

**STAFF REPORT**

**Date:** August 25, 2009  
**To:** Board of Supervisors  
**From:** Department of Human Services  
**Subject:** Homelessness Shelter/Resource Center  
CDBG General Allocation Grant #08-STBG-4982

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Background

On April 1, 2008 the Board of Supervisors approved submittal of an application to the California Department of Housing and Community Development for \$1,496,000 in Community Development Block Grant funding on behalf of United Outreach, Grace Place for a permanent year-round homeless shelter.

On July 17, 2008 the county received a conditional commitment of grant funds totaling \$1,496,000.

On December 8, 2008 the county received a \$1,470,975 award and the state's Standard Agreement.

On January 6, 2009 the Board of Supervisors took the following actions regarding Community Development Block Grant (CDBG) Standard Agreement #08-STBG-4982:

- Accept the grant;
- Authorize the Director of Human Services to sign the grant;
- Direct the Chair to sign a cover letter that states that we will be amending the contract as to the site location once we have had a site selection process which involves California Environmental Quality Act (CEQA) and public hearings, which may take more than 90 days; and
- Direct the staff to return to this Board with a contract with United Outreach once a site has been selected.

Although the Board did not formally identify a location for the homeless shelter, sites under foremost consideration included:

- A leased commercial building at 4570 Pony Express Trail, Cedar Grove
- County owned property at 6940 Perks Court, Placerville

## New Developments

Working to implement the Board's direction, Department of Human Services staff has been communicating with the California Department of Housing and Community Development (HCD) about necessary changes to the Standard Agreement. Communication with the state has revealed new information and concerns which potentially impact the county's interest in this grant.

- 1) For a leased facility, the state will require the county to pre-pay a 15-year lease. Monthly operational lease costs cannot be expended out of the public facility portion of the grant (see Attachment 3B).**

In order to utilize grant resources toward facility lease costs, the lease must be for a period of 15 years or more, and the payment must be paid up front in a lump sum lease payment equal to the appraised value of the leasehold interest. Staff estimates the upfront lease cost would be \$714,198. Such a large upfront payment makes it financially difficult, if not completely infeasible to operate a shelter from a leased facility such as Cedar Grove.

- 2) State communication delays have compromised acceptable timeframes for grant compliance.**

In response to the state's position on lease payments, staff focus shifted to county owned property at Perks Court. In March, 2009 county staff inquired about the possibility of incurring costs for general administration of the grant prior to satisfaction of the 90 day conditions, as well as necessary location and program related amendments to the Standard Agreement (see Attachment 3C). Those inquiries were not answered until July 2, 2009 (see Attachment 3D).

In addition, as outlined in Section 6 of the Standard Agreement, the county must comply with a set of conditions including public participation and environmental compliance within 90 days of grant execution known as the "90 day special conditions." Recognizing that many issues had to be addressed with regard to Perks Court, including Board of Supervisors approval, on February 27, 2009 staff requested a 120 extension of the 90 day special conditions (see Attachment 3E). Approximately four months later on June 30, 2009 the state granted a 90 day extension to expire 20 days later on July 20 (see Attachment 3F). It was not possible to hold public hearings and complete the necessary environmental reviews in such a constrained amount of time. As a result, county staff again requested an extension of the 90 day special conditions on July 15 (see Attachment 3G). The state granted this extension which will expire on October 17, 2009 (see Attachment 3H).

- 3) If United Outreach becomes unable to operate the shelter at any time within seven years, the county will be responsible for keeping the shelter operational or else could be required to reimburse the state for all funds received or utilized under the grant agreement, up to the full \$1,470,975.**

Essentially the grant serves as start-up money for shelter operations over a two year period. Under the Standard Agreement with the state, the county is able to draw upon grant funds until June 30, 2011 when the grant expires. As the grantee, the county must also commit to keeping the shelter operational for an additional five years after the expiration of the grant for a total of seven years.

