



CITY COUNCIL AGENDA REPORT

MEETING DATE: JUNE 15, 2021

ITEM NUMBER: NB-1

SUBJECT: PROFESSIONAL SERVICES AGREEMENT TO PROVIDE BRIDGE SHELTER OPERATOR AT THE PERMANENT BRIDGE SHELTER AT 3175 AIRWAY AVENUE

DATE: June 7, 2021

FROM: CITY MANAGERS OFFICE

PRESENTATION BY: SUSAN PRICE, ASSISTANT CITY MANAGER

FOR FURTHER INFORMATION CONTACT:

SUSAN PRICE, ASSISTANT CITY MANAGER, (714) 754-5122

RECOMMENDATION:

Staff recommends that the City Council and the Housing Authority Board of Directors:

1. Award a Professional Services Agreement (PSA) to Mercy House Living Centers in an annual amount of \$2,000,000 as the City's bridge shelter operator for a three-year term from July 1, 2021 – June 30, 2024, with two one-year extension options (Attachment 1); and
2. Authorize the City Manager, Executive Director of the Housing Authority, City Attorney and City Clerk, to sign and execute the proposed agreement, in substantially the form as attached and in such final form as approved by the City Attorney, and future authorized changes and amendments to the agreement and budget up to an additional ten percent (10%) contingency totaling \$200,000 per year as needed for unforeseen costs.

BACKGROUND:

Beginning in 2010, Costa Mesa City leadership introduced a course of action to address the needs and impacts in response to individuals experiencing homelessness in Costa Mesa. In this planning, the City 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). Due to the strong and collaborative efforts of the NHS, City staff and strategic community partners, people experiencing homelessness can now readily access a well-coordinated and compassionate street outreach, shelter and services system in Costa Mesa.

Over the course of the past 18 months, the City has expanded its efforts locally and regionally, through integration with County mental health, public health and the Continuum of Care (CoC) systems. These critical linkages for behavioral health services, public health services and CoC funding to complete the Permanent Shelter Capital Improvement Project have improved the City's response to homelessness, while assisting with the completion of the permanent shelter site.

Mercy House Living Centers ("Mercy House") has operated the initial 50-bed shelter since April 2019, in its temporary location at the Lighthouse Church of the Nazarene, in a two-year contract for \$1,457,000 annually, with a 10% contingency. This Professional Services Agreement fulfilled a critical need for the City, in response to the 2018 settlement agreement in the *Orange County Catholic Worker* case. The City also purchased the building at 3175 Airway Avenue for the Permanent Bridge Shelter location in April 2019.

Between July 2020 and March 2021, the Public Services Department worked with several City departments to complete the construction and build the permanent site. Concurrently, the City Manager's Office worked to secure funding from the County of Orange Continuum of Care and an MOU with the City of Newport Beach as a regional partner in this effort.

In April 2021, clients from the temporary site at the Lighthouse church were welcomed to the new Permanent site on Airway. The clients really appreciate the new facility, its interior design and welcoming homelike atmosphere, completed through a partnership with IKEA. On May 1, 2021, Mercy House and NHS started to accept new intakes into the program, to increase the census because the Airway building accommodates a higher census due to additional space, offer vaccinations, testing upon intake and other public health protocols and precautions, in anticipation of the State June 15th date for reopening the economy.

ANALYSIS:

On February 5, 2019, Council approved the bidding exemption for the short term and long term (permanent shelter) based on subsection (b) (6) of Section 2-165 of the Costa Mesa Municipal Code. This Code allows 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.

Mercy House was selected as the shelter operator in February of 2019 and operated at the Lighthouse Church of the Nazarene from April 2019 to April 2021, respectively. This 50-bed shelter was temporary until the City could renovate the recently purchased permanent site at 3175 Airway Avenue. During this period, the combined efforts of Mercy House and the Network for Homeless Solutions has permanently housed 178 individuals.

