

# Encampment Resolution Funding (ERF) Grant Application and Budget Match

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BUDGET AND FINANCE POLICY COMMITTEE

JANUARY 25, 2024

# Noncongregate Shelter and Encampments

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- Since the launch of the Homeless Response Team in Sept 2021, staff have made well over 500 offers of shelter to people living in encampments:
  - When congregate shelter is offered, acceptance rate = 43%
  - When noncongregate shelter is offered, acceptance = 77%
- Past examples of successful resolutions using noncongregate shelter (dedicated motels):
  - Harrison St corridor (Feb 2022) → Berkeley Inn; 83% uptake
  - People's Park (July/Aug 2022) → Rodeway Inn; 63% uptake (ERF-1)
  - Here/There (January 2023) → Super 8; 86% uptake
  - Harrison St corridor (Aug 2023 – present) → Super 8; 77% uptake (ERF-2)



# Current Situation

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- Staff are seeking to apply to the State's ERF-3 grant to:
  - Master lease with the Howard Johnson Motel (1512 University Avenue) for 4 years
  - Contract with Dorothy Day House to operate noncongregate shelter at the motel
  - Resolve the encampments in along 2<sup>nd</sup> St in Northwest Berkeley
  - Partner with UCSF Benioff Homeless and Housing Initiative to perform formal academic research on the encampment and our efforts to resolve it (details TBD)
- Aggressive State timeline precluded
  - NOFA released November 27, 2023
  - First application window due Jan 31, 2024
  - Anticipated award date: April 1, 2024
  - Deadline to expend 50% of award amount: June 30, 2025
  - Deadline to fully expend award amount: June 30, 2027

# Proposed Lease terms

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## ○ Timeline:

- 4 years beginning once funding is awarded, with either party reserving right to terminate, for any reason, with 180 days' notice after the first 12 months
- Option to extend to 5 years, and add another 5 years after that, contingent on funding availability
- 27 rooms plus access to all other facilities (these include (1) communal space with a bedroom, bathroom, kitchen and living room, (2) guest and hotel laundry rooms, (3) breakfast room, and (4) ADA accessible front office)

## ○ Rent/Costs:

- Flat rate of \$119/room/month (vacant or occupied), with 3% annual escalator
- Covers utilities, trash, internet

## ○ Damages:

- \$2,200/room/yr repair costs paid by City at the start of each year (with 3% annual escalator)

# Program Details

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- Program Operator: Insight Housing
- 4 P's:
  - Pets allowed
  - Privacy of own room
  - Possessions storage (details TBD)
  - Partners allowed
- 24/7 program with no curfews
- 3 meals/day
- On-site housing navigation

# Program costs

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	Howard Johnson lease costs	Dorothy Day House Program Costs	UCSF Research	TOTAL
Year 1	\$1,216,080	\$1,500,000	\$200,000	\$2,916,080
Year 2	\$1,252,562	\$1,350,000		\$2,602,562
Year 3	\$1,290,139	\$1,350,000		\$2,640,139
Year 4	\$1,328,843	\$1,350,000		\$2,678,843
<b>TOTAL</b>	<b>\$5,087,625</b>	<b>\$5,550,000</b>	<b>\$200,000</b>	<b>\$10,837,625</b>
			<b>4 YEAR TOTAL:</b>	<b>\$10,837,625</b>

# Measure P Forecast

	FY 2024 Estimated	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate
<b><u>Revenues</u></b>						
<i>Beginning Fund Balance</i>	\$ 19,887,422	\$ 8,976,746	\$ 5,282,839	\$ (559,430)	\$ (6,068,551)	\$ (5,085,474)
<i>Measure P Revenues*</i>	\$ 10,189,500	\$ 10,698,975	\$ 11,233,923	\$ 11,795,619	\$ 14,000,000	\$ 7,500,000
<b>Total Revenues and Balance of Funds</b>	<b>\$ 30,076,922</b>	<b>\$ 19,675,721</b>	<b>\$ 16,516,762</b>	<b>\$ 11,236,189</b>	<b>\$ 7,931,449</b>	<b>\$ 2,414,526</b>
<b>LESS: Total Expenses</b>	\$ 21,100,176	\$ 14,392,883	\$ 17,076,192	\$ 17,304,740	\$ 13,016,923	\$ 13,208,200
<i><u>Personnel Costs (1)</u></i>	\$ 1,221,769	\$ 1,319,511	\$ 1,425,071	\$ 1,539,077	\$ 1,662,203	\$ 1,795,179
<i><u>Non-Personnel Costs/ Program Expenses</u></i>	\$ 19,878,407	\$ 13,073,372	\$ 15,651,121	\$ 15,765,663	\$ 11,354,720	\$ 11,413,020
<b>Fiscal Year Surplus (Shortfall)</b>	<b>\$ (10,910,676)</b>	<b>\$ (3,693,908)</b>	<b>\$ (5,842,269)</b>	<b>\$ (5,509,121)</b>	<b>\$ 983,077</b>	<b>\$ (5,708,200)</b>
<b>Ending Fund Balance</b>	<b>\$ 8,976,746</b>	<b>\$ 5,282,839</b>	<b>\$ (559,430)</b>	<b>\$ (6,068,551)</b>	<b>\$ (5,085,474)</b>	<b>\$ (10,793,674)</b>



