



Office of the City Manager

WORKSESSION
January 15, 2019

To: Honorable Mayor and Members of the City Council
From: Dee Williams-Ridley, City Manager
Submitted by: Paul Buddenhagen, Interim Deputy City Manager
Subject: Uses for Measure P Funding

SUMMARY

Berkeley voters approved Measure P, which raises transfer taxes on high-value real estate transactions, on November 6, 2018. This report discusses different options to be considered when determining how to spend Measure P funds, and incorporates staff recommendations on funding priorities to serve the strategic interest of the city in addressing homelessness and its impacts over the coming 5 years. The report also outlines the role of the Panel of Experts, with staff recommendations on how best to utilize this new City resource.

Because the City of Berkeley will be receiving approximately \$4M in one-time, time-limited emergency funding for homelessness as part of SB 850 (the California Homeless Emergency Aid Program, or HEAP), we consider the city's homeless funding needs in light of this funding source. We recommend:

- Using HEAP to support one year of operations at the STAIR Center (\$2M); two years of operations at the expanded Dorothy Day House Shelter (\$620k); two years of encampment trash/debris removal and sanitation efforts (\$880k); and funding to create a second locker site (\$100k).
- Using Measure P funds to supplement all of the HEAP activities above and fund a suite of additional services, as well as funds to transform half of Berkeley's shelter beds into Navigation Centers; permanent subsidies to cut chronic homelessness in half in Berkeley; funds for the Homeless Outreach Treatment Team (HOTT), mental health services, and substance abuse services for homeless people; funds to support emergency psychiatric transports; and some funds to support ongoing agency staff training.

The total cost of this work exceeds expected Measure P annual revenues. With council guidance on prioritizing, staff will bring updated information to the Panel of Experts when they are seated, and work with them to develop refined, on-budget, recommendations to a later council meeting.

CURRENT SITUATION AND ITS EFFECTS

Overview of Measure P and Projected Revenues

Berkeley voters approved Measure P on November 6, 2018 and the tax increase went into effect on December 21, 2018. Measure P raised transfer taxes from 1.5% to 2.5% for property sales and transfers over \$1,500,000, adjusted annually to capture the top approximately 33% of transfers. The legislation indicates that the money will be used for “general municipal purposes such as navigation centers, mental health support, rehousing and other services for the homeless, including homeless seniors and youth,” including staffing costs associated with implementing such programs. Based on a five-year transfer tax analysis, this measure is estimated to generate \$6-\$8 million dollars annually.

Homeless Services Panel of Experts

Measure P creates a Homeless Services Panel of Experts to advise Council on use of the funds. The Panel will consist of nine members, who must satisfy at least one the following criteria:

1. Have experience in the development, administration, provision and/or evaluation of homeless programs in a government or non-profit capacity; or
2. Have current or past lived experience with homelessness; or
3. Have experience in researching the causes, impacts, and solutions to homelessness; or
4. Have experience with state and/or local homeless policy, funding or programs; or
5. Have experience with federal homeless policy and funding administration such as the Continuum of Care Program; or
6. Have experience in the development and financing of affordable housing for formerly homeless persons; or
7. Have experience in the provision of mental health and/or substance use programs for homeless persons.

The City Council is required to consider the Panel’s recommendations and to inform the Panel about the extent to which it has implemented the Panel’s recommendations, but ultimate funding decisions are left solely with the Council. Staff recommend that the Panel also partner with staff in developing outcome measures for the funds, monitoring funding performance over time, and using these performance measures to inform funding decisions and homeless policy development over time.

Funding Recommendations

Staff recommend prioritizing the following programs and interventions for Measure P funding. These recommendations take into account other city expenditures on

homelessness, including California Homeless Emergency Aid Program (HEAP) one-time funding, discussed below. Priorities originally generated by Council are noted; staff-recommended priorities are noted as well. Eight of the 12 recommended priorities were originally generated by Council.

1. Fund Pathways' STAIR Center into year 3 and beyond (Council referral).

The STAIR Center will conclude one year of operations at the end of fiscal year 2019. Currently, the program has no City General Fund commitment beyond this first year of operations. Staff recommend funding Pathways for year 2 using funds from the California Homeless Emergency Aid Program (HEAP). However, HEAP is a one-time funding allocation with aggressive expenditure deadlines (see below), so this funding cannot be relied on to fund Pathways into a third year or more. Staff recommends prioritizing the STAIR Center for Measure P funds at the start of fiscal year 2021.