Since March 31, 2020, Mercy House has operated the temporary program under public health restrictions and protocols related to the COVID-19 pandemic, which required a lower shelter occupancy to achieve social distancing, stringent cleaning protocols, restricted transportation and the initiation of a motel isolation program for some of the identified high-risk clients over age 65 and/or with qualifying health conditions. This seasoned operator has been successful in protecting this most vulnerable clientele, throughout the pandemic, with no clients testing positive for COVID-19. The collective response of Mercy House, the County of Orange Public Health Nursing Office for testing and vaccinations, and the partnership with local provider SoS clinic, has truly succeeded, with no clients testing positive for COVID-19.

At the permanent bridge shelter site, in addition to the City's 50 beds, an additional 20 beds were set aside on May 1 for the City of Newport Beach per the executed MOU with the City of Costa Mesa. Mercy House and staff from the NHS have been meeting with the City of Newport Beach homeless liaison to update the Management and Operations Plan (MOPS) to reflect the new Airway Bridge Shelter program, which includes protocols for intakes for the 20 set aside beds for Newport Beach, protocols for the commercial kitchen, and other programmatic and operational updates that reflect the location/facility change. Mercy House has been an instrumental part of this transition process as the City's shelter operator over these past two years. Given this relatively seamless transition, the progress and outcomes that have been achieved, even during the pandemic, have remained consistent with both the City MOPS and the County Emergency Shelter Standards of Care.

Mercy House has submitted the proposed budget for \$2,000,000 with a 10% contingency annually, in response to changes that reflect the new location, the increased number of beds, the co-location of the City NHS staff team and other operational factors. This new Professional Services Agreement will align to the fiscal year cycle, reflects the updated MOPS, and increases the budget to reflect a full-service Emergency Shelter with 70 beds and 2 quarantine beds for 24/7 365 days per year as outlined in the PSA (Attachment 1).

ALTERNATIVES CONSIDERED:

The City Council may choose not to move forward with Mercy House Living Centers for shelter operator services: however, staff does not recommend this alternative as this would disrupt the provision of much needed services for existing clients at the shelter, many of whom require supportive services and shelter to address their barriers to self-sufficiency.

FISCAL REVIEW:

The fiscal year 2021-2022 proposed budget for the Housing Authority, adopted at the City Council meeting on June 1, 2021 contains the funding for this Professional Services Agreement for the Permanent Bridge Shelter.

The Mercy House proposal reflects a total annual not-to-exceed operating cost of \$2,000,000. In addition to this cost, staff requests a 10% contingency be added which will allow the City to adjust to the new operating model, if and as needed.

LEGAL REVIEW:

The City Attorney's Office reviewed this report and prepared the proposed Professional Services Agreement.

CITY COUNCIL GOALS & PRIORITIES:

1. Recruit and retain high quality staff.
2. Achieve long-term fiscal sustainability.
3. Strengthen public safety and keep community safe.
4. Maintain and enhance the City's infrastructure, facilities, equipment and technology.
5. Diversify, stabilize and increase housing to reflect community needs.

CONCLUSION:

In order to comply with the *Orange County Catholic Worker Court* settlement agreement terms, the bridge shelter must contain 50 beds for Costa Mesa and therefore, the City is requesting to continue this agreement with its professional shelter operator. The new Airway Bridge Shelter facility reflects an increased budget to address an updated MOPS and Scope of Work containing

70 beds plus 2 quarantine beds. As a result, staff recommends that the City Council, and the Housing Authority Board of Directors:

1. Award a Professional Services Agreement (PSA) to Mercy House Living Centers in an annual amount of \$2,000,000 as the City's bridge shelter operator for a three-year term from July 1, 2021 – June 30, 2024, with two one-year extensions (Attachment 1); and,
2. Authorize the City Manager, Executive Director of the Housing Authority, City Attorney and City Clerk to sign and execute the proposed agreement, in substantially the form as attached and in such final form as approved by the City Attorney, and future authorized changes and amendments to the agreement and allow up to an additional ten percent (10%) contingency totaling \$200,000 as needed for unforeseen costs.

SUSAN PRICE
Assistant City Manager

CAROL MOLINA
Finance Director

KIMBERLY HALL BARLOW
City Attorney

ATTACHMENT: 1. [Professional Services Agreement with Mercy House Living Centers](#)