At a May 20, 2009 meeting with state and county staff, the state confirmed that failing to keep the shelter operational for this cumulative seven year period could potentially lead the state to seek reimbursement of grant funds.

**4) The financial risk to the county outlined in point #3 above coupled with the economic downturn and subsequent decline in charitable giving raises new questions about United Outreach's ability to generate sufficient funds to operate the shelter.**

Based on budget estimates prepared by United Outreach, anticipated operational costs would exceed the annual revenue provided by the grant. This would require immediate and ongoing fundraising by United Outreach to sustain operations, especially for the required five-year period beyond the Standard Agreement. The following table summarizes the estimated outstanding fundraising need:

<b>Time Period</b>	<b>Estimated Annual Revenue Need (in addition to grant)</b>
During grant term (2009 through June 30, 2011)	\$12,347
After grant term (July 1, 2011 through June 30, 2016)	\$226,467

United Outreach does not have a financial history which demonstrates ability to draw in this level of resources. As a comparison, a leader of another local nonprofit that has a long established history of fundraising confirmed that his organization is only able to raise \$50-\$60 thousand in cash annually. Lack of a permanent facility does inhibit United Outreach's ability to attract donations.

Grace Place, United Outreach's previous shelter was largely staffed by volunteers in the gymnasium of the Camino Seventh Day Adventist Church. In August of 2007 the Board contributed \$42,000 from contingency to fund shelter staff during winter months. In March of 2008 the Board contributed an additional \$21,000 from the MHSA (Proposition 63) Special Revenue Fund.

Staff has apprised United Outreach of the potential financial risk to the county should they be unable to raise sufficient outside funding to support the shelter. United Outreach acknowledges this concern and would support the county's decision to decline the grant if the county deems the financial risk unacceptable (see Attachment 3I).

**5) The county has little ability to select an alternative shelter operator.**

## Attachment 3A

In light of the concern about United Outreach's fundraising capacity, staff explored alternatives for selecting a shelter operator with enhanced shelter program and financial expertise. Specifically, staff considered the possibility of asking the Board to issue a Request for Qualifications or a Request for Proposal in search of other operators.

Consequently, in July 2009 the Director of the Human Services contacted the state about the possibility of the county selecting an alternative shelter operator. State HCD staff explained that selecting an operator other than United Outreach would cause the county's grant application to be rescored. The county's initial application scored well due to a "readiness" factor. By selecting a new operator at this stage, state staff was confident that the county's application would score too low to obtain a new grant award.

Perks Court

Staff considers Perks Court the only viable location option identified to date.

The property is a 3.56 acre parcel (APN 327-130-18) located at 6940 Perks Court, Placerville. The property is zoned Residential Estate Five Acre (RE-5), and the General Plan land use information is Medium Density Residential (MDR). The site is located along the south side of Highway 50, east of Missouri Flat Road in the El Dorado/Diamond Springs Community Region and has been developed with two existing residential buildings, landscaping and parking area.

This parcel, along with several others, was purchased by the County Department of Transportation as right-of-way in conjunction with the Missouri Flat Interchange Project and is currently being used as a temporary office for the staging area of the Missouri Flat project.

Pursuant to Section 17.28.200.I of the El Dorado County Zoning Code, homeless shelters are allowed in the RE-5 zone districts with the approval of a Special Use Permit. Zoning Code section 17.06.050(P) defines a Community Care Facility as “any facility, place or building, which houses more than six people and is maintained and operated to provide non-medical residential care, day care or home-finding agency services for children, adults, or children and adults, including, but not limited to, the developmentally disabled, physically handicapped, mentally disordered, or incompetent persons.”

