



Office of the City Manager

CONSENT CALENDAR  
May 31, 2022

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: Peter Radu, Assistant to the City Manager

Subject: Resolution Supporting the Sale of 3404 King Street and transfer of the Turning Point transitional housing program for homeless youth from Fred Finch Youth Center to Larkin Street Youth Services

RECOMMENDATION

Adopt a Resolution supporting the sale of the property at 3404 King Street, currently owned by Fred Finch Youth Center (FFYC), to Larkin Street Youth Services (LSYS) to continue operating the Turning Point transitional housing program for homeless transition-aged youth. The proposed resolution would:

- Immediately forgive in full an outstanding City of Berkeley Housing Trust Fund loan on the property, with an outstanding balance of \$305,000, otherwise set to be forgiven in 2027;
- Authorize the City Manager to enter into contract and necessary amendments with LSYS and reallocate the balance of the funding currently committed to FFYC through the FY20-23 Community Agency Funding RFP process, in an amount not to exceed \$89,255 in FY23;
- Reallocate funding from contract with Covenant House California (Contract No. 31900239) when said contract terminates at the end of June 2022, in an amount not to exceed \$318,000 for FY23, to LSYS.

FISCAL IMPACTS OF RECOMMENDATION

If approved, this resolution will have no net fiscal impacts to the City, but will result in the following budget actions:

- Forgiveness of an outstanding HTF loan with an outstanding balance of \$305,000. Payments are currently not being received and this loan is otherwise set to be forgiven in full in 2027, meaning the net fiscal impacts are zero;
- Transferring of the balance of funding, in an amount not to exceed \$89,255 in FY23, from the existing contract with FFYC (Contract No. 31900257) to a new contract with LSYS;

- Transferring funding in an amount not to exceed \$318,000 for FY23 contract with Covenant House California (contract No. 31900239) when said contract terminates at the end of June 2022 to LSYS;

### CURRENT SITUATION AND ITS EFFECTS

The property at 3404 King Street is an existing two-story residential building consisting of eight rooms and shared common space including a kitchen, living room/lounge, community and recreational room, shared bathrooms and staff offices. The property is currently owned and operated by Fred Finch Youth Center (FFYC) for the purpose of providing affordable housing for up to 12 very low-income youth and young adults, ranging in ages 18 to 25. The site is located in the South Adeline subarea of the Commercial-Adeline Corridor (C-AC) zoning district. GLAs (Group Living Accommodations, including group homes) are allowed in this district at a density of one resident per 350 square feet (sq.ft.) of lot area; the lot, at 5,200 sq.ft., would thus allow 15 people if approved by a Use Permit. However, the property is currently governed by a Variance from 1980, approved when the property was not zoned for group living, which restricts the use to a “home for troubled adolescents” with a maximum capacity for 12 residents.

The property is further subject to affordability restrictions until July 1, 2052, per an existing Regulatory Agreement (RA), which restricts use of the property to providing “housing units permanently affordable to low-income youth.” In addition, a 30-year forgivable Housing Trust Fund loan subject to a Development Loan Agreement (DLA), for \$305,000 and executed July 1, 1997, requires the project to provide permanent affordable housing to low-income youth. The entirety of this loan and its terms will be forgiven in 2027 so long as the programming at the site complies with the terms of the DLA (i.e., housing affordable to youth). Both the RA and the DLA were most recently codified in Council Resolution No. 62,090-N.S., which authorized the assignment and sale of the property and its restrictions in 2003 from Building Opportunities for Self-Sufficiency (BOSS) to FFYC.

Since that 2003 sale, FFYC has met these regulatory restrictions by operating the Turning Point transitional housing program for transition-aged youth experiencing homelessness at the site. This program is supported by a direct HUD Continuum of Care grant in the amount of \$422,579 annually, and also receives City general funds through the City’s FY20-23 Community Agency Funding RFP process (in an amount not to exceed \$189,255 in FY22 and \$89,255 in FY23).

