



Office of the City Manager

CONSENT CALENDAR
June 6, 2023

To: Honorable Mayor and Members of the City Council
 From: Dee Williams-Ridley, City Manager
 Submitted by: Lisa Warhuus, Director, Health, Housing, and Community Services
 Subject: Request for Proposal for Martin Luther King, Junior (MLK) House

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to:

1. Release a Request for Proposals (RFP) seeking a new owner/operator for Martin Luther King, Junior (MLK) House currently owned by Resources for Community Development (RCD); and
2. Consider the reallocation of \$1,178,974 in 2021 Housing Trust Fund (HTF) Rehabilitation Funding initially awarded to RCD to the new owner/operator of MLK House as part of the transfer of property to help support rehabilitation of the existing housing.

SUMMARY

RCD intends to transfer MLK House to a new owner which requires approval by the City Council under an existing loan. After discussion with RCD, City staff recommends issuing an RFP to select a qualified owner/operator and further explore alternative supportive housing models for MLK House. Ultimately RCD would need to approve the recommended new owner, and has expressed willingness to work with the City as outlined in this report.

FISCAL IMPACTS OF RECOMMENDATION

This RFP may lead to the selection of a new owner/operator for MLK House. In December 2021, the City Council approved \$1,178,974 from Fund 302 (Operating Grants-State), for the project to complete identified rehabilitation needs, which RCD now wishes for the new owner to complete. The Department of Health, Housing, and Community Services (HHCS) may return to City Council with a specific recommendation related to the selection of a new owner/operator and possible reallocation of funds.

CURRENT SITUATION AND ITS EFFECTS

MLK House is a 12-room, Single-Room Occupancy (SRO) permanent housing development that serves up to eleven (11) formerly homeless individuals. The property is owned by Resources for Community Development (RCD) and managed by RCD's property management partner, the John Stewart Company (JSCo).

In recent years and more so in the last two years of the pandemic, RCD/JSCo have experienced challenges in operating the property. The residents, who are referred through Alameda County's Homestretch Coordinated Entry System (CES), are the highest need homeless individuals in the CES system, and many receive services from HHCS' Mental Health Division (HHCS/MH). The tenants have higher service needs than was intended for the existing service design at MLK house. The lack of adequate supportive services for the residents has led to problems that have adversely affected the physical condition and security of the property. Although RCD's property management partner JSCo is experienced in managing affordable rental housing, the level of oversight required by current MLK House residents no longer fits RCD and JSCo's operations.

In September 2021, RCD initiated conversations with HHCS, with a proposal to transfer ownership of the property to a qualified operator at the earliest date possible. Under the City's existing loan agreement executed on June 1, 2017, RCD is required to obtain City approval of any transfer or assignment of the City agreements related to the loan; including the DLA and Regulatory Agreement. Therefore, RCD proceeded with a search for a new owner with HHCS support.

After a year-long search, RCD presented a possible candidate that proposed a continuation of the existing program. While HHCS is in support of RCD's plan to transfer the property to a qualified operator, staff continues to have concerns about the current model under which MLK House operates. For instance, there are concerns about the ability of CES-referred residents to live independently at this site without adequate social services and the appropriate program structure. CES prioritizes placing the clients with the highest needs (often those with the most severe mental health diagnoses) in housing.

The current program at MLK House does not meet the kind of assistance required by this population of severely and persistently mentally ill individuals. In addition, an effective supportive housing program would require a constant stream of funding to support intensive social services, maintenance, and care of the physical environment; in addition to programming that supports group living. Continuing to safely and sustainably operate MLK House in its current configuration would require annual funding from the City and/or other sources for rental subsidy and covering operating costs.

Given these concerns, staff could not support RCD's recommendation without further exploring other options for the site, including consideration of other supportive housing/group living models. Through the proposed RFP, HHCS staff could vet new models that could potentially leverage other funding to support the services and programming that a high-needs population requires, or explore serving a different population more equipped for independent living with shared spaces.

Issuing an RFP to select a new owner/operator for MLK House meets a Strategic Plan Priority of providing and maintaining affordable housing and support services for our most vulnerable community members.

BACKGROUND

MLK House is a two story, 12-room Single-Room Occupancy (SRO) rental property which was acquired and rehabilitated by RCD to provide housing for up to 11 formerly homeless adults. Residents have private bedrooms, but share bathroom and kitchen spaces.

The capital improvements that funding was approved for include roof repair, new gutter/downspout system, replacement of single-paned windows with double-paned windows, upgrades to common kitchen space and shared bathrooms, as well as some ADA and security features.

