



CITY COUNCIL AGENDA REPORT

MEETING DATE: FEBRUARY 5, 2019

ITEM NUMBER: NB-1

SUBJECT: AUTHORIZATION OF BIDDING EXEMPTION UNDER SECTION 2-165 OF THE COSTA MESA MUNICIPAL CODE AND AWARD BRIDGE SHELTER OPERATOR PROFESSIONAL SERVICES AGREEMENT

DATE: JANUARY 31, 2019

FROM: FINANCE DEPARTMENT / PARKS AND COMMUNITY SERVICES DEPARTMENT

PRESENTATION BY: KELLY TELFORD, FINANCE DIRECTOR / JUSTIN MARTIN, PARKS AND COMMUNITY SERVICES DIRECTOR

FOR FURTHER INFORMATION CONTACT: KELLY TELFORD, CPA, FINANCE DIRECTOR, (714) 754-5243 / JUSTIN MARTIN, PARKS AND COMMUNITY SERVICES DIRECTOR, (714) 754-5065

RECOMMENDATION:

Staff recommends that the City Council:

1. Determine that compliance with the bidding requirements and procedures of the Costa Mesa Municipal Code for the procurement of a shelter operator for the City's temporary interim and long-term bridge shelter facilities is not in the best interest of the City, such that the procurement of the shelter operator will be exempt from the Municipal Code's formal bidding requirements;
2. Award a Professional Services Agreement to Mercy House Living Centers in the amount of \$1,457,000 as the City's interim and long-term bridge shelter operator (Attachment 1);
3. Authorize the Acting City Manager and City Clerk to execute the proposed agreement and future authorized changes and amendments to the agreement and allow up to an additional ten percent (10%) contingency totaling \$145,700 as needed for unforeseen costs; and,
4. Authorize a budget adjustment totaling ~~\$1,602,700~~\$509,950.00 for bridge shelter operator services from unassigned fund balance in the General Fund.

BACKGROUND:

Beginning in 2010, Costa Mesa City leadership introduced a course of action to address the needs and impacts of individuals experiencing homelessness in Costa Mesa. Since then, the City has established a Homeless Task Force, adopted a 9-Point Plan to address homelessness, and formed the Neighborhood Improvement Task Force (NITF), known today as the Network for Homeless Solutions (NHS). Despite the strong and collaborative efforts of the NHS, City staff

and strategic community partners, people experiencing homelessness still remain in Costa Mesa and more needs to be done to address this issue.

Additionally, in January 2018, the City was named in a lawsuit initiated by OC Catholic Worker and eight plaintiffs who had been encamped at the Santa Ana riverbed. Orange County, the City of Anaheim, the City of Costa Mesa and the City of Orange were named in the lawsuit challenging enforcement of unlawful camping ordinances. The lawsuit was filed in connection with Orange County's actions in clearing the riverbed of more than 400 homeless individuals who had established encampments. The Court has extended the deadline for negotiations several times.

The Court is now expecting the City to present a solution to providing shelter for those experiencing homelessness. At this time, 50 additional shelter beds must be provided, in addition to 12 that have already been approved for establishment at College Hospital. No enforcement of anti-camping laws can take place until the remaining 50 beds are in operation.

On January 15, 2019, the City Council directed staff to:

1. Negotiate a facility-use/lease agreement with the Church of Nazarene/Lighthouse Church (located at 1885 Anaheim Avenue) for use as a temporary interim bridge shelter; and
2. Explore professional shelter operator options and provide a recommended shelter operator to the City Council on February 5, 2019, for the temporary interim and future long-term bridge shelter locations.

DISCUSSION AND ANALYSIS:

BIDDING EXEMPTION

On January 15, 2019, the City Council, by urgency ordinance, added two new exceptions from the City's formal bidding requirements and procedures under the Costa Mesa Municipal Code. The newly added subsection (b)(6) of Section 2-165 of the Costa Mesa Municipal Code creates an exception from the City's bidding procedures for the purchases of supplies, services, and equipment when the City Council determines, by minute action or resolution, that compliance with the bidding requirements and procedures is inefficient, impractical, or not in the best interest of the City, based on specifically identified conditions and supported by substantial evidence in the record.

Due to both an expedited timeline to establish interim shelter operations and the pending Court deadline, staff is requesting that the City Council determine that compliance with the bidding requirements and procedures for the procurement of a shelter operator for the City's interim and long-term bridge shelter is not in the best interest of the City. Such determination would create an exception from the formal bidding procedures and requirements for the procurement of the shelter operator. As detailed in this report and in previous reports to the City Council, the City is required to provide 50 shelter beds pursuant to its obligations in connection with the *OC Catholic Worker* litigation. The City Council approved staff to negotiate the use of the Church of Nazarene/Lighthouse Church as the temporary bridge shelter location. The City has a goal of opening the temporary bridge shelter by mid-April. However, the City needs a shelter operator for such facility and will need the contracted shelter operator to aid in preparing the bridge shelter for opening. As such, time is of the essence in contracting with a shelter operator.