Cost: \$2.3M, beginning Fiscal Year 2020. This funding continues STAIR Center services at current levels.

2. Transform Berkeley's shelter system into a housing-focused Navigation System (staff recommended priority).

Berkeley's traditional year-round shelters have an average annual budget of \$640,000. However, any shelter can be turned into an outcomes-driven navigation center with sufficient staffing and flexible funding. To help move Berkeley's traditional shelter system from one that is focused on *respite* to one that also promotes *flow* from the streets into housing, we recommend bolstering one or more shelter budgets so they reflect the priorities of the STAIR Center. Staff estimate that doing this for all four of Berkeley's traditional, year-round shelters would be \$4.8M per year, growing annually with inflation and costs of living. We recommend starting by piloting this approach using Measure P funding for roughly half of Berkeley's shelter beds, at an annual cost of roughly \$2.1M.

Cost: \$2.1M in total new funding for shelters, growing annually with inflation/costs of living. This funds:

- New navigators, peer site monitors, mental health support, and management for nearly half of Berkeley's year-round shelter beds at highly competitive salaries to attract and retain top talent;
- Flexible subsidies; one meal a day for each bed; open 24 hours
- Overhead and training support for shelter staff.

Staff acknowledge that creating flow through shelter is dependent not only on funding for rents but also on the availability of housing. We believe, however, that shelters could improve housing outcomes with additional financial resources.

Navigation centers, which are open 24 hours and allow more flexibility for clients, are more appealing to the Berkeley street homeless population. While Berkeley can provide the low-barrier, service rich navigation centers to help transition unhoused residents from the streets and into housing, Alameda County must take the lead in piloting permanent operating subsidies for its homeless population given the scale of the resources needed. Homelessness does not respect jurisdictional boundaries within Alameda County; stronger county investment in permanent housing support is imperative for this local investment strategy to be maximally effective.

3. Reduce chronic homelessness by 50% by 2023 (staff recommended priority).

Berkeley has a robust federally funded Shelter Plus Care program with extensive expertise in the administration of permanent subsidies for chronically homeless individuals¹, and already funds a small number of permanent subsidies for chronically homeless people through the Square One program. By expanding Square One to 54 new vouchers in 2019 and 222 total vouchers by 2023, we calculate that Berkeley, on its own, can achieve the goal of reducing chronic homelessness by 50% by 2023.

Cost: \$1.1M in funding in year 1, growing to \$4.9M annually by 2023. This funds:

- Staff costs to deliver the program total \$185k in year 1, and \$746k annually by 2023.
- Subsidy and associated supportive services costs total \$951k in year 1, and \$4.1M annually by 2023.

4. Homeless Full Service Partnership and/or Homeless Outreach and Treatment Team (HOTT) (Council referral).

Permanent housing remains the ultimate solution to homelessness, but many individuals with serious mental illness require mental health and substance use treatment and support in order to access and succeed in housing. To address this need, staff recommend expanding such services for people experiencing homelessness. Specifically, staff recommend funding the pilot Homeless Outreach and Treatment Team (HOTT) on a permanent basis by enhancing the program to offer robust, full service partnership (FSP)-level services (thus leveraging additional state funding).

Cost: \$401,000 annually. This leverages other funding to support:

¹ People who are chronically homeless have experienced homelessness for at least a year – or repeatedly – while struggling with a disabling condition such as a serious mental illness, substance use disorder, or physical disability.

- 7.25 FTE HOTT staff, including a registered nurse and a psychiatrist.
- Flexible funding and shelter/motel vouchers to temporarily assist people off the streets.

5. Homeless Encampment Team (Council referral)

City of Berkeley Public Works Department and Parks, Recreation and Waterfront departments spend significant amounts of time and money on intermittent homeless debris removal throughout the City, with no regular funding dedicated to these activities. This effort displaces time and funding for maintenance of our existing infrastructure. Staff time for clean-up and storage, disposal costs and costs for protective equipment currently exceeds \$580,000. We are recommending \$1,000,000 per year, with \$370,000 of this coming from HEAP in FY 20 and 21, and the remaining portion from Measure P.

Cost: \$1,000,000 per year. This funds:

- 1 FTE staff from Code Enforcement, 2 FTE staff from Public Works, and 1 FTE HHCS outreach staff to provide full-time, year-round encampment response;
- Costs for regular trash and debris removal service at encampments, storage, safe disposal, and protective equipment;
- Costs to cover contract(s) with outside agencies to assist with additional debris removal at encampments or encampment-impacted locations.

