



City Council Staff Report

From: City Manager

Report Type: CONSENT CALENDAR

Lead Department: Community Services

Meeting Date: December 18, 2023

Report #:2311-2216

TITLE

Recognize Permanent Local Housing Allocation Program (PLHA) Grant Funding from the State of California of \$592,367 for Homeless Outreach Services, Approve FY 2024 Budget Amendments in the General Fund, and Establish a Permanent Local Housing Allocation Program (PLHA) Grant Fund; CEQA status – not a project.

RECOMMENDATION

Staff recommends that the Council:

1) Amend the Fiscal Year 2024 Budget Appropriation for the General Fund (requires 2/3 approval) by:

- a. Decreasing the Community Services Department Contract Services expense appropriation by \$116,000; and
- b. Decreasing the Community Services Other Revenue estimate by \$116,000

2) Amend the Fiscal Year 2024 Budget Appropriation to establish a Permanent Local Housing Allocation Program (PLHA) Grant Fund (requires 2/3 approval) by:

- a. Increasing the Community Services Department Contract Services expense appropriation by \$205,000;
- b. Increasing the Other Revenue estimate by \$592,368; and
- c. Increasing the Ending Fund Balance by \$387,368

EXECUTIVE SUMMARY

The City is preparing to receive \$592,368 in Permanent Local Housing Allocation (PLHA) Program funds that were allocated in Calendar Years 2019 through 2021 but are only being dispersed by the state now.

Approval of these actions will shift PLHA funding allocated in Calendar Year 2019 from the General Fund to a specific PLHA Grant Fund for administrative tracking of the grant receipts and

expenditures. This funding has already been approved to fund the LifeMoves contract¹ for Homeless Outreach Services. These actions will also recognize two additional years of PLHA grant funding accrued in Calendar Years 2020 and 2021 for a total grant award of \$592,368. These funds will be used for the LifeMoves contract in fiscal years 2024 (\$205,000) and 2025 (\$209,000), with approximately \$178,000 remaining to fund potential contract needs in FY 2026.

BACKGROUND / ANALYSIS

The Permanent Local Housing Allocation (PLHA) Entitlement Funding is grant funding administered by the State of California Department of Housing and Community Development (HCD) to local jurisdictions. The City received the PLHA award letter from HCD on December 20, 2022, but the HCD Standard Agreement PLHA funding with the final award amounts, which enables a request for the disbursement of the funds, was not fully signed by HCD until July 14, 2023. However, PLHA funding to the City started accruing in Calendar Year 2019, and the state is now in the process of disbursing the funds.

The estimated five-year allocation to the City may not exceed \$1,388,976, which will be distributed in pre-defined amounts per calendar year. The following award amounts have already been determined: Calendar year (CY) 2019 - \$231,496, CY 2020 - \$359,817 and CY 2021 - \$395,967. These funding amounts are designated by predetermined percentages each calendar year for affordable housing, street outreach, and emergency shelter operations. The total amount allocated for street outreach, or homeless outreach services, for these three calendar years is \$592,368. After the contract approval, staff made a request to HCD to decrease the allocation to emergency shelter operations for CY 2019 by 10% (as the project was not ready to receive funding by the HCD deadline) and increase the amount to street outreach. The first tranche of the funds must be collected by the City no later than April 2024. Staff requested funding for the street outreach portion of the funding for CY's 19, 20 and 21 and that funding (\$592,368) was received on December 1, 2023.

The PLHA grant funds are managed by different departments across the City. While Community Services is managing the Street Outreach funding described in this memorandum, Planning and Development Services manage the Affordable Housing Funds, and the City Manager's Office manages the Emergency Shelter Operations funding. Affordable housing funds can be used for housing rental unit preservation, new construction and operating subsidies, and Emergency Shelter Operations funds are planned to be used for operating expenses for the forthcoming Homekey Shelter. Staff will return to Council at a later date to recognize and appropriate PLHA Grant funding for other areas of work such as Affordable Housing and Emergency Shelter Operations.