Completing a formal RFP process to procure a shelter operator would take approximately three (3) to four (4) months. Such process would delay the procurement of a shelter operator, which would delay the City's ability to comply with the requirement pursuant to the *OC Catholic Worker*

litigation that it provide 50 additional shelter beds and its ability to open the bridge shelter by its goal of mid-April. Such delays would not be in the City's best interest, as the City would not be able to comply with the Court's directive and would continue to be unable to enforce its anti-camping ordinances. Therefore, staff requests that the City Council determine that compliance with the bidding requirements and procedures for the procurement of a shelter operator for the bridge shelter is not in the City's best interests. By making this determination, the procurement of the shelter operator will be exempt from formal bidding requirements and procedures.

SHELTER OPERATOR SOLICITATION AND SELECTION

In order to engage with potential expert shelter operators, staff first drafted a comprehensive scope of work that encompassed the City's needs to successfully operate the Costa Mesa bridge shelter. Staff then invited three (3) professional shelter operators to submit a proposal through an informal RFP process (Attachment 2).

The three professional shelter operators included the Salvation Army, Illumination Foundation, and Mercy House Living Centers ("Mercy House"). All three of these shelter operators are well known in the shelter industry and are currently operating other shelters in Orange County.

With time being of the essence, the potential shelter operators were given seven (7) days to complete and submit their proposals to the City for review and consideration. The City confirmed proposal solicitation responses from all engaged shelter operators, but ultimately only received one (1) formal proposal, from Mercy House (Attachment 3).

Both Illumination Foundation and the Salvation Army commended the City and wished the City well in their efforts; however, they ultimately decided not to submit a proposal.

After thorough review, additional questioning and consideration, Mercy House was determined to be a qualified expert professional shelter operator. It has successfully provided shelter operations at a highly secure reservation-based, transportation only facility, known as Bridges at Kraemer Place, which very closely mirrors the City's intended bridge shelter model. Mercy House has been in operation for nearly 30-years and has an established history of service in Costa Mesa that staff believes to be advantageous towards meeting the needs and demands of the City of Costa Mesa.

With the addition of City Community Outreach Worker staff to provide bridge shelter client case management, staff believes that clients will receive the highest quality of service while working on their housing plan to achieve the goal of entering into permanent supportive housing, in a safe and secure facility.

ALTERNATIVES CONSIDERED:

The City Council may choose not to waive the bidding requirements for shelter operator services; however, staff does not recommend this alternative action as this would require the City to complete a lengthy, formal RFP process, which takes approximately three (3) to four (4) months. As a result, the formal bidding process will impact the City's ability to meet Court deadlines and the mid-April opening of an interim bridge shelter.

FISCAL REVIEW:

It was projected that the annual operating costs of the long-term bridge shelter would be between \$2.2 million and \$2.7 million. This is including an existing budget of \$1.03 million for the Neighborhood Improvement Division.

With the Mercy House proposal reflecting a total annual not-to-exceed operating cost of \$1,457,000, the new annual operating cost totals \$2.487 million (not including facility costs). In addition to this cost, staff are requesting a 10% contingency be added which will allow the City to adjust the operating model as needed. After the first year, this contingency is not expected to be needed. In order to fund these costs, staff is requesting the approval of a budget adjustment totaling ~~\$1,602,700~~\$509,950.00 to fund these costs from unassigned fund balance in the General Fund while staff continues to explore and seek all outside available funding.

Staff anticipates receiving annual Senate Bill 2 – New Affordable Housing and Jobs Act Fee (SB 2) funding totaling approximately \$435,000 beginning in the second half of 2019, which will be used to pay for a portion of these annual operating costs. Operating costs in future fiscal years will be incorporated during the annual budgeting process.

LEGAL REVIEW:

The City Attorney’s Office reviewed this report and prepared the proposed agreement.

CONCLUSION:

In order to meet established Court deadlines and have an interim bridge shelter in operation by mid-April 2019, the City must identify and begin formal engagement with its expert professional shelter operator. As a result, staff recommends that the City Council:

1. Determine that compliance with the bidding requirements and procedures of the Costa Mesa Municipal Code for the procurement of a shelter operator for the City’s bridge shelter at the Church of Nazarene/Lighthouse Church is not in the best interest of the City, such that the procurement of the shelter operator will be exempt from the Municipal Code’s formal bidding requirements pursuant to Costa Mesa Municipal Code section 2-165(b)(6);
5. Award a Professional Services Agreement to Mercy House Living Centers in the amount of \$1,457,000 as the City’s bridge shelter operator (Attachment 1);
6. Authorize the Acting City Manager and City Clerk to execute the proposed agreement and future authorized changes and amendments to the agreement and allow up to an additional ten percent (10%) contingency totaling \$145,700 as needed for unforeseen costs; and,
7. Authorize a budget adjustment totaling ~~\$1,602,700~~\$509,950.00 for bridge shelter operator services from unassigned fund balance in the General Fund.

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TAMARA S. LETOURNEAU
Assistant/Acting City Manager

KIMBERLY HALL BARLOW
City Attorney

- ATTACHMENTS:
1. [Professional Services Agreement with Mercy House Living Centers](#)
 2. [Informal RFP](#)
 3. [Mercy House Proposal Submittal](#)

DISTRIBUTION:

- Acting City Manager
- City Attorney
- City Clerk
- Staff