# Measure U1 Forecast

	FY 2024 Estimate	FY 2025 Estimate	FY 2026 Estimate	FY 2027 Estimate	FY 2028 Estimate	FY 2029 Estimate
<b>Revenues</b>						
<b>Beginning Fund Balance</b>	\$15,745,206	5,857,958	\$6,304,264	\$6,212,530	\$5,929,457	\$5,439,738
<i>ADD: U1 Fund Balance transferred from the General Fund</i>						
<i>ADD: Revenues</i>	5,900,000	5,900,000	5,900,000	5,900,000	5,900,000	5,900,000
<b>Total Revenues and Available Fund Balance</b>	<b>21,645,206</b>	<b>11,757,958</b>	<b>12,204,264</b>	<b>12,112,530</b>	<b>11,829,457</b>	<b>11,339,738</b>
<b>LESS: Total Expenses</b>	<b>15,787,248</b>	<b>5,453,694</b>	<b>5,991,734</b>	<b>6,183,073</b>	<b>6,389,719</b>	<b>6,612,896</b>
<b>Personnel Costs <sup>(2)</sup></b>	1,716,383	1,853,694	2,391,734	2,583,073	2,789,719	3,012,896
<b>Non-Personnel and Other Program Costs</b>	14,070,865	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
<b>Small Sites/Community Land Trusts</b>						
<b>Housing Trust Fund</b>	-	-	-	-	-	-
Housing Trust Fund Program <sup>(7)</sup>	4,870,865	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
<b>Development of New Housing Programs</b>						
Capacity Building for Emerging Developers	200,000	200,000	200,000	200,000	200,000	200,000
<b>Project Homekey Reservation (Round 3)</b>	<b>8,000,000</b>					
<b>Anti-Displacement</b>						
Rent Board (EDC & EBCLC)	-	-	-	-	-	-
East Bay Community Law Center (EBCLC)	-	275,000	275,000	275,000	275,000	275,000
Housing Retention Program (EBCLC)	-	250,000	250,000	250,000	250,000	250,000
Eviction Defense Center (EDC)	1,000,000	275,000	275,000	275,000	275,000	275,000
Housing Retention Program / Eviction Defense	-	-	-	-	-	-
Flexible Housing Subsidy Pool (BACS)	-	100,000	100,000	100,000	100,000	100,000
<b>Fiscal Year Surplus (Shortfall)</b>	<b>(9,887,248)</b>	<b>446,306</b>	<b>(91,734)</b>	<b>(283,073)</b>	<b>(489,719)</b>	<b>(712,896)</b>
<b>Ending Fund Balance</b>	<b>5,857,958</b>	<b>6,304,264</b>	<b>6,212,530</b>	<b>5,929,457</b>	<b>5,439,738</b>	<b>4,726,842</b>

# Financial Impacts

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- Measure P Fund Balance Projected to be Depleted in FY 27
  - Funded \$7M for Project HomeKey and \$4.5M to acquire Russell Street Residence
  - Preserve \$5M (\$2.5M in FY 25 & FY 26) for Awarded ERF Match Grant
  - Will require programmatic changes and/or use of General Fund to continue programs
- Measure U1 Projected Fund Balance Could Cover the Matching Grant
  - \$8M Project HomeKey Reservation in FY 24
  - Assumes only \$2.5M each fiscal year for Housing Trust Fund starting in FY 25
  - \$823,000 may also be available by shifting staffing costs to General Fund starting in FY 26

# Recommendation

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- **Recommendation:**

- Support the City Manager's application to the Encampment Resolution Fund-3 grant program for \$5,418,813
- Support allocating \$5,418,813 in Measure U1 and/or other new revenue sources as 50% local match

- **Rationale for Recommendation:**

- Lack of local match is likely to render the grant noncompetitive (50% match was successful in ERF-2)
- Prioritizes general fund spending on programs that leverage external funding
- Signals our commitment to our partners (Howard Johnson owners and Dorothy Day House)
- Creates a realistic opportunity to resolve the largest and most complex remaining encampment in Berkeley