In February 2023, the City Council also approved allocation of \$107,890 in Mental Health Services Act (MHSA) funds to hire additional on-site staff to increase staff presence. While a new operator/owner is being sought, the additional staff support is needed to achieve stability and safety for the residents and the property. The MHSA funds could be made available to the new owner/operator for continued staffing support. The funding would need to be renewed annually and would need to be approved by the City Council through the MHSA Annual Action Plan process.

Currently, seven of the twelve rooms at MLK House are occupied by participants who receive rental subsidy from Shelter Plus Care and case management from Berkeley Mental Health. One room is being used as a field office for BMH case management staff at the recommendation of City staff. City Shelter Plus Care staff occasionally use the office space as well. The additional staff presence and oversight in recent months has helped to improve the security of the property and safety of the residents. Even with these improvements, the property continues to face vacancies as eligible applicants are able to find alternative housing more suited to their needs

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

There are no identifiable direct environmental sustainability or climate impacts associated with the adoption of this recommendation. A future project would involve rehabilitating an existing, infill property.

RATIONALE FOR RECOMMENDATION

As detailed above, MLK House, in its current configuration, is not working well to support the tenants. Staff recommend that HHCS work with RCD to issue an RFP to select a new owner/operator with a new model. Staff would return to City Council with a

selection of a new owner/operator and consideration of reallocating the \$1.8M 2021 HTF Rehabilitation Loan to support capital improvements and much-needed repairs.

ALTERNATIVE ACTIONS CONSIDERED

After a year-long search for a new owner, RCD presented a possible candidate for consideration. Staff continues to have concerns with the current model and could not support RCD's recommendation without further exploring other models suitable to the project's size and configuration.

Therefore, staff recommend issuing a Request for Proposal to select a new owner/operator and alternative supportive housing models for the MLK House.

CONTACT PERSON

Lourdes Chang, Community Development Project Coordinator, HHCS, 981-5263

Attachments:

1: Resolution

RESOLUTION NO. ##,###-N.S.

ISSUING A REQUEST FOR PROPOSALS FOR A NEW OWNER FOR MARTIN
LUTHER KING JUNIOR (MLK) HOUSE

WHEREAS, Resources for Community Development (RCD) has operated MLK House since 1991, providing permanent housing for very low-income, formerly homeless individuals; and

WHEREAS, on June 1, 1991, the City entered into a loan agreement with RCD for a \$128,126 loan which was authorized by City Council Resolution No. 55,859-N.S. for acquisition and rehabilitation of the property, and the June 1991 loan was amended in December 1991 to increase the amount by \$150,000 for a total loan of \$278,126 ("1991 Rehab Loan"), to complete the rehabilitation of the property authorized by City Council Resolution No. 56,211-N.S.; and

WHEREAS, on June 1, 2017, the City entered into a new loan agreement replacing the 1991 Rehab Loan with a loan equal to the outstanding principal on the Rehab loan, forgiving the accrued interest on the Rehab Loan and changing the interest rate to 0% and an approximate 30-year term to make the new loan co-terminus with the original regulatory agreement (City Council Resolution No. 67,480-N.S.); and

WHEREAS, on December 14, 2021, by City Council Resolution No. 70,135-N.S., the City Council approved a funding reservation of \$1,178,974, for the renovation of MLK House, and the execution of the loan documents for this new rehabilitation loan is on pause pending the transfer of MLK House to a new owner; and

WHEREAS, because the current residents who reside in MLK House require a higher level of services and oversight that is no longer in line with RCD's operations, RCD intends to transfer the property to a new owner and operator experienced in providing permanent supportive housing; and

WHEREAS, under the City's existing development loan agreement, RCD must obtain approval of the transfer of property; and

WHEREAS, City staff are in support of RCD's transferring the property and recommend issuing a Request for Proposal (RFP) to select a qualified owner/operator and further explore other options, including consideration of supportive housing and group living models that could potentially leverage other funding that supports the services and programming that a high needs population requires, or explore serving a different population more equipped for independent living with shared spaces; and

WHEREAS, RCD agrees with the City facilitating the selection of a new owner/operator and possible alternative housing models for MLK House through an RFP.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is hereby authorized to issue a Request for Proposal (RFP) for selection of a new owner/operate for MLK House; and

BE IT FURTHER RESOLVED that City Manager is hereby authorized to include in the RFP consideration of including a reallocation of \$1,178,974 in 2021 Housing Trust Fund Rehabilitation Funding initially awarded to RCD to the new owner/operator of MLK House as part of the transfer of property to help support rehabilitation of the existing housing.