7. Mental Health Emergency Transport (Council referral)

From 12/20/2017 to 12/20/2018 Alameda County's private ambulance transport provider reports about 1100 psychiatric patient transports from Berkeley to local psychiatric and medical facilities. As of July 1st, 2019, the County will no longer provide this transport service and these patients will become the responsibility of the City. For each psychiatric call, the City is required to provide transport to a specialized psychiatric facility, most often Fairmont Hospital (John George Pavillion) in San Leandro. This 5150 transport mandate will require new ambulance capability with basic Emergency Medical Technicians. This can be provided via private contracted ambulance services through an RFP or through creating a basic EMT ambulance division of the Berkeley Fire Department. Either option will require field supervision and quality assurance capability.

Cost: Detailed cost analysis needs to be undertaken, but preliminary rough estimates range between \$750,000 and \$2M.

8. Continue Funding for Dorothy Day House Expanded Shelter (Council referral)

Dorothy Day House has expanded the city's Berkeley emergency storm shelter (BESS), typically open up to 45 nights a year when inclement or very cold weather is forecast, by adding a nightly shelter for up to 52 individuals in the basement of the Veteran's building. Staff recommend leveraging California HEAP funds to offset the annual cost of this service for two years, then transitioning to sustaining it with funds from Measure P.

Cost: \$490,000 annually beginning FY22 funds staffing costs at Dorothy Day House and operating costs at the shelter.

9. Expand Current Homeless Locker Program to One Additional Site and Continue Locker Services (Council referral)

In October of 2018, the city opened a pilot downtown storage program for people experiencing homelessness. Homeless persons now have access to 58 lockers in the MASC Courtyard at 1931 Center Street. Council has asked that staff prioritize the opening of a second locker storage site.

Cost: \$200,000. This funds:

- *Continuation of services at the current locker site (MASC courtyard locker site) (\$50,000), which is currently funded for one year.*
- *Capital and operations expenses for a second locker site (location and details to be determined; \$100,000 initial cost (funded by HEAP) and \$150,000 annually thereafter starting FY21).*

10. Fund Ongoing Training for Homeless Services Staff (staff recommended priority)

The City of Berkeley continues to lead the County in the development and implementation of Coordinated Entry, a federal mandate and national best practice that centralizes the entry point for all homeless services at the Hub and prioritizes housing supports for those least likely to end their homelessness on their own. However, with Coordinated Entry has come challenges in supporting people with a high level of mental and physical vulnerabilities. To ensure high-needs clients are not underserved or inappropriately served at shelters and other resources--and to ensure new staff are trained as agency workforces turn over--the city's nonprofit partners require assistance with providing ongoing clinical training. Staff recommend prioritizing a portion of HEAP admin and Measure P funds for training, thus helping ensure that the other services recommended in this report are implemented efficiently and effectively.

Cost: \$25,000/year. This funds ongoing trainings plus materials for the city's homeless services network.

11. Fund Additional Substance Use Disorder Services (staff recommended priority)

The City of Berkeley 2017 Homeless Point-In-Time Count and Survey found that 24% of homeless individuals in Berkeley disclosed a substance use concern. In order to increase access to substance use treatment, the city's nonprofit partners require additional funding for increased capacity to serve this population. Staff recommend utilizing a portion of Measure P funding to increase substance use disorder treatment for the homeless population. Homeless providers have emphasized the prevalence of methamphetamine (meth) and other stimulant drugs amongst the homeless population, and the extreme difficulty of obtaining and retaining housing for individuals using meth and other stimulant drugs.

Cost: \$250,000/year. This funds a competitive RFP process where substance use disorder programs would propose evidence-based meth and other stimulant treatment programs (such as The Matrix Model and/or Contingency Management) that would be targeted for the homeless population in Berkeley.

12. City-Wide Portable Toilets, Sharps Disposal and Hand Washing Stations (Council referral)

In November of 2017, City Council authorized \$60,000 for additional portable toilets and hand washing stations. This funding has been used to add 2 portable toilets and 9 hand washing stations starting in December of 2017. Funding for these additions will expire at the end of January 2019. Approximately \$30,000 will be needed to sustain these additions through the end of the fiscal year and add sharps disposals. The cost to sustain these additions in FY20 and FY 21 is approximately \$64,000 and slightly more with sharps disposals inside.

