



STAFF REPORT

DATE: 11/20/2024
TO: Honorable Mayor and City Council Members
FROM: The Office of the City Manager

2024-133

REQUEST FOR CITY COUNCIL ACTION

SUBJECT:

APPROVAL OF THE FIRST AMENDED AND RESTATED MERCY HOUSE AGREEMENT AND THE COUNTY OF RIVERSIDE ARPA AND HHIP GRANT AGREEMENTS.

EXECUTIVE SUMMARY:

The staff report asks City Council to approve the First Amended and Restated Mercy House Homeless System of Services Agreement to support the Harrison Hope Center Shelter/Navigation Center, Transportation/Meal Services Program, HOME Tenant-Based Rental Assistance Program, Permanent Supportive Housing Program and Recuperative Care Program as well as to approve the County of Riverside ARPA and HHIP Grant Agreements.

RECOMMENDED ACTION:

- a. Approve the First Amended and Restated Professional Services Agreement with Mercy House for Corona's Homeless System of Services, retroactive from July 1, 2024 to June 30, 2025, in the total maximum compensation amount of \$8,279,868.
- b. Authorize the City Manager, or his designee, to execute the First Amended and Restated Professional Services Agreement with Mercy House.
- c. Authorize the City Manager, or his designee, to approve non-substantive amendments to the First Amended and Restated Professional Services Agreement with Mercy House, including periodic updates to the HOME TBRA

Guidelines (Exhibit 6) and the Shelter Operations Plan (Exhibit 7) which are more operational and procedural in nature as well as budget line-item adjustments so long as any such amendments will not cause the City to exceed the approved total maximum compensation of \$8,279,868 for the First Amended and Restated Agreement.

- d. Approve the County of Riverside American Rescue Plan Act (ARPA) Grant Agreement for a restrictive covenant term of fifteen years effective April 9, 2024 to December 1, 2038 in the amount of \$1,000,000 with a full expenditure deadline of December 31, 2024.
- e. Authorize the City Manager, or his designee, to execute the County of Riverside American Rescue Plan Act (ARPA) Grant Agreement.
- f. Authorize the City Manager, or his designee, to approve non-substantive amendments and term changes to the County of Riverside American Rescue Plan Act (ARPA) Grant Agreement including line-item adjustments so long as any such amendments will not cause the City to exceed the grant maximum of \$1,000,000.
- g. Approve the County of Riverside Housing and Homelessness Incentive Program (HHIP) Grant Agreement for a term effective July 1, 2024 to June 30, 2025 in the amount of \$400,000.
- h. Authorize the City Manager, or his designee, to execute the County of Riverside Housing and Homelessness Incentive Program (HHIP) Grant Agreement.
- i. Authorize the City Manager, or his designee, to approve non-substantive amendments and term changes to the County of Riverside Housing and Homelessness Incentive Program (HHIP) Grant Agreement including line-item adjustments so long as any such amendments will not cause the City to exceed the approved grant maximum of \$400,000.
- j. Authorize an appropriation and estimated revenue increase in the amount of \$1,400,000 in the General Fund 110 for the County of Riverside's American Rescue Plan Act (ARPA) Grant and Housing and Homelessness Incentive Program (HHIP) Grant Agreements.

BACKGROUND & HISTORY:

On December 7, 2022, the City Council approved the Mercy House Homeless System of Services Agreement totaling \$3,988,491 for a 7-month period through June 30, 2023.

On June 21, 2023, the City Council adopted the City of Corona Budget for Fiscal Year (FY) 2024, which included \$4,699,255 in funding to support the Mercy House Homeless System of Services Agreement for a 12-month period beginning July 1, 2023.

On June 21, 2023, the City Council approved a First Amendment to the Mercy House Homeless System of Services Agreement to extend the term to June 30, 2024, eliminate the \$218,202 contingency, and reduce the maximum obligation of the Agreement to \$3,770,283.

On April 3, 2024, the City Council approved a Second Amendment to the Mercy House Homeless System of Services Agreement to add FY 2024 funds of \$4,699,255, bringing the agreement's maximum obligation to \$8,469,544. The agreement's term did not change.

On August 21, 2024, the City Council approved a Third Amendment to the Mercy House Homeless System of Services Agreement to extend the term to December 31, 2024. The maximum obligation of the agreement did not change.

ANALYSIS:

When the City Council approved the Second Amendment to the Mercy House Homeless System of Services Agreement on April 3, 2024, the term of the Agreement was not changed even though 12 months of funding were incorporated into the Agreement, with services retroactive to January 1, 2024. As a result, the term of the Agreement expired on June 30, 2024, even though services were funded through December 31, 2024.