For several years, FFYC has been searching for a mission-driven organization to purchase the property and assume the HUD grant and the program that it supports. However, given the very narrow restrictions on the property, finding a buyer has been extremely challenging, and previous efforts, most recently with Covenant House California in 2019, were unsuccessful. However, since January 2022, FFYC has been in discussion with Larkin Street Youth Services (LSYS) about sale of the property. If this

sale goes through, LSYS, an experienced nonprofit serving homeless transition-aged youth, would also assume the HUD grant to continue operating the 12 bed Turning Point program. Importantly, this sale would prevent Berkeley from losing the last remaining beds dedicated to homeless transition-aged youth in the City, and because the number of beds and scope of the program would not change, it would result in no functional changes to the use or net neighborhood impacts.

FFYC received formal Alameda County HUD CoC Board approval for the transfer of the HUD grant to LSYS on April 25. HUD will be notified in writing by early May and is expected to approve the request by June 30, 2022. In order for this proposal to pencil out for LSYS, however, the existing City of Berkeley Community Agency Funding that serves as local match to the HUD CoC grant would need to be transferred from FFYC to LSYS through FY23 (at which point LSYS will need to re-apply for the funding, along with every community agency receiving funding in the City). The FY22 Community Agency Funding Grant amount was increased one-time by \$100,000 to \$189,255, but is set to return to \$89,255 in FY23. In order to offset the growing costs of the HUD CoC grant, which has been level-funded for years despite significantly growing operating costs, LSYS has requested that, if awarded the grant, the City commit an additional \$100,000 to return the not-to-exceed amount to \$189,255 in FY23. Staff have identified this source from an existing contract with Covenant House California for the YEAH! shelter, currently receiving \$318,000 in Community Agency Funding; as this shelter is set to move to Hayward by June 30, 2022 and will no longer serve dedicated Berkeley referrals, the City Manager will terminate this contract effective June 30, 2022. To keep these existing funds dedicated to homeless youth, staff recommend reallocating \$100,000 to Larkin Street to keep the Turning Point operating budget at FY22 levels. In addition, staff recommend adding the remaining \$218,000 to LSYS to administer transition support and rental assistance with housing retention services for Turning Point participants. This additional funding will increase the number of permanent housing options available to Turning Point participants.

In addition, the property itself needs repair and capital upgrades, including replacement of sewer lateral, foundation repair, and ADA-related upgrades to the bathrooms and kitchen. Council has already approved on April 26, and the City has written into its Annual Action Plan to HUD, a CDBG allocation of \$377,404 with the potential of an additional 10%, for a total allocated amount not to exceed \$415,144. This would need to remain in place after LSYS assumes ownership of the property to complete the rehabilitation and maintenance work. Staff have consulted with HUD and an expert consultant on the matter and have determined that no further action from the City is required to ensure the CDBG funding transfers to LSYS upon sale of the property, assuming that a required Environmental Review of the property is successfully completed prior to sale. At this time, the sale is not expected to occur before the

completion of the Environmental Review. If this changes and if any further Council action is required, staff will return to Council as soon as possible.

Finally, in order to obtain favorable financing terms on the acquisition debt, LSYS has requested that the Council waive the 1997 DLA for \$305,000.

Staff recommend that Council approve these requests. Larkin Street, a \$27M nonprofit provider and the largest Bay Area provider dedicated to ending homelessness for youth, is an experienced operator that serves more than 1,500 young people each year with an array of outreach, drop-in, employment, and wellness services, as well as more than 450 shelter, transitional, and supportive housing beds in San Francisco and rental assistance throughout the greater Bay Area. By continuing to operate the 12-bed youth transitional housing program currently operating at the site, Larkin Street will continue the exact program currently funded by the Community Agency Funding contract with FFYC. Importantly, they would also remain in compliance with the terms of the DLA; since the HTF loan will otherwise be fully forgiven in 2027, forgiving the loan early will have no net fiscal impacts to the City, nor would it change the affordability restriction or restriction to serve youth at the site--requirements which are codified in the RA governing the property and the variance to the property's use permit, respectively, neither of which would be affected by this action. HHCS staff have performed due diligence of LSYS's ability to adhere to the terms of the Regulatory Agreement and have identified no areas of concern. LSYS has been around since 1984, and have focused on specifically serving Transition-Aged Youth (TAY) since 1996. They are well established in the neighborhoods they serve and have the ability to secure funding they need to continue to serve the TAY population. The majority of their funding comes from a steady source of government agency contracts, as well as foundations and corporations, and have received satisfactory reviews from their funders. LSYS has the track record and experience to operate a successful transitional housing program with services targeted to the TAY community.

