimation work is completed, the cost of rehabilitation and repair work for each facility can be determined, the loan funding amounts can be specified and the application process can move forward. If EHAP funding is approved by the State of California, the Public Works Agency will coordinate the competitive bid process for awarding construction contracts for the rehabilitation work. Staff will return to Council for authorization of construction contracts.

A resolution has been prepared authorizing the City Administrator to apply for the EHAP Deferred Capital Development Loan funding and accept the funding if granted, and appropriate the funds for major rehabilitation work to the City's transitional housing facilities. This item is time sensitive because the State of California deadline for EHAP loan applications is January 27, 2005.

FISCAL IMPACT

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. EHAP Capital Development 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.

Since staff intends to apply for funding to rehabilitate 8 separate facilities, up to 8 separate loans may be submitted. The exact amount of each loan is not yet known pending cost estimating work currently underway, and will not be known until the completion of that work. The maximum total amount of loan funding available is \$1,000,000 per applicant.

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 7 year term of the loan.

An additional fiscal impact could result from contract compliance fees for rehabilitation contracts for the repair of transitional housing facilities. Professional maintenance and repair services contracts are subject to the City of Oakland's 3% percent contract compliance fee, which amounts to \$30,000, assuming the maximum loan amount is applied for and accepted. DHS grant-funded contracts have not been required to pay the contract compliance fee, since the services are intended to assist the homeless, and the properties do not produce an income stream, but all such waivers of the contract compliance fees are currently under review. Not imposing the contract compliance assessment fee would increase the existing negative balance in the Contract Compliance Assessment Fund (1790).

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.

BACKGROUND

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.

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 SHP 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. In 1997, the federal government approached the City of Oakland to take over the operation of a 15 unit transitional housing facility in East Oakland, the Matilda Cleveland facility. The original grantee was no longer able to provide services and because the housing was so valuable to Oakland's homeless facilities infrastructure, the City took over administration of the facility. 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. The 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

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deed of trust (for owned property) or evidence of site control (for leased properties). For purposes of the NOFA, site control of leased properties includes a provision that term of the leasehold must exceed the applicable EHAPCD loan term by ten (10) years. With the exception of the Matilda Cleveland property, all of the City's transitional housing properties are owned by the City, and the loans can be secured by a deed of trust. The Matilda Cleveland property is currently under a one-year renewable lease to the City from Hope Housing, Inc., and the City and Hope Housing, Inc. are in process of amending the lease to extend the lease term to seventeen (17) years to insure that the terms and conditions of the lease meet the site control requirements of the EHAP loan application.

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. 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.

The EHAP loan application is available online at the State of California website. The loan application requires that the applicant identify and properly document each property under consideration for loan and provide deeds of trust and other documentation as specified in the loan application. In addition, for each property included in a loan application, a detailed estimate of rehabilitation costs must be provided, showing the scope of work to be performed and cost of labor and materials, and other cost details.

KEY ISSUES AND IMPACTS

The City's transitional housing facilities are operated by two non-profit contractors under the HUD SHP program, Phoenix Programs, Inc., and East Oakland Community Project, Inc. Phoenix Programs, Inc., operates the Henry Robinson Multi-Service Center at 1655 16th Street, which is a 62 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 following is a brief description of repairs needed at the transitional housing facilities:

<i>Property</i>	<i>Status of Facility Rehabilitation Needs</i>
Henry Robinson Multi-service Center 1655 16 th Street 68 unit former residential hotel. 54 families	<ul style="list-style-type: none"> ➤ Elevator ➤ Water intrusion issue from exterior of bldg. into basement ➤ Pavement grade changes on Clay and 16th Street
Matilda Cleveland THP 8509 MacArthur Blvd. 14 units at former motel 14 families	<ul style="list-style-type: none"> ➤ Electrical ➤ Concrete ➤ Fencing ➤ Office bathroom floor
5239-5241 Bancroft Avenue Triplex, 3 units 3 families	"Total Make-over" needed: Plumbing, electrical, new roof, front & side stairs, doors, drywall repairs, new heaters, new bathrooms
6850 Halliday Street Duplex 2 families	Dry rot repair, electrical, plumbing, kitchen subfloor work, floor covering, windows, replace water heater
3501 Adeline Street 1936 84 th Avenue 3824 West Street 173 Hunter Street Single family units	Under review/to be determined

