



STAFF REPORT

DATE: 08/06/2025
TO: Honorable Mayor and City Council Members
FROM: Housing and Homeless Solutions, City Manager's Office

2025-299

REQUEST FOR CITY COUNCIL ACTION

SUBJECT:

FIRST AMENDMENT TO FIRST AMENDED AND RESTATED AGREEMENT WITH MERCY HOUSE LIVING CENTERS

EXECUTIVE SUMMARY:

The staff report asks City Council to approve the First Amendment to the First Amended and Restated Homeless System of Services Agreement with Mercy House to support the Harrison Hope Center Shelter/Navigation Center which includes the Make It Cozy Home Furnishing Program, Respite Care Program, HOME Tenant-Based Rental Assistance Program, and the Permanent Supportive Housing Program.

RECOMMENDED ACTION:

That the City Council:

- a. Approve the First Amendment to the First Amended and Restated Professional Services Agreement with Mercy House for Corona's Homeless System of Services, effective July 1, 2025, to June 30, 2026, in the total maximum compensation amount of \$5,547,735.
- b. Authorize the City Manager, or his designee, to execute the First Amendment to 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 Amendment to the First Amended and Restated Professional Services Agreement with Mercy House, including periodic updates to the HOME TBRA Guidelines and the Shelter Operations Plan which are part of the original agreement and 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 \$5,547,735 for the First Amendment to the First Amended and Restated Agreement with Mercy House.

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.

On November 20, 2024, the City Council approved the First Amended and Restated Mercy House Homeless System of Services Agreement retroactive from July 1, 2024, to June 30, 2025 for a maximum obligation of \$8,279,868 for FY 2025. City Council's approval of this agreement facilitated the incorporation of multiple federal and state grants. Accordingly, the agreement was retroactive back to July 1, 2024, to meet grant deadlines, maximize use of grant funds and leverage limited City of Corona Measure X funds.

ANALYSIS:

The Mercy House Agreement and related scope of services was expanded in FY 2024 and FY 2025 due to Federal, State, and County grants, including State PLHA grants, carryover of Federal HOME grants, as well as Federal ARPA and State HHIP grants that were awarded through Agreements with the County of Riverside.

PLHA Funding

The State PLHA fund allocations have been on a downward trend as the program is funded with real estate recording fees, therefore, program allocations are subject to change. To provide some perspective, annual allocations have ranged from:

\$582,003 - Year 1

\$904,613 - Year 2

\$995,498 - Year 3

\$498,946 - Year 4

\$382,425 - Year 5

Year 5 of the PLHA funds (\$382,425) is included in the FY 2026 Mercy House Agreement being recommended to City Council for approval. This is the lowest allocation to date. The Agreement is also supported with \$233,104 in carryover PLHA funds from Year 4.

HOME Funding

The City receives a direct allocation of HOME funds from HUD as part of the five-year Consolidated Plan and Annual Action Plan process. To support the City's System of Services, Mercy House receives HOME Tenant-Based Rental Assistance (TBRA) funds which provide eviction prevention and housing support for shelter graduates.

The TBRA Program has continued to expand to meet the increasing needs of Corona residents. As a result, program funds are being spent at a higher rate thus reducing carryover funding which has historically supplemented new HOME TBRA funds allocated to Mercy House each fiscal year. The FY 2026 total TBRA allocation is \$860,705 compared to \$1,772,511 in FY 2025.

County of Riverside Project-Based Voucher Rent Subsidies

The scope of services in the proposed agreement references the County of Riverside Housing Assistance Program (HAP) Project-Based Voucher (PBV) Agreement for the 5th Street Permanent Supportive Housing (PSH) units. Housing and Homeless Solutions collaborated with Mercy House to apply to the County for PBVs.

The PBVs will provide rental subsidies to Mercy House to cash flow the project and ensure that extremely low-income residents pay no more than 30% of their income towards rent. Once the HAP agreement is finalized with the County and subsequently approved by the Board of Supervisors, the County estimates providing \$5.1 million in rent subsidies over the 20-year HAP agreement term.

The HAP agreement also has an option to renew for a 2nd 20-year term. Rent subsidies are subject to change and based upon client income and size of unit. The HAP agreement will also include an Assignment of Agreement to the City if the City no longer contracts with Mercy House to operate its system of services. Like the Vista Dorada PSH project, the County must approve all tenants referred for PBV rent subsidies.

Due to the downward trend of TBRA funds, the proposed contract authorizes Mercy House to allocate any potential operating cost savings resulting from the PBV HAP for the 5th Street PSH units to support additional housing placements for Harrison Hope Center shelter graduates. Mercy House is required to track any potential operating cost reductions and document how the savings are allocated and utilized in the whatever it takes crisis stabilization budget category in the contract.

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 not result in any additional financial impact to the City. Funding for the First Amendment to the First Amended and Restated Agreement with Mercy House is available in the Adopted Fiscal Year 2026 Budget, which was approved by the City Council on June 4, 2025.

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 Amendment to the First Amended and Restated Mercy House Homeless System of Services Agreement. Approval of this agreement 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, HOUSING & HOMELESS SOLUTIONS MANAGER

REVIEWED BY: JACOB ELLIS, CITY MANAGER

ATTACHMENTS:

1. Exhibit 1 – First Amendment to the First Amended and Restated Professional

Services Agreement with Mercy House dated 8-6-25

2. Exhibit 2 – First Amended and Restated Agreement with Mercy House dated 11-20-24
3. Exhibit 3 - Redline of First Amended and Restated Agreement with Mercy House