



Monterey County

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Board Report

Legistar File Number: 17-0974

September 19, 2017

Introduced: 9/13/2017

Current Status: Agenda Ready

Version: 1

Matter Type: General Agenda Item

- a. Approve and authorize the Contracts / Purchasing Officer to execute a Lease Agreement, effective with the date of execution through October 31, 2019, or two (2) years from Lease Commencement Date, whichever is later, with the Joseph A. Cardinale and Jeannette M. Cardinale Revocable Trust dated July 1, 1993, and the Thomas A. Cardinale and Catherine M. Cardinale Family Trust dated September 14, 1999, for approximately 6,828 rentable square feet of space located at 321 North Main Street, Salinas, California, as the Salinas Year-Round Homeless Shelter;
- b. Request that the Auditor - Controller make lease payments in accordance with the terms of the Lease Agreement;
- c. Adopt a resolution approving and authorizing the Auditor-Controller to amend the FY 2017-18 Adopted Budget by increasing appropriations by \$158,740.00 in Department of Social Services Community Programs Unit (001-5010-SOC004-8258), financed by increases in estimated cannabis tax revenues by \$158,740.00 collected by County Administrative Office's Finance Unit (001-1050-CAO019-8041-4130).
- d. Approve and authorize the Director of the Department of Social Services to negotiate and execute a contract with Community Homeless Solutions to operate the temporary shelter at 321 North Main Street in an amount not to exceed \$1,140,778 annually; and,
- e. Direct the Department of Social Services to return to the Board of Supervisors by November 30, 2017 to make necessary budget adjustments to fully fund the final executed contract with Community Homeless Solutions.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Approve and authorize the Contracts / Purchasing Officer to execute a Lease Agreement, effective with the date of execution through October 31, 2019, or two (2) years from Lease Commencement Date, whichever is later, with the Joseph A. Cardinale and Jeannette M. Cardinale Revocable Trust dated July 1, 1993, and the Thomas A. Cardinale and Catherine M. Cardinale Family Trust dated September 14, 1999, for approximately 6,828 rentable square feet of space located at 321 North Main Street, Salinas, California, as the Salinas Year-Round Homeless Shelter;
- b. Request that the Auditor - Controller make lease payments in accordance with the terms of the Lease Agreement;
- c. Adopt a resolution approving and authorizing the Auditor-Controller to amend the FY 2017-18 Adopted Budget for the Department of Social Services Community Programs Unit (001-5010-SOC004-8258) by increasing appropriations by \$158,740.00, financed by increased cannabis tax revenue (001-1050-8041-4130).
- d. Approve and authorize the Director of the Department of Social Services to negotiate and execute a contract with Community Homeless Solutions to operate the temporary shelter at 321 North Main Street in an amount not to exceed \$1,140,778 annually; and,
- e. Direct the Department of Social Services to return to the Board of Supervisors by November 30, 2017 to make necessary budget adjustments to fully fund the final executed contract with Community Homeless Solutions.

SUMMARY/DISCUSSION:

This item was considered on September 12, 2017 and was continued to September 19, 2017. The Department of Social Services (DSS) and the City of Salinas have been working together for the past four (4) years to provide an emergency shelter in downtown Salinas for homeless individuals and families during inclement weather months. The Salinas Warming Shelter closed in May 2017 further expanding the large gap in emergency shelter resources. In July 2017, the Board of Supervisors approved the establishment of a year-round homeless shelter.

A location for a permanent shelter has been identified at 1220 Natividad Road, however that site is not ready for use and requires the development and construction of a facility that meets the needs of people who access the facility and the surrounding neighborhood. While that permanent facility is developed, a temporary location has been identified at 321 North Main Street, Salinas, California. DSS, in active consultation with the City of Salinas, issued a Request for Qualifications (RFQ) to manage the operations for the Year-Round Homeless Shelter proposed to be located at this temporary facility. However, on August 29, 2017, the Salinas City Council voted to oppose the temporary shelter and cost sharing with the City of Salinas may not be forthcoming.

The Resource Management Agency (RMA) has negotiated a Lease Agreement with the Joseph A. Cardinale and Jeannette M. Cardinale Revocable Trust dated July 1, 1993, and the Thomas A. Cardinale and Catherine M. Cardinale Family Trust dated September 14, 1999, for property located at 321 North Main Street, Salinas, California. The proposed shelter will provide approximately 6,828 rentable square feet for a Type A shelter for approximately 50 individuals and/or family members on a first come, first served basis.

A Premise Improvement Allowance, based on the estimated costs of the building improvements, shall be provided and construction shall be completed by the lessor, the sum of which shall not exceed \$235,000, which shall be amortized at a rate of five percent (5%) over the lease term. The base monthly rent will be \$7,328.00 and the monthly payment for the premise improvements shall not exceed \$10,309.78, for a total monthly payment of \$17,637.78. The County will also be responsible for janitorial, maintenance and utilities. The term of the lease is from November 1, 2017, or upon issuance of a certificate of occupancy from the City of Salinas and Lessee's final walk through and approval, whichever is later, through October 31, 2019, or two (2) years from Lease Commencement Date, whichever is later.