The addition of 1 handicapped portable restroom and hand washing station served seven (7) days a week will cost approximately \$14,000 per year. This cost does not include graffiti abatement, damage or replacement. With an additional \$70,000, staff will be able to add up 5 new sites with complete service and daily cleaning. Staff is requesting \$135,000 per year to keep the existing in place and add new portable units where needed.

Cost: \$135,000 annually. This continues funding for current locations (10) and adds up to 5 new ADA-accessible sites with service and daily cleaning.

HEAP Funding Overview

Senate Bill 850, signed into law by Gov. Jerry Brown in June of 2018, created \$500M in one-time funding to address homelessness and its impacts across California. Funding is

allocated by formula to Continuums of Care across the State, with Alameda County receiving approximately \$17M in funding as a result of its homeless count. Berkeley will be awarded \$4.03 million. Subtracting an administrative allowance of 2.5%, this brings Berkeley's expected allocation for direct services to \$3.9M. An official award announcement is expected from the State in March.

HEAP is a flexible but time-limited and one-time source of funding. Broadly speaking, the funding:

- Must be used for services, capital construction costs, and/or housing subsidies that will be of direct benefit to people experiencing homelessness. The funds cannot be used as capitalized operating reserves or for activities directly related to enforcement, encampment closures, etc.
- Must be contractually obligated and 50% spent down by January 2020, and 100% spent down by June of 2021.
- Requires a County-imposed (but not statutorily required) 50% local match.²
- Is one-time only, with all unspent funds as of June 2021 returned to the State.

Given these parameters, staff has submitted an application to the County that funds key city priorities and minimizes risk of underspending as follows:

- Fund second year of Pathways: \$2,000,000.
- Fund two years of the Dorothy Day House Shelter at the Veterans Building: \$832,000.
- Encampment trash removal: \$730,000. This cannot include any clean-up efforts related to encampment closures, as this is not an eligible use of HEAP funds.
- Port-a-potty and sanitation efforts: \$270,000. This continues current service levels and expands port-a-potties and wash stations to ten additional sites.
- Capital and construction costs for a pilot homeless locker program at a second site: \$100,000.

To ensure that all funds are spent within the state-mandated parameters and expenditure timelines, the City Manager may reconfigure this budget as needed.

² Staff intend to satisfy this requirement by citing existing City General Fund contributions to homelessness, which far exceed the 50% minimum requirement.

Oversight, Administrative & Additional Staffing Needs

To support this wide range of services, staff recommend, at a minimum, creating one and a half additional staff positions as follows:

- Accountant II (1/2 FTE) in the Finance Department for the duration of the ordinance. This person's role would include:
 - Working with the County and title companies to ensure proper calculation of transfer tax; acting as the liaison between the County and tax payer
 - Auditing tax revenues from both the County and tax payer
 - Determining outstanding balances and penalties/interest due
 - Annually calculating the new tax threshold
 - Performing revenue and compliance audits
- *Community Services Specialist II* in the Health Housing and Community Services Department. This person's role would include:
 - Secretarial support to the new Homeless Panel of Experts.
 - Contract execution and monitoring of services funded through/leveraged by Measure P.

Additionally, staff recommend further analysis of costs incurred by the Berkeley Police Department for encampment resolution by tracking straight time and overtime costs associated with this activity, and to billing future costs to general fund revenue associated with Measure P for those costs. Currently labor costs associated with PD participation in the encampment resolution have been absorbed by the department. It would require some additional staff time to collect and process the information.

Costs for this staffing would be approximately \$251,000 for the first year, with increases each year following.

BACKGROUND

Berkeley voters approved Measure P on November 6, 2018. Measure P raises transfer taxes from 1.5% to 2.5% for property sales and transfers over \$1,500,000, adjusted annually to capture the top approximately 33% of transfers. It is estimated to generate \$6-8M annually. The money will be used for general municipal purposes such as navigation centers, mental health support, rehousing and other services for the homeless, including homeless seniors and youth. The legislation creates a Homeless Services Panel of Experts to recommend homeless services.

ENVIRONMENTAL SUSTAINABILITY

Funding encampment clean-up and sanitation efforts will likely have a positive impact on the environment. Unsanctioned homeless encampments are a target for illegal dumping and for human and biohazardous waste accumulation, with the potential to impact waterways and other environmentally sensitive areas. As of October 2018, Public Works had performed 65 major encampment clean-ups, removing an average of 3.7 tons of debris per clean-up.

POSSIBLE FUTURE ACTION

The Homeless Services Panel of Experts could use the recommendations in this report as a roadmap for future funding recommendations for Measure P.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

Significant

CONTACT PERSON

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