To address this issue, on August 21, 2024, the City Council approved a Third Amendment to the Mercy House Homeless System of Services Agreement to extend the term to December 31, 2024. This action allowed Homeless Solutions staff to work in collaboration with the City Attorney's Office to develop a new Agreement with Mercy House to accomplish the following objectives:

- 1) Align the agreement to the fiscal year retroactive to July 1, 2024 through June 30, 2025 to support increased costs and program expansions to fully utilize State and County Grant funds by mandated deadlines;
- 2) Incorporate \$2,789,402 in FY 2025 Measure X funds;
- 3) Incorporate \$1,000,000 in County of Riverside ARPA grant funds;
- 4) Incorporate \$400,000 in County of Riverside HHIP grant funds;
- 5) Incorporate \$498,946 in FY 2025 State PLHA grant funds;
- 6) Incorporate \$395,233 FY 2025 HOME TBRA grant funds;
- 7) Carry forward and incorporate \$697,433 in FY 2024 and \$679,844 in FY 23 HOME TBRA funds as well as \$1,819,009 in FY 2024 Measure X funds;
- 8) Simply the structure of the Mercy House Homeless System of Services budget line items to align to other Homeless Solutions Agreements approved by the City

Council. Accordingly, consolidate over eight different budget line items into four budget line items:

- a. Labor Costs - \$3,300,375
- b. Operational Costs - \$2,615,404
- c. HOME TBRA Costs - \$1,772,511
- d. Indirect Costs - \$591,578

Total - \$8,279,868

- 9) Request City Council approval to delegate authority to the City Manager or his designee to periodically update the HOME TBRA Guidelines (Exhibit 6) and the Shelter Operations Plan (Exhibit 7) which are more operational and procedural in nature.

Mercy House Budget Reconciliation:

With the exception of the HOME TBRA funds which are paid on a cost reimbursement basis, Mercy House contract terms authorize a monthly flat fee billing for all programs in the system with paid receipts to be subsequently submitted by Mercy House and budget reconciliations to be completed by Homeless Solutions staff in the last quarter of the fiscal year.

The Mercy House Homeless System of Services has multiple programs supported by federal, state, county, and city funds. The Mercy House agreement terms and related funding allocations were extended as programs were implemented on an incremental basis over time. A reconciliation of the FY 2023 flat fee budget of \$2,640,015 indicates that Mercy House spent \$2,961 more than it received in flat fee reimbursements. As part of the City Council's approval of the First Amended and Restated Agreement, staff requests that Mercy House be reimbursed out of the Operational Costs budget line item for these expenses.

On August 21, 2024, staff advised City Council that the Mercy House Agreement was being restructured to incorporate county, state, and federal Grants retroactive to July 1, 2024 through June 30 2025. The FY 2025 Mercy House services were expanded retroactive to July 1st to ensure that the City meets spending deadlines for the various grant funds being incorporated into this agreement; therefore, a reconciliation of Third Amendment to the Agreement, which includes FY 2024 funds, shows Mercy House overspending the budget beginning July 1st because of the timing of adding the grant funds in this agenda item. If approved, this agenda item will increase the monthly flat fee portion of the agreement from \$303,168 per month to a maximum of \$492,981 per month with July 2024 including two months of operations costs to address Mercy House cash flow and grant spending deadlines. The two-month flat fee payment provision was approved by the City Council in previous Mercy House agreements.

HOMELESS STRATEGIC PLAN:

The recommended actions support multiple goals and strategies in the City's Homeless Strategic Plan, including:

Goal 1: Develop a Systems-Oriented Approach to Address Homelessness

Goal 2: Develop a Low-Barrier Emergency Shelter/Navigation Center

Goal 3: Develop Permanent Supportive and Affordable Housing Solutions

Goal 8: Develop a Homeless Prevention Initiative

Goal 10: Expand Data Tracking Systems to Measure System Performance

FINANCIAL IMPACT:

Approval of the recommended actions will result in an appropriation and estimated revenue increase in the amount of \$1,400,000 in the General Fund 110 for the County of Riverside's American Rescue Plan Act (ARPA) Grant and Housing and Homelessness Incentive Program (HHIP) Grant Agreements.

ENVIRONMENTAL ANALYSIS:

This action is exempt pursuant to Section 15061(b)(3) of the Guidelines for the California Environmental Quality Act (CEQA), which states that a project is exempt from CEQA if the activity is covered by the common sense exemption that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This action involves the approval of a First Amended and Restated Mercy House Homeless System of Services Agreement and two County of Riverside Homeless Assistance Grant Agreements. The County ARPA Grant Agreement is reimbursing the City of Corona for \$1 million of \$3 million previously spent on renovations for the Harrison Hope Center. The April 20, 2022 Agenda Staff Report for the Phase 2 improvements confirmed that the Harrison Hope Center renovations were categorically exempt from CEQA pursuant to Section 15301(d) of the Guidelines of the California Environmental Quality Act (CEQA). Approval of these agreements and provision of the related homeless services will not have a significant effect on the environment. Therefore, no environmental analysis is required.

PREPARED BY: Karen Roper, Homeless Solutions Manager

REVIEWED BY: Jacob Ellis, City Manager

ATTACHMENTS:

1. Exhibit 1 - Mercy House Agreement

2. Exhibit 2 - Mercy House 1st Amendment to Agreement
3. Exhibit 3 - Mercy House 2nd Amendment to Agreement
4. Exhibit 4 - Mercy House 3rd Amendment to Agreement
5. Exhibit 5 - Mercy House 1st Amended and Restated Agreement
6. Exhibit 6 - HOME TBRA Guidelines
7. Exhibit 7 - Shelter Operations Plan
8. Exhibit 8 - County of Riverside ARPA Grant Agreement
9. Exhibit 9 - County of Riverside HHIP Grant Agreement