Finally, if this deal falls through, FFYC has advised staff that it will not commit to renewing the HUD funding for the program, which starts on 11/1/22, for lack of other viable operators. The FFYC Board of Directors has previously made a determination that the program is financially and administratively burdensome and asked that the organization make efforts to transfer the program, with retention of services if possible. Absent such a transfer, the Alameda County CoC would lose these funds altogether. Were this to occur, it would result in the loss of the last remaining beds dedicated to homeless transition-aged youth in Berkeley.

#### BACKGROUND

In 1980, the property at 3404 King Street was granted a Variance allowing the use as a "home for troubled adolescents" with a maximum capacity for 12. In 1997, the Council approved Resolution No. 58,877-N.S. approving a \$305,000 housing trust fund loan for the property (for 30 years, through 2027), and the City finalized a Development Loan

Agreement on the property restricting the use of the property to housing affordable to youth. In 2000, the City placed a Regulatory Agreement and affordability covenant on the property through 2052. In 2003, the Council passed Resolution No. 62,090-N.S., authorizing an Assignment and Assumption Agreement of loan documents from BOSS to FFYC, and amending the agreement to reduce number of youth housed from 15 to 12, in compliance with the variance. In 2006, Council adopted Resolution No. 63,191-N.S., amending the agreement to allow FFYC to serve homeless youth between ages 14 and 25.

On March 2, 2022, HHCS gave Covenant House California a notice that the City intends to terminate its Community Agency Funding contract to operate the YEAH! shelter for transition-aged youth; this contract will end on June 30, 2022.

On April 25, 2022, FFYC and LSYS received formal Alameda County HUD CoC Board approval for the proposed transfer of the HUD grant to LSYS, a move that HUD is expected to approve.

On April 26, 2022, Council approved a Community Development Block Grant (CDBG) allocation of \$377,404 with the potential of an additional 10%, for a total allocated amount not to exceed \$415,144, to perform maintenance and capital rehabilitation on the 3404 King Street property.

#### ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

There are no identifiable environmental effects, climate impacts, or sustainability opportunities associated with the subject of this report.

#### RATIONALE FOR RECOMMENDATION

Adopting this resolution would have a number of benefits with no net fiscal impacts to the City. Specifically:

- It would help prevent Berkeley from losing the last remaining interim beds dedicated to homeless youth in the City and assist with TAY permanent housing exits.
- It would reassign Community Agency Funding from the General Fund, already committed to FFYC for a 12-bed transitional housing program, to an experienced operator (Larkin Street Youth Services) to continue operating the exact same program. It would also ensure that Community Agency Funding currently committed to Covenant House California would remain committed to serving homeless youth in Berkeley when that contract terminates.
- There would be no change in the use of the property nor the number of beds, thus minimizing any functional impacts to the neighborhood. LSYS has been advised that any changes to the number of beds would require a new use permit.
- Forgiving the \$305,000 HTF loan would not change the restriction for using the property for youth, which is otherwise codified in the underlying Regulatory Agreement and the variance to the property's use permit, and since the loan is

set to be forgiven in full in 2027 anyway, there would be no net revenue loss to the City.

ALTERNATIVE ACTIONS CONSIDERED

Council could decide not to approve this recommendation. This would likely result in the closure of the Turning Point program, the loss of \$422,579 in federal homeless funding and the loss of the last remaining beds dedicated to homeless youth in the City, worsening the City's shelter crisis.