There is no departmental funding associated with this agreement. The Department is requesting General Fund Contributions from cannabis revenues. The Department requires increased appropriations of \$158,740 for Social Services Community Programs Unit 001-5010-SOC004-8258 for the FY 2017-18 Adopted Budget. Cost in future years for the lease are estimated at \$211,653 for FY 2018-19, and \$52,913 for FY 2019-20.

Additionally, this report recommends that the Board of Supervisors authorize the Department of Social Services to negotiate and execute a contract with Community Homeless Solutions to operate the shelter at the temporary 321 North Main Street location. An RFQ for the shelter operator was issued on August 17, 2017. Community Homeless Solutions was the only respondent to the RFQ. The response from Community Homeless Solutions proposed costs of \$760,518 in FY 2017-18, annually the proposed costs are \$1,140,778. Contract negotiations will explore opportunities to reduce the cost with an understanding that as a type A shelter, capacity for shelter would be limited to a maximum of 50 people per night with limited service provision.

The proposed costs are greater than the previous costs for operating the winter warming shelter due to the need to include funding for meals and 24-hour security. Previously meals had been provided through donations from local faith-based and community organizations. Additionally, daytime security at the winter warming shelter had been provided by leveraging the County's security for juror and Government Center parking. It also became clear from expressed community concerns regarding the winter warming shelter that expanded daytime security was necessary to prevent loitering and promote resident and neighborhood safety. The proposal also includes support for housing navigation, case management and clinical services, which may be negotiable.

Shelter operations will also require additional appropriations in the range of \$500,000 to \$760,518 for the current fiscal year (\$900,000 - \$1,140,778 annually.) As a result, the combined cost for the lease and the shelter operations will be between \$658,740 and \$919,258 in the current year, and between \$1,111,653 and \$1,352,431 in FY 2018-19. Ongoing operational costs for the permanent shelter are likely to be similar or greater depending on whether service levels are expanded to incorporate additional program elements (e.g. expanded case management, support for pet owners). Without financial support from the City of Salinas there are no currently identified external revenue sources to offset these cost.

The Department of Social Services and County Administrative Office remain committed to working with the City of Salinas and other local jurisdictions to promote partnership. Areas of partnership include: a) pursuit of the necessary use permits to expand shelter capacity beyond the 50 person per night shelter limit and expansion of on-site daytime service provision, and b) financial participation to continue the historical cost sharing relationship that had been in place since the first winter warming shelter opened.

OTHER AGENCY INVOLVEMENT:

This has been a collaborative effort between the County Administrative Office, the Department of Social Services, and the Resource Management Agency.

The Resource Management Agency facilitated negotiations regarding the proposed Lease Agreement.

FINANCING:

The recommended action will result in a total financial commitment estimated at between \$658,740 and \$919,258 in the current year and between \$1,111,653 and \$1,352,431 in FY 2018-19.

Countywide, over \$13 million in unfunded issues have emerged since adoption of the FY budget. In addition to homeless services, unfunded needs include the State's \$5.9 million redirection of AB 85 indigent medical care funding for Monterey County, unbudgeted public defense costs associated with capital cases, increased cost for the Sheriff's Office inmate medical care contract, and other programs and projects. In addition to current year needs, departments will incur significant cost increases next fiscal year associated with negotiated salary increases and sharply rising pension contributions. As a result, there is limited funding available to address these needs without redirection of existing resources. Use of cannabis revenue, a new and unproven revenue stream, for the subject homeless services should be considered in context of the significant and growing fiscal demands on the County.

The total estimated cost for the Year-Round Homeless Shelter Lease Agreement is \$423,306.

	<u>FY 2017-18</u>	<u>FY 2018-19</u>	<u>FY 2019-20</u>	<u>Total Costs</u>
Lease	\$65,952	\$87,936	\$21,984	\$175,872
Premise Improvements.....	<u>\$92,788</u>	<u>\$123,717</u>	<u>\$30,929</u>	<u>\$247,434</u>
Total Cost.....	<u>\$158,740</u>	<u>\$211,653</u>	<u>\$52,913</u>	<u>\$423,306</u>

There is no funding available for the cost of the proposed Lease. The Department is requesting increased appropriations and General Fund Contributions from cannabis revenues as listed above for the Community Programs Unit 001-5010-SOC004-8258.

The Department of Social Services will return to your Board by November 30, 2017 with a request for subsequent appropriations estimated at between \$658,740 and \$919,258 necessary to support the shelter operations.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

This agreement correlates to the Health & Human Services Strategic Initiative adopted by the Board of Supervisors by allowing the Department to improve the quality of life for homeless individuals and families in our county by providing a warm and safe environment.

Check the related Board of Supervisors Strategic Initiatives:

☐ Economic Development

☐ Administration

☒ Health & Human Services

☐ Infrastructure

☒ Public Safety

Approved by: Elliott Robinson, Director of Social Services, Ext. 4430

Attachments: Proposed Lease Agreement

Proposed Lease Agreement is on file with the Clerk of the Board