



CONSENT CALENDAR

City of San Bernardino Request for Council Action

Date: November 20, 2024

To: Honorable Mayor and City Council Members

From: Rochelle Clayton, Acting City Manager;
Gabriel Elliott, Director of Community Development & Housing

Department: Community Development & Housing

Subject: **First Amendment to the American Rescue Plan Act Subaward Agreement with Lutheran Social Services of Southern California. (Grant) (Ward 2)**

Recommendation:

It is recommended that the Mayor and City Council of the City of San Bernardino, California:

1. Approve Amendment No. 1 to the Sub-award Agreement with Lutheran Social Services of Southern California (LSSSC) to use American Rescue Plan Act (ARPA) funds for the operational cost of the 140-bed San Bernardino Community Wellness Campus (SBCWC) on LSSSC privately owned property located at 1354 N G St, San Bernardino; and
2. Authorize the City Manager or their designee to take any further actions and execute any additional agreements or documents as necessary, including minor and substantive changes.

Executive Summary

On December 7, 2022, the Mayor and City Council approved allocating \$5 million in ARPA dollars to LSSSC for the pre-development, construction, and operation of SBCWC. The Homekey Grant Award fully funds construction, and Exhibit E, Section G.2 of the Homekey Grant Agreement from HCD requires the City to allocate ARPA funding towards operations. Amendment 1 to the Sub-Award Agreement revises the breakdown of the original allocation, whereas all \$5 million will now cover the operational costs of the SBCWC rather than just \$1 million as previously noted. The reasoning behind the City's recommendation to reallocate ARPA funds towards operations versus predevelopment and construction is due to the State's aggressive 12-month completion timeline for all Homekey projects, and utilizing ARPA funds for

Operations will not trigger a procurement process since LSSSC is the sole operator.

Background

On October 27, 2022, the City hosted a Homeless Workshop that identified the City's need to increase shelter bed capacity for those experiencing homelessness. The workshop also identified a funding source called Homekey, which is administered by the State of California Department of Housing and Community Development (HCD). Homekey is the largest source of funding available to help cities and counties build and expand homeless housing-related projects. Council approved the City's plan to partner with LSSSC on a future Homekey application to expand shelter operations and provide \$5 million in ARPA funds to help with project pre-development, construction, and operation.

On December 7, 2022, Council approved Resolution No. 2022-268 authorizing the City Manager to amend the Fiscal Year 2022-23 Operating and Capital Budget, which included the allocation of \$5 million in ARPA funds to LSSSC for the pre-development, construction, and operating expenses related to the San Bernardino Community Wellness Center (SBCWC).

On March 29, 2023, HCD announced the availability of approximately \$736 million in Homekey Round 3 funding for the rapid expansion of housing inventory for those experiencing homelessness or at risk of homelessness, who are also impacted by or at increased risk for medical diseases or conditions due to COVID-19 or other communicable diseases. Homekey applications were accepted by the State on a first-come, first-served basis until July 28, 2023.

On April 26, 2023, the Council authorized the City to submit a joint Homekey application with LSSSC to develop SBCWC, a 140-bed, men's navigation center.

Discussion

The State instills a stringent completion timeline on all Homekey projects (12-month completion on all housing/interim housing units). To ensure the project's success, the City and LSSSC met with homeless housing developer Dignity Moves, which has successfully applied for and received multiple Homekey awards for the development of interim housing units. Dignity Moves has also been successful in completing Homekey projects with the State's designated timeframe. Dignity Moves entered into an Agreement with LSSSC to act as Developer, assisted the City with its Homekey application and was listed as a co-applicant on the Homekey application along with LSSSC.

On December 19, 2023, the City received a conditional award letter from HCD for the SBCWC project for \$34,944,702. The City was listed as the lead applicant, and LSSSC and Dignity Moves were co-applicants. The City was also listed as Payee of Funds.

Program	Award Amount	Contract Number
Capital Award	\$30,775,000	23-HK-18110

Operating Award	\$4,169,702	13-HK-18110
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HCD provided each party with a copy of the fully executed Standard Agreement. The City received two separate Homekey check disbursements from HCD. The City received the first disbursement check in the amount of \$9,539,267.23 on September 5, 2024. The check was issued to reimburse expenditures already incurred for predevelopment and construction services by LSSSC and Dignity Moves. The first check disbursement allowed the project to move forward until the second check disbursement was received. The second check disbursement arrived on October 30, 2024, in the amount of \$25,444,702. All Homekey funds for the Capital Award (\$30,775,000) are secured in a fund control and escrow account, where funds are only released after:

- 1) All invoices have been reconciled,
- 2) Conditional lien releases have been received from subcontractors, and
- 3) Construction site inspection verifies that the invoiced work has been completed.