CONTACT PERSON

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Attachments:

1: Resolution

RESOLUTION NO. XX,XXX N.S.

SUPPORTING THE SALE OF REAL PROPERTY AT 3404 KING STREET AND TRANSFER OF THE FUNDING ASSOCIATED WITH THE TURNING POINT TRANSITIONAL HOUSING PROGRAM FOR HOMELESS YOUTH FROM FRED FINCH YOUTH CENTER TO LARKIN STREET YOUTH SERVICES

WHEREAS, the real property at 3404 King Street, Berkeley, CA 94703 is currently owned by Fred Finch Youth Center and utilized for the operation of the 12-bed Turning Point transitional housing program for homeless transition-aged youth, pursuant to the terms of a variance to the property's use permit; and

WHEREAS, 3404 King St is subject to the terms of a 2000 Regulatory Agreement restricting the affordability of the property through 2052; and

WHEREAS, 3404 King St is further subject to a 1997 Development Loan Agreement governing a \$305,000 Housing Trust Fund Loan, forgivable in full in 2027 so long as the property owner continuously uses the site for housing that is permanently-affordable to low-income youth; and

WHEREAS, Fred Finch Youth Center receives \$422,579 annually from the US Housing and Urban Development Department's Continuum of Care (HUD CoC) program to operate the Turning Point program; and

WHEREAS, Fred Finch Youth Center also receives, as local match to this HUD CoC grant, \$189,255 in FY22 and would receive \$89,255 in FY23 through the FY20-23 Community Agency Funding RFP process; and

WHEREAS, due to the condition of the property, the City Council allocated \$415,144 in Community Development Block Grant (CDBG) funds to Fred Finch to perform necessary repairs and capital upgrades to the site; and

WHEREAS, the Fred Finch Youth Center Board of Directors has determined that continuing to operate the Turning Point program is no longer financially viable, and has requested that the organization attempt to transfer the property, the program and its services to a qualified agency; and

WHEREAS, Fred Finch has requested Immediate forgiveness in full of the outstanding Housing Trust Fund loan on the property, with an outstanding balance of \$305,000, otherwise set to be forgiven in 2027; and

WHEREAS, staff intend to terminate an existing contract with Covenant House California in June 2022, thus freeing up city general fund resources currently committed to homeless transition-aged youth; and

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WHEREAS, Larkin Street Youth Services, based in San Francisco, is an experienced and qualified nonprofit provider serving homeless youth in the Bay Area, and intends to purchase the property at 3404 King Street, assume its regulatory requirements, and continue operation of the Turning Point Program; and

WHEREAS, Larkin Street Youth Services and Fred Finch Youth Center have received verbal commitment from the Alameda County CoC that it intends to support the transfer of the HUD grant for Turning Point from Fred Finch to Larkin Street; and

WHEREAS, City staff have performed due diligence on Larkin Street and have determined that they are capable of meeting the regulatory requirements governing the 3404 King Street Property; and

WHEREAS, if this transfer were to fall through, Fred Finch Youth Center has decided to close the Turning Point program effective October 31, 2022; and

WHEREAS, the City Council passed Resolution No. 70,179–N.S. on January 18, 2022, extending the declaration of a shelter crisis in Berkeley; and

WHEREAS, Turning Point provides the last 12 interim beds in Berkeley dedicated to homeless youth, an especially vulnerable population requiring specialized and dedicated services, and the loss of these beds would be inconsistent with the Council's shelter crisis declaration.

NOW THEREFORE, BE IT RESOLVED that the Council of the City of Berkeley authorizes the City Manager to enter into a contract and necessary amendments with Larkin Street Youth Services and reallocate existing Community Agency Funding grants currently dedicated to Fred Finch Youth Center and Covenant House California to Larkin Street, in an amount not to exceed \$407,255 for FY23.

BE IT FURTHER RESOLVED that the Council of the City of Berkeley forgives in full the Housing Trust Fund loan of \$305,000 tied to 3404 King Street, and authorizes the City Manager to execute all necessary documents for the loan forgiveness.