As a condition of the loan application, all properties 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 loans would obligate the City to continue to use the transitional housing facilities to house the homeless for the term of the loans. Loan default can only occur if the affected properties are not used to house the homeless for the term of the loans, which could occur only as a result of a deliberate policy decision by the Council to use the properties for a different purpose. Based on prior agreements and long-standing policy commitments to provide transitional housing for the homeless, and since no other uses of the properties 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 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.

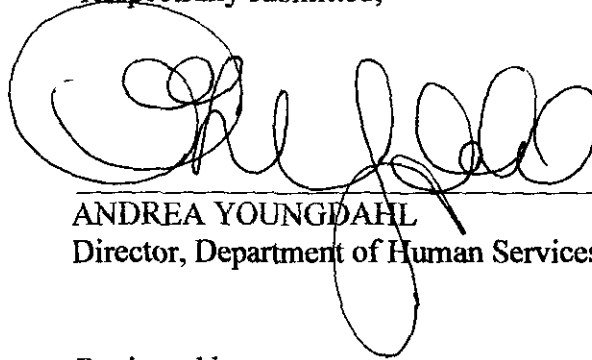
RECOMMENDATION

That the City Council pass the attached resolution authorizing the City Administrator to apply for the EHAP Deferred Capital Development Loan funding and accept the funding if granted for rehabilitation of the City's transitional housing properties.

ACTION REQUESTED OF THE CITY COUNCIL

Approve a resolution to apply for, accept and appropriate funding from the State of California to rehabilitate the City's transitional housing facilities for the homeless.

Respectfully submitted,



ANDREA YOUNGDAHL
Director, Department of Human Services

Reviewed by:
Rae Mary, Manager
Community Housing Services/Hunger & Homeless

Prepared by:
Michael K. Church
Program Analyst I

APPROVED AND FORWARDED TO THE
LIFE ENRICHMENT COMMITTEE:


OFFICE OF THE CITY ADMINISTRATOR

FILED
APPROVED AS TO FORM AND LEGALITY:
OAKLAND
By: [Signature]
2004 DEC 29 PM 12:56
Deputy City Attorney

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C. M. S.

INTRODUCED BY COUNCILMEMBER _____

RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO APPLY FOR, ACCEPT, AND APPROPRIATE LOAN FUNDING IN AN AMOUNT UP TO \$1,000,000 FROM THE STATE OF CALIFORNIA EMERGENCY HOUSING AND ASSISTANCE PROGRAM (EHAP) FOR MAJOR REHABILITATION OF THE CITY'S TRANSITIONAL HOUSING FACILITIES

WHEREAS; the City of Oakland's Transitional Housing Programs consist 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's Transitional Housing Programs 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 Loans available to local government entities for the purpose of rehabilitating transitional housing buildings and facilities for the homeless; and

WHEREAS, principal and interest payments for said Capital Development 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 wishes to apply to the State of California for EHAP funding, accept EHAP funds if granted, and use said funds for the purpose of providing major rehabilitation to the City's transitional housing facilities; now, therefore, be it

RESOLVED: That the City Administrator or her designee is hereby authorized to apply for State of California EHAP Capital Development Loans in an amount up to \$1,000,000, and accept said loan funds if granted, and appropriate said funds for use in eligible rehabilitation activities to the City's transitional housing facilities for the homeless consistent with the provisions of the State of California EHAP program; and be it further

RESOLVED: That the City Administrator or her designee is authorized to negotiate and enter into agreements with the State of California governing the EHAP Capital Development Loan funds.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2005

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID, WAN AND
PRESIDENT DE LA FUENTE

NOES-

ABSENT-

ABSTENTION-

ATTEST:

City Clerk and Clerk of the Council
of the City of Oakland, California