¹ City Council, July 19, 2023; Agenda Item #38; SR#2305-1588;
<https://portal.laserfiche.com/Portal/DocView.aspx?id=66199&repo=r-704298fc>

Funding Allocation Year (CY)	2019	2020	2021	Total
Affordable Housing	\$92,598	\$71,964	\$79,194	\$243,756
Street Outreach	\$138,898	\$215,890	\$237,580	\$592,368
Emergency Shelter Operations	\$0	\$71,963	\$79,193	\$151,156
Total Funding	\$231,496	\$359,817	\$395,967	\$987,280

On June 19, 2023, the City Council approved a contract² with LifeMoves to provide Homeless Outreach services for two years. The contract was approved with multiple funding sources for the FY 2024 portion of the contract: \$116,000 in PLHA entitlement funds, \$25,000 from Stanford University, and \$89,000 in General Fund dollars. Based on approval of actions in the memorandum, the FY 2024 portion of the contract will be amended to be funded with \$205,000 in PLHA entitlement funds and \$25,000 from Stanford University. The FY 2025 portion of the contract is planned to be funded from \$209,000 in PLHA entitlement funds and \$21,000 from Stanford University, leaving approximately \$178,000 to fund potential needs in FY 2026.

Given the additional grant funding for Homeless Outreach Services, staff expects that the previous General Fund appropriation of \$89,000 for unhoused services will support an Overnight Warming Location pilot program. Overnight Warming Locations (OWL) are a life saving measure to bring unhoused individuals inside during times that the County of Santa Clara Office of Supportive Housing declares an Inclement Weather Alert (ICA) when certain adverse cold/rainy weather conditions are predicted. Once an ICA alert has been issued, an OWL would be opened for a 12-hour overnight session at a local location each day that the OWL is operational. The ICA alert can be for single or multiple days.

Staff will set up an OWL shelter to host up to 10 individuals each session and it will be on a first come, first served basis. The OWL will be staffed by a shelter worker employed by a local nonprofit and a security guard under a contract managed by the Office of Human Services in the Community Services Department. The location(s) for the OWL are still under review and may include a combination of a local faith institution and a city facility such as the Downtown Library. The estimated budget to operate an OWL for 60 nights is approximately \$89,000. This includes staffing (\$56,500), Custodial Services/Laundry (\$27,000), Bedding/Cleaning Supplies (\$2,500), and Food (\$3,000). Staffing will be provided via two contracts managed by the Community Services Department: one with a security firm for the services of a security guard and the other with a local nonprofit for the services of shelter staff.

² City Council, July 19, 2023; Agenda Item #38; SR#2305-1588;
<https://portal.laserfiche.com/Portal/DocView.aspx?id=66199&repo=r-704298fc>

At the end of OWL operations for FY 2024, staff will evaluate the pilot program and make recommendations for FY 2025.

FISCAL/RESOURCE IMPACT

The FY 2024 Adopted Budget recognized \$116,000 in PLHA Grant funding from the California Department of Housing and Community Development and appropriated the funding for homeless outreach services. These actions shift the grant revenue and outreach funding from the General Fund to the newly-established Permanent Local Housing Allocation Program (PLHA) Grant Fund for tracking receipts and expenditures related to this program under one fund. In addition, these actions recognize an additional \$476,368 in anticipated grant funds for calendar years 2019, 2020 and 2021. The total anticipated receipts for PLHA grant funds for calendar years 2019, 2020, and 2021 are \$592,368. Street Outreach funding not appropriated in FY 2024 will be used to fund homeless outreach services in future years, with \$209,000 planned for the LifeMoves contract in FY 2025. Funding of \$89,000 previously appropriated for homeless outreach services in the Community Services Department will be used to support an OWL pilot program.

Staff will return to Council at a later date to recognize and appropriate PLHA Grant funding for other areas of work such as Affordable Housing and Emergency Shelter Operations.

STAKEHOLDER ENGAGEMENT

The OWL is being planned by a subcommittee that includes City staff from the Office of Human Services and representatives from local nonprofits that serve the unhoused. The OWL concept was also discussed by the Palo Alto Homeless Service Providers Committee at its meeting on October 4, 2023. In seeking a location for the OWL, staff has been in touch with two local faith communities and in one case, staff made a presentation to their governing body on October 18, 2023.

ENVIRONMENTAL REVIEW

Approval of these budget amendments is not a project under the California Environmental Quality Act (CEQA) per CEQA Guidelines 15061(b)(3)

ATTACHMENTS

Attachment A: City of Palo Alto - PLHA Executed Agreement

APPROVED BY:

Kristen O'Kane, Community Services Director