

# City of Sacramento

## Legislation Text

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**File #:** 2019-00688, **Version:** 1

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**Title:**

**Approval of Funding, Administrative Services Agreement and Related Actions for the Capitol Park Hotel Temporary Shelter Project (Two-Thirds Vote Required)**

File ID: 2019-00688

**Location:** Capitol Park Hotel - 1117, 1121, 1125, 1127, 1129 and 1131 9th Street, District 4

**Recommendation:**

1) Pass a Motion by two-thirds vote waiving Sacramento City Code Section 4.04.020 and Council Rules of Procedure (Chapter 7, Section E.2.d) mandating that unless waived by a 2/3 vote of the City Council, all labor agreements and all agreements greater than \$1,000,000 shall be made available to the public at least ten (10) days prior to council action; and 2) adopt a City Council Resolution: a) approving the Administrative Services Agreement in the amount not-to-exceed \$9.86 million between the City and the Sacramento Housing and Redevelopment Agency (SHRA) for the oversight of property management and the oversight of the operations and re-housing activities of a temporary homeless shelter at the Capitol Park Hotel; b) authorizing the City Manager, or designee, to enter into the Administrative Services Agreement with SHRA; c) approving an amendment to the SHRA budget in the amount of \$9.86 million; d) authorizing SHRA to enter into the Administrative Services Agreement with the City and to enter into maintenance/repair, security and other contracts for the purpose of operating the temporary homeless shelter at Capitol Park Hotel; e) authorizing SHRA to enter into and execute a sole source contract with the selected shelter operator on behalf of the City; f) authorizing SHRA to enter into and execute a sole source property management agreement with a qualified property management company to manage Capitol Park Hotel; g) authorizing the City Manager, or designee, to pay Mercy Housing California (Mercy Housing) the full amount of the lease payments of \$112,500; h) authorizing the City Manager, or designee, to modify the insurance requirements in the Council approved \$13.37 million loan agreement between the City and SHRA; i) authorizing SHRA to modify the maturity, insurance requirements and special provision terms in the Council approved \$13.37 million loan agreement between SHRA and Mercy Housing; and j) related findings.

**Contact:** Christine Weichert, Assistant Director, (916) 440-1353, Sacramento Housing and Redevelopment Agency

**Presenter:** None

### **Attachments:**

- 1-Description/Analysis and Background
- 2-Capitol Park Hotel Temporary Shelter Vicinity Map
- 3-Capitol Park Hotel Temporary Shelter Photo
- 4-City Council Resolution
- 5-Exhibit A to Resolution (City and SHRA Administrative Services Agreement)

### **Description/Analysis**

**Issue Detail:** The Capitol Park Hotel was built in 1912 and is currently operating as a 180-unit single room occupancy (SRO) residential hotel in downtown Sacramento at 1125 9th Street, corner of 9th and L Streets, (the "Property"). The Property currently has a vacancy rate of approximately 50%. The current owner is in contract to sell the Property to Mercy Housing California, or related entity (Mercy Housing).

On April 23, 2019, the City Council approved the Homeless Services Funding Plan, which included \$10.16 million in Measure U funds to operate a temporary homeless shelter at the Property for approximately 18 months. The City Council also approved the funding of \$112,500 for an 18 month lease between the City and Mercy Housing, and the funding appropriation of \$13.37 million in Innovation and Growth Program fund for the acquisition of the Property and relocation costs associated with the existing residents of Capitol Park Hotel. Additionally, the City Council directed SHRA to bring back loan agreements with the City, SHRA and Mercy Housing for the \$13.37 million loan for the acquisition of the Property and relocation expenses, to be repaid within 18-36 months to provide time to secure financing for the Capital Park Hotel Rehabilitation and Housing Project, and an administrative services agreement between the City and SHRA to fund the cost of repairs to the property, property management, a shelter operator and related services for the temporary homeless shelter program.

On April 30, 2019, the City Council approved the two loan agreements and associated documents related to the Property - one agreement is between the City and SHRA, and one is between SHRA and Mercy Housing for the purpose of providing \$13.37 million in Innovation and Growth Program funds to finance the acquisition of the Property and costs associated with relocating the existing residents of Capitol Park Hotel.

This report requests that Council approve the Administrative Services Agreement between the City and SHRA in the amount not-to-exceed \$9.86 million to fund the cost of repairs to the Property, property management, shelter operations, re-housing services, and oversight by SHRA of these activities. Additionally, this report requests that Council authorize the City Manager, or designee, to

waive the “All Risk” insurance requirement in the Council approved \$13.37 million loan agreement between the City and SHRA; and, authorize SHRA to modify the insurance, maturity date and special provision terms in the Council approved \$13.37 million loan agreement between SHRA and Mercy Housing. Specifically, SHRA will waive the “All Risk” insurance requirement; reduce the maturity term from 36 months to 18 months with the option to extend up to 36 months by written mutual agreement; and in the event Mercy Housing were to transfer the Property to SHRA, SHRA will indemnify and hold Mercy Housing harmless from the condition of the Property.

