



DATE: December 17, 2019

TO: Mayor and City Council

FROM: Deputy City Manager

SUBJECT: Accept and Appropriate \$999,881 of Proposition 47 Funds and Amend Resolution 19-015 Authorizing the City Manager to Appropriate Up to \$3,192,339 for an Additional \$116,000 for the One-Year Operations of the Hayward Housing Navigation Center

RECOMMENDATION

That Council adopts a resolution (Attachment II) authorizing the City Manager to accept and appropriate \$999,881 of Proposition 47 funds for the Hayward Housing Navigation Center, and adopts a resolution (Attachment III) to amend Resolution 19-015 to authorize the City Manager to appropriate up to \$3,192,339 for an additional \$116,000 for the one-year operations of the Hayward Housing Navigation Center.

SUMMARY

This report provides Council with an update on the Hayward Housing Navigation Center (Navigation Center) and recommends adoption of a resolution to accept and appropriate \$999,881 of Proposition 47 (Prop 47) funds for the Navigation Center and adoption of a resolution to amend Resolution 19-015. To offset the operational costs of the Navigation Center, the City applied for and was successfully awarded nearly \$1 million in Prop 47 funds, made available through the Board of State and Community Corrections (BSCC).

On January 22, 2019, Council approved resolution 19-015, authorizing and appropriating up to \$3,076,340 for the one-year costs of the Navigation Center, including one-time construction expenses and first year operational expenses. Due to unforeseen site preparation and construction expenses primarily related to extraordinary and unanticipated electrical expenses, the year one costs are anticipated to exceed the budget by approximately \$96,000. Staff recommends that Council amend resolution 19-015 to increase the total year-one allowable expenditures for the Navigation Center from \$3,076,339 to \$3,192,339, to cover the \$96,000 in unforeseen expenses as well as provide \$20,000 in contingency for the remainder of the first year for a total increased budget of \$116,000.

Despite the requested increase in the annual budget, there will be approximately \$384,000 in overall savings to the General Fund for this project due to the award of Prop 47 funds as well as a generous donation from the Hayward Rotary Club.

BACKGROUND

On January 22, 2019, Hayward City Council took emergency action to implement the Hayward Housing Navigation Center (Navigation Center) to address the homeless shelter crisis in the City. As part of this emergency action, Council approved resolution 19-015, authorizing and appropriating up to \$3,076,339 for the one-year costs of the Navigation Center.¹ Staff had projected the initial start-up costs and a single year of operations at no more than the approved \$3,076,339. The estimated costs included \$500,000 in upfront one-time costs associated with site preparation and construction and \$2.5 million in annual operational expenditures for all expenses related to staffing for outreach, 24-hour on-site property management, housing navigation and case management, as well as utilities, food, and flexible funds for housing placement. The approved budget with funding sources can be found in **TABLE 1**.

TABLE 1: JANUARY 22, 2019 COUNCIL APPROVED ESTIMATED BUDGET

Funding Source	Amount
HEAP award	\$1,776,339
Sale Proceeds from 238 Parcels 1 & 10	<u>\$1,300,000</u>
Total projected cost	\$3,076,339

To offset the operational costs of the Navigation Center, the City applied for and was successfully awarded nearly \$1 million in Prop 47 funds, made available through the Board of State and Community Corrections (BSCC). California voters approved Prop 47 in November 2014 with the goal of lowering incarceration rates across the State by reclassifying certain classes of low-level, non-violent felonies as misdemeanors for individuals who do not have prior convictions for serious offenses. Each year, the state savings generated by the implementation of Prop 47 are placed into the Safe Neighborhoods and Schools Fund. Sixty-five percent of these savings are set aside annually for the Board of State and Community Corrections (BSCC) to administer a competitive grant program. Prop 47 required that these funds be awarded to public agencies to provide mental health services, substance use disorder treatment, and/or diversion programs for those in the criminal justice system. The City will partner with the Alameda County District Attorney's Office to use Prop 47 funds to divert individuals from the criminal justice system by connecting them to the Navigation Center and providing mental health and/or substance use disorder treatment services.

In addition to grant funding, staff have been seeking donations through private donors. One notable donation is from the Rotary Club of Hayward, who has committed to donating \$83,000 to purchase one of the existing residential modular units on the site. This generous

¹ Additional background information can be found online from the January 22, 2019 City Council meeting: <https://hayward.legistar.com/LegislationDetail.aspx?ID=3838800&GUID=89EC3945-8050-428A-881C-6180A91CBA9A&Options=&Search=>

contribution will help offset initial costs as well as ongoing annual expenditures in subsequent years.

DISCUSSION

Updates

On November 18, the City held a Ribbon Cutting and Open House ceremony to celebrate the opening of the Hayward Housing Navigation Center. Speakers included Mayor Barbara Halliday, City Manager Kelly McAdoo, District Attorney Nancy O'Malley, Senator Bob Wieckowski, and the Executive Director of BACS, Jamie Almanza. Over 140 people attended the ceremony and [photos of the ceremony can be found on the Navigation Center website.](#)²

Using the Council approved prioritization policy³, staff provided BACS with an initial list of 50 individuals from the downtown area that frequently interact with law enforcement, fire, and maintenance services staff and may be eligible for placement at the Navigation Center. BACS has attempted phone outreach with nearly all individuals on this list, with about 50% being responsive. BACS will follow-up with in-person outreach. To date, 10 individuals from this list have been placed at the Navigation Center.