**Surrounding Land Uses and Setting:**

	<u>Zoning</u>	<u>General Plan</u>	<u>Land Use</u> (e.g., Single Family Residences, Grazing, Park, School)
Site:	RE-5	MDR	County owned single family residence
North:	C	TC Highway 50	
East:	RE-5	LDR	Undeveloped
South:	RE-5	LDR	Single family residences
West:	C/RE-5	C	Single family residences

**Perks Court Site Issues:**

Use of the Perks Court location poses challenges, especially in terms of readiness to commence site development, including:

- Potential use of the property and/or adjacent parcels for the U.S. 50/Missouri Flat Road Interchange Improvements - Phase 1B
- A recent grant award to the County for a project to develop pedestrian and bike trails in that area and resulting delay in July commencement date for Phase 1B
- Need for Special Use Permit or General Plan Amendment and Rezone
- Under the grant a change of site location requires updated letters of community support for project

## Policy Questions and Options

In light of the new information outlined above, staff seeks the Board's direction on the following policy question:

- **Is the Board willing to conceptually approve use of the county owned property at 6940 Perks Court as a homeless shelter?**

Should the Board conceptually approve use of the Perks Court property as a homeless shelter, staff further seeks the Board's direction on policy implementation. The following options described below are offered for the Board's consideration.

If the Board decides not to conceptually approve Perks Court for use as a homeless shelter, it should direct staff to seek grant extensions from the state and commence a new site search, or terminate efforts and rescind acceptance of the grant.

### **Option 1: Pursue grant implementation**

The Board has the option of working with United Outreach or seeking a more financially proven shelter operator. However, as described in point #5, selecting a new operator will significantly jeopardize the grant award.

If the Board elects to pursue grant implementation with United Outreach, it should direct DHS staff to:

1. Proceed with completion of the 90-day conditions as outlined in the State of California Housing and Community Development Block Grant (CDBG) Standard Agreement #08-STBG-4982.
2. Seek further extensions from HCD for grant implementation timelines and milestones as it will not be possible to satisfy the 90 day conditions by October 17.
3. Commence public participation (community meetings) on proposed changes to the Standard Agreement, including program scope and new site selection.
4. Request the state to amend the Standard Agreement to accommodate proposed program and location changes.
5. Complete environmental analysis.
6. Develop lease that includes a use limitation agreement with United Outreach.
7. Return to the Board with completed environmental analysis, use limitation agreement and updated Board Resolution adopting requested changes to grant application and confirmation of new site.

### **Option 2: Rescind acceptance of grant and work with United Outreach on a lease agreement for use of Perks Court property**

In recognition of the financial risk to the county should they fail to raise sufficient funds for the duration of the grant agreement, United Outreach has proposed an alternative direction for development of a homeless shelter.

Should the county rescind acceptance of the grant due to the financial risk and challenges and constraints imposed by the grant, United Outreach proposes to lease the Perks Court facilities for shelter operations.

Advantages of this option include:

- Quick initial startup following execution of lease agreement
- Allows for the development of a homeless shelter program that can grow at a pace aligned with fund raising capacity.
- Allows the program to develop without the challenges and constraints imposed by the stringent grant conditions and deadlines.
- United Outreach would utilize existing structures, volunteers and existing capacity for donations and grant-writing.
- The site is currently zoned as Residential and can serve by right up to six overnight guests.
- Public participation is not required for a facility of this size.
- Removes county liability to state if services are not continued by United Outreach and/or Consultant

Disadvantages of this option include:

- Use of property and lease agreement would revolve around Missouri Flat 1B scheduling
- Increase in number of clients served beyond six would require a special use permit or General Plan Amendment and Rezone of parcel.
- Project would lose public improvement funding provided by the CDBG grant to improve long-term site and service capacity.

Should the Board rescind acceptance of the grant and elect to work with United Outreach for potential use of the Perks Court property, the Board should direct DHS staff to:

1. Cease grant implementation activities.
2. Return Standard Agreement #08-STBG-4982 to the State of California Department of Housing and Community Development, advising that El Dorado County declines to accept this grant due to site challenges and concerns related to ongoing financing necessary to maintain the program given the current economic environment.
3. Determine whether and, if so how, to pursue utilization of County-owned Perks Court location for Emergency Homeless Shelter or Homelessness Resource Center.
4. Develop and return to Board a lease that includes a use limitation agreement with United Outreach.