The following chart details costs associated with the Capitol Park Hotel included in the Council approved Homeless Services Funding Plan on April 23, 2019.

**Capitol Park Hotel Temporary Shelter Expenses**

<b>Description of Expenses</b>	<b>Amount</b>
Development of a Shelter Operational Plan and Administration of Temporary Shelter	\$ 250,000
Property Management	\$ 300,000
Repairs to address deferred maintenance	\$ 400,000
Temporary Shelter Operations, Rehousing and Facility Maintenance	\$ 8,100,000
Oversight of Temporary Shelter and Property Management	\$ 810,000
<b>Subtotal Administrative Services Agreement Expenses</b>	<b>\$ 9,860,000</b>
Police Overtime (community mitigation)	\$ 300,000
<b>Total Expenses</b>	<b>\$ 10,160,000</b>

Upon City Council approval of the Administrative Services Agreement, SHRA will take action to arrange for use of the Capitol Park Hotel to provide temporary shelter for up to 180 homeless persons for approximately 18 months. The operation will include a community room, offices and storage space. Currently there are 140 units with private bathrooms available to the shelter’s guests. Shelter guests in the remaining 40 rooms will have access to a common bathroom. This facility does not have individual kitchens or a community kitchen; however, there is a designated area to microwave food in the lobby/common area. The temporary shelter is anticipated to open in the summer of 2019.

Due to the age of the building and the lack of maintenance, there may be failures of the building systems (e.g., plumbing, electrical, HVAC, elevators), roofing, and other portions of the Property which could be too expensive to repair on a temporary basis. Due to the condition of the Property, purchasing insurance policies to repair and replace the building in the event of a system failure or a casualty is prohibitively expensive. Therefore the “All Risk” insurance obligation is being waived under the loan agreements. Under the terms of the lease with Mercy, the City is not obligated to undertake repairs and can terminate the lease early if the building becomes inhabitable. However, the City has to assume liability for any injuries caused by the building conditions while the shelter is in

operation.

If the Property becomes unsuitable for habitation, the shelter operation would need to close and all tenants relocated. In that event, Mercy Housing has requested payment for its holding costs until the end of October 2020, when financing for the rehabilitation project is expected to be secured. The lease with Mercy Housing will provide that if the City terminates the lease early, the City nonetheless must pay the full \$112,500.

**Policy Considerations:** The actions recommended in this report are consistent with the Homeless Services Funding Plan approved by Council on April 23, 2019. The operations of the Capitol Park Hotel temporary shelter will also be developed to be consistent with the October 16, 2018 City policy on emergency shelters.

The Sacramento City Code Section 4.04.020 and Council Rules of Procedure (Chapter 7, Section E.2.d) mandate that unless waived by a 2/3 vote of the City Council, all labor agreements and all agreements greater than \$1,000,000 shall be made available to the public at least ten (10) days prior to council action. Staff is recommending waiving this requirement.

**Economic Impacts:** None.

**Environmental Considerations:**

**California Environmental Quality Act (CEQA):** The proposed actions are exempt under the California Environmental Quality Act (CEQA) pursuant to 14 California Code of Regulations (CCR) §Section 15301.

**National Environmental Policy Act (NEPA):** There is no federal action and therefore NEPA review is not required.

**Sustainability:** Not applicable.

**Commission Action:** On June 5, 2019, it is anticipated that the Sacramento Housing and Redevelopment Commission will approve the staff recommendation for this item. Staff will notify the Council in the event this does not occur.

**Rationale for Recommendation:** The numbers of people living and dying unsheltered in Sacramento is on the rise, and there are not sufficient shelter beds to meet the need. The United States Interagency Council on Homelessness recommends that “Shelters must be low barrier, focus on assessment and triage, and intentionally link to permanent housing resources so that people move through to housing quickly”. The Council made a significant commitment through the FY2018/19 Midyear Budget to address these critical needs, and staff has worked to prioritize those

projects which can be expedited. SHRA's significant experience in providing housing and services to people in need throughout Sacramento County makes them a natural partner to help the City in meeting its commitments to providing shelter and re-housing for people experiencing homelessness in Sacramento.

**Financial Considerations:** Staff is recommending a funding plan of \$10.16 million (Measure U Fund, Fund 2401) as outlined in the Homeless Services Funding Plan. These funds will be used for: costs related to developing a shelter operational plan, administration of temporary shelter operations, management of the Property, repairs needed to immediately address deferred maintenance, operations of a temporary shelter, oversight of the temporary shelter, re-housing activities, facility maintenance and providing necessary police presence to mitigate any impacts of the shelter in the surrounding community. Sufficient funds are available in the Homeless Housing Initiative Program (I02000200).

**LBE - M/WBE and Section 3 requirements:** Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding to maintain that federal funding. Section 3 requirements will be applied to the extent as may be applicable.