



# AGENDA REPORT

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

**FROM:** Estelle Clemons  
Interim Director, Human  
Services

**SUBJECT:** Lake Merritt Lodge Lease and  
Services Extension

**DATE:** June 28, 2022

City Administrator Approval

Date:

Jul 7, 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, 2023 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. **Waiving Competitive Request For Proposal/Qualification (RFP/Q) Requirement and Authorizing Amendment Of The Professional Services Agreement With Housing Consortium Of The East Bay To Extend The Term Through June 30, 2023 And To Increase The Amount By Two Million Two Hundred Seventy-Seven Thousand Forty-Eight Dollars (\$2,277,048) For A Total Not To Exceed Amount Of Four Million Five Hundred Fifty Four Thousand Ninety-Eight Dollars (\$4,554,098) To Provide Building Operations And Services At Lake Merritt Lodge;**
3. **Allocating Any Remaining Balance In The Funds Allocated To The Extension Of The Occupancy Agreement And Professional Services Agreement As Matching Funds Toward A Future Purchase And/Or Operations Of Lake Merritt Lodge By The City Or Qualified Non-Profit Partner For Permanent Affordable Housing, Without Committing To Any Future Purchase; And**
4. **Making Necessary Findings Under The California Environmental Quality Act.**

## EXECUTIVE SUMMARY

Adoption of the proposed resolution would:

City Council  
July 19, 2022

- Authorize the City Administrator to extend the occupancy agreement (i.e., 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, 2023.
- Increase the Professional Services Agreement with Housing Consortium of the East Bay increasing the agreement by \$2,277,048 to operate programming at the site for the upcoming fiscal year.
- Commit any remaining balance in the funds used to pay for the lease and services extension as matching funds toward any purchase or future operations of LML by the City or qualified non-profit partner for permanent affordable housing.

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 has been funded under a Federal Emergency Management Agency (FEMA) reimbursement program which is set to expire on July 1, 2022. Providing non-congregate shelter to this population dramatically reduces their risk of becoming infected with COVID-19. City Council, the City Administrator's Office, and the Human Services Department have expressed an interest in continuing this project beyond FEMA's reimbursement end date. The administration's midcycle budget proposal includes \$8.9 million in funding for this proposed extension.

### **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 and then until June 30, 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 No. 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.

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.

In winter 2022, FEMA announced it would extend its reimbursement date through June 30, 2022. On March 15, 2022, City Council approved Resolution No. 89099 C.M.S. authorizing the extension of both the Occupancy Agreement with the property owner and Professional Services Agreement with HCEB.

In late summer 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 Proposals (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.

HCEB has resumed purchase negotiations with the LML owner and is seeking purchase funds, including from the State's Continuing Care Expansion (CCE) program. The CCE program has a matching fund requirement for acquisition and operations which could be partially or completely satisfied, depending on the date of purchase, if the balance of the proposed \$8.9 million in the midcycle budget amendment remaining at the time of purchase was committed as matching funds for acquisition and/or operations. HCEB may also pursue a Homekey application under the Round 3 NOFA, anticipated to be released by the State sometime this summer.

## **ANALYSIS AND POLICY ALTERNATIVES**

This report recommends that City Council further waive the competitive request for proposal/qualification (RFP/Q) requirement and approve a resolution to increase and extend the lease and services agreement for LML through June 30, 2023. It further recommends that City Council allocate any balance remaining in the funds used to pay for the lease and services

extension as matching funds toward any purchase or operations of LML by the City or qualified non-profit partner for permanent affordable housing. However, this allocation would not commit the City to approving any purchase or the continued operations of Lake Merritt Lodge, and such acquisition would need further City Council approval. This allocation would incentivize a solution to the long-term future of LML as permanent affordable housing and help to leverage State or other funding sources, including CCE and Homekey.

Continuing the operations of this building addresses the City goals 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.

OMC section 2.04.051(B) authorizes that City Council to waive the competitive RFQ/RFP process for contracts for professional services, upon a finding that doing so is in the best interest of the City. Staff recommends that it is in the City's best interests to further waive the competitive RFQ/RFP process for the increased and extended building and operation services at Lake Merritt Lodge because the Housing Consortium of the East Bay is uniquely qualified to continue providing the services and proceeding with an RFQ process would disrupt the continuation of services of current participants at this including potential for displacement.

*Extending Lease and Services Through June 2023*

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

**Table 1a: Leasing Costs**

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

\*Based on actual invoicing

The Service Costs in **Table 1b**, below, include 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.

**Table 1b: Service Costs**

Number of People Supported		Average Cost per Month	Cost per Year
115		<b>\$189,754</b>	<b>\$2,277,048</b>

The overall costs for the program are outlined below and include both leasing and services for residents.

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

Total		Cost Per Month	Cost Per Year
		\$569,754	\$6,837,048

The costs of extending the lease and services agreement through fiscal year 22/23 is approximately \$6.8 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 purchase. Staff recommends that any unexpended balance of the \$6.8M be carried forward and used toward support of the purchase or operations of Lake Merritt Lodge for continued housing support for the homeless population.

The administration’s proposed midcycle budget amendment includes \$8.9 million to cover lease and services costs through June 30, 2023. With this plan, LML would maintain current clients keeping 92 vulnerable households housed eliminating the need to identify and fund exit strategies. The cost of this proposition is estimated at \$6,837,048 for the upcoming fiscal year. Funds are identified in the City’s General Purpose Fund. In the event that the City or a qualified non-profit partner – such as HCEB, which is in active purchase negotiations with the owner – secures a purchase agreement and funds to purchase LML then at the time of purchase any remaining balance in the \$8.9 million lease and services budget could be applied as matching funds toward the purchase and/or operations.

Due to the cost to lease the building, without a permanent funding source identified to buy and operate the building, staff does not recommend keeping the building open past June 30, 2023.

This project supports the Citywide priorities of Housing, Economic, and Cultural Security, and Holistic Community Safety by providing safe, clean, and dignified shelter to vulnerable City of Oakland residents during a worldwide pandemic. Without adoption of the current resolution, the building would be forced to close immediately, without an exit plan for the over 92 current households staying at this facility.

**FISCAL IMPACT**

The current FEMA reimbursement will terminate on June 30, 2022. Under the recommended action the City would make payments under the lease and professional services agreement

from July 1, 2022 through June 30, 2023 using City funds without reimbursement from FEMA. Provided City Council approves the midcycle budget amendment proposal, these funds would come from the General Purpose Fund (1010), Community Housing Services Org (78411), Project (1000017). If the building is purchased by the City or qualified non-profit partner for permanent affordable housing prior to complete expenditure of these funds, then the remaining balance could be applied as matching funds toward the purchase and/or operations of the Lake Merritt Lodge if such acquisition is approved by the City Council.

### **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, Housing & Community Development Department, Finance Department and Office of the City Attorney have coordinated in drafting this proposed resolution authorizing the occupancy agreement and professional services agreement extension.

### **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, 2023 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;
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3. Allocating Any Remaining Balance In The Funds Allocated To The Extension Of The Occupancy Agreement And Professional Services Agreement As Matching Funds Toward A Future Purchase And/Or Operations Of Lake Merritt Lodge By The City Or Qualified Non-Profit Partner For Permanent Affordable Housing, Without Committing To Any Future Purchase; And
4. Making Necessary Findings Under The California Environmental Quality Act.

For questions regarding this report, please contact C'Mone Falls, Acting Community Homelessness Services Manager, at 510-238-6186.

Respectfully submitted,



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