Additionally, BACS was able to conduct outreach at the Maple & Main development site on November 29. BACS contacted six individuals, of whom three accepted immediate placement. BACS will be conducting a formal intake process with these individuals to offer placement at the Navigation Center.

Proposition 47

To offset the operational costs of the Navigation Center, the City applied for and was successfully awarded nearly \$1 million in Prop 47 funds. The City will partner with the Alameda County District Attorney's Office to use Prop 47 funds to divert individuals from the criminal justice system by connecting them to the Navigation Center and providing mental health and/or substance use disorder treatment services. Over 80% of the total grant will go directly to BACS, 5% towards data collection and evaluation, and about 10% will be allocated towards the City of Hayward's administration of Prop 47 funds. A breakdown of the funding allocation across the grant's four-year grant period can be found in **TABLE 2**.

TABLE 2: PROP 47 FUNDING BREAKDOWN

Budget Item	Prop 47 Funding Allocation	Percentage of Total Award
City Administration	\$132,480	13%
BACS Subcontract	\$817,401	82%
Data Collection and Evaluation	<u>\$50,000</u>	<u>5%</u>

² <https://www.flickr.com/photos/city-of-hayward/sets/72157711867218688/>

³ Additional background information can be found online from the July 9, 2019 City Council meeting: <https://hayward.legistar.com/LegislationDetail.aspx?ID=4056931&GUID=2D38C7B0-C7BF-4C35-84BF-CEE97008D399&Options=&Search=>.

Total	\$999,881	100%
--------------	------------------	-------------

Prop 47 funds will be allocated across four years, with \$500,000 being allocated to BACS in year one and the remainder of funds will be dispersed in years two through four. City administration grant funds will be used in year one, and data collection and evaluation funds will be allocated across the grant period.

Budget

At the January 22, 2019 Council meeting, staff had estimated the first year expenses at no more than \$3,076,339. Site preparation and construction was estimated at \$500,000, and BACS’ annual operational expenses were estimated at \$2.5 million. While staff had built in contingency, due to unforeseen expenses primarily related to extraordinary electrical expenses, the year one costs are anticipated to exceed the budget by approximately \$96,000, and with an added \$20,000 contingency, by a total of \$116,000. A breakdown of the major unanticipated expenses can be found below:

- *Absorbing \$28,470 in expenses that staff had anticipated PG&E would incur.* At the onset of this project, staff had anticipated PG&E to perform the utility work necessary to connect power to the site. Staff decided to incur extra costs in order to open the Navigation Center before the holidays and before the colder months.
- *Underestimating the expense of pulling high voltage wire.* Staff underestimated the cost of high voltage wire pulling, and the total cost came in at approximately \$150,000.

Due to these unforeseen larger expenses, the budget for the Navigation Center will exceed \$3,076,339. Despite the requested increase in the annual budget, there will be approximately \$384,000 in savings to the General Fund for this project, \$132,480 in administrative revenue due to the award of Prop 47 funds, and the \$83,000 donation from the Rotary Club of Hayward. At the January 2019 Council meeting, \$1.3 million in sale proceeds of the former 238 properties Parcels 1 and 10 was authorized and appropriated for use at the Navigation Center. Staff will spend no more than \$916,000 of this allocated funding, resulting in approximately \$384,000 in savings to the General Fund.

Staff recommends Council approve the following resolutions:

- Resolution to Appropriate \$999,881 of Proposition 47 Funds for the Hayward Housing Navigation Center across Fiscal Year 2019 through Fiscal Year 2023 (Attachment II)
- Resolution to Amend Resolution 19-015 to Authorize the City Manager to Appropriate up to \$3,192,339, for the One-Year Operation of the Hayward Housing Navigation Center (Attachment III)

FISCAL IMPACT

This item has a \$384,000 savings to the General Fund. While the overall year-one budget must be increased, Prop 47 and private donations will offset the operational costs, reducing the share of the City’s General Fund contribution from \$1.3 million to \$916,000, resulting in

\$384,000 savings to the General Fund. A breakdown of the changes in funding source and allocation can be found in **TABLE 3**.

TABLE 3: 2019-2020 ANNUAL NAVIGATION CENTER BUDGET

FUNDING SOURCE	ORIGINAL ESTIMATE	UPDATED AMOUNT
HEAP award	\$1,776,339	\$1,776,339
Sale Proceeds from 238 Parcels 1 & 10	\$1,300,000	\$916,000
Prop 47 ⁴	\$0	\$500,000
Total Year-One Cost	\$3,076,339	\$3,192,339

Prop 47 funds will be allocated across four years, with \$500,000 being allocated to BACS in year one and the remainder of funds will be dispersed in years two through four. City administration grant funds will be used in year one, and data collection and evaluation funds will be allocation across the grant period.

NEXT STEPS

Staff continues to seek outside funding for the Navigation Center and will return to Council for authorization and appropriation of future additional funds. Staff will return to Council in June 2020 with a mid-year status report on the Navigation Center.

Prepared by: Jessica Lobedan, Management Analyst II

Recommended by: Jennifer Ott, Deputy City Manager

Approved by:



Kelly McAdoo, City Manager

⁴ Year one Prop 47 funding allocation