The Operating Award (\$4,169,702) remains with the City and will be reimbursed to LSSSC monthly during the SBCWC operating period.

First Amendment to LSSSC ARPA Subaward Agreement

The City previously awarded LSSSC \$5 million in ARPA funds to assist in developing and operating SBCWC. The ARPA allocation breakdown was itemized as follows:

Pre-development	\$2,000,000
Site Preparation	\$1,000,000
Construction	\$1,000,000
Operations	\$1,000,000

Guidelines established by the Federal Treasury Department require ARPA recipients and subrecipients to utilize a competitive bidding process when securing activities, programs, or services.

The reasoning behind the City's recommendation to reallocate ARPA funds entirely towards operations versus predevelopment and construction are as follows:

- 1) The Homekey Grant Agreement from HCD requires the City to allocate its ARPA funding commitment towards operations.
- 2) Granting the City's ARPA funds as a sub-award for operating the SBCWC helps avoid issues with the procurement process. This is because LSC will operate the SBCWC themselves as the sub-recipient rather than entering into a contract with a third party (where a contract would require competitive procurement).

- 3) ARPA funds must be fully expended by December 31, 2026, or the US Treasury Department will claw back funding.

LSSSC aims to operate the SBCWC facility to assist unhoused men with housing options and case management, enhancing stability and autonomy and improving overall health.

2021-2025 Strategic Targets and Goals

Expanding accessibility to housing will improve the quality of life for unhoused residents. The construction of the facility aligns with Strategic Target No. 3: Improved Quality of Life.

Fiscal Impact

There is no fiscal impact to the General Fund associated with this item.

Conclusion

It is recommended that the Mayor and City Council of the City of San Bernardino, California:

1. Approve Amendment No. 1 to the Sub-award Agreement with Lutheran Social Services of Southern California (LSSSC) to use American Rescue Plan Act (ARPA) funds for the operational cost of the 140-bed San Bernardino Community Wellness Campus (SBCWC) on LSSSC privately owned property located at 1354 N G St, San Bernardino; and
2. Authorize the City Manager or their designee to take any further actions and execute any additional agreements or documents as necessary, including minor and substantive changes.

Attachments

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| Attachment 1: | First Amendment to LSSSC ARPA Fund Sub-Award Agreement |
| Attachment 2: | LSSSC ARPA Subaward Agreement-Executed |
| Attachment 3: | Exhibit A Supportive Service Plan and Budget |
| Attachment 4: | Exhibit B Reimbursement Procedures |

Ward:

Ward 2

Synopsis of Previous Council Actions:

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| August 4, 2021 | Mayor and City Council received a report and discussed the allocation of ARPA funds. |
| October 27, 2022 | Mayor and City Council agreed to expand shelter capacity and partner with local non-profit, LSS on a Homekey application. |

December 7, 2022	Mayor and City Council authorized the use of \$24,500,000 in ARPA funds for the development of a Navigation Center, State of California Homekey Round 3 Projects, Homeless/Street Outreach and \$150,000 towards Mobile Shower Expansion.
February 1, 2023	Mayor and City Council declared a Homelessness State of Emergency
April 26, 2023	Mayor and City Council authorized the City to submit a joint Homekey application with LSS to develop a men's navigation center.
May 17, 2023	Mayor and City Council approved a Homelessness State of Emergency Implementation Plan.
July 19, 2023	Mayor and City Council approved an Amendment to Permanent Local Housing Allocation Funds to assist individuals experiencing homelessness.
August 13, 2023	Mayor and City Council approved a Substantial Amendment to FY2020-2021 Annual Action Plan associated with Community Development Block Grant Coronavirus Relief Funds to support interim shelter activities.
December 6, 2023	Mayor and City Council approved a Motel Voucher Program and authorized Professional Service Agreements with motel operators to provide interim shelter.
September 4, 2024	Mayor and the City Council adopted Resolution 2024-201 reaffirming the declaration of a Homelessness State of Emergency.