



# COUNTY OF HUMBOLDT

For the meeting of: 9/12/2023

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File #: 23-957

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**To:** Board of Supervisors

**From:** DHHS: Administration

**Agenda Section:** Consent

**Vote Requirement:** Majority

**SUBJECT:**

Lease with 80 West Third Eureka, LLC, for Navigation Center

**RECOMMENDATION(S):**

That the Board of Supervisors:

1. Approve and authorize the Chair of the Board to execute the lease with 80 West Third Eureka, LLC;
2. Direct the Clerk of the Board to return one executed original of the lease to Department of Public Works - Real Property;
3. Rescind Resolution 18-15 "Resolution of the County of Humboldt Declaring the Existence of a Shelter Crisis in Accordance with Government Code Section 8698-8698.2";
4. Issue revised "Resolution of the County of Humboldt Declaring the Existence of a Shelter Crisis in Accordance with Government Code Section 8698-8698.2" with additional language regarding flexibilities to address the urgent crisis; and
5. Approve the budget adjustment to create a fixed asset line to account for the capital asset.

**SOURCE OF FUNDING:**

Social Services Fund (1160-520)

**DISCUSSION:**

Humboldt County and City of Eureka staff have been discussing the need for low-barrier options for people experiencing homelessness for many years. Many individuals need a safe place to be during the day to access services, and some individuals need short-term overnight shelter. The lot at 3<sup>rd</sup> Street and Commercial Street, owned by 80 West Third, LLC, is directly across from the St. Vincent DePaul Free Dining facility that serves many people experiencing homelessness. This was identified as an appropriate site for a Navigation Center per Section 50216(n) in the California Health and Safety (H&S) Code ("housing first, low barrier, service enriched shelter focused on moving homeless individuals into permanent housing").

The attached lease and construction agreement with 80 West Third Eureka, LLC, before your board is for a two-story building with residential shelter units on the top floor, offices and service features on the bottom floor, and a large outdoor fenced area with additional service features. The top floor of the Navigation Center will have individual, private, overnight sheltering for a small number of case-managed clients in need of a low-barrier option while permanent housing is secured. The bottom floor of the Navigation Center will have offices for staff and partners who provide services, interview areas, a classroom, individual, accessible restrooms and showers. The large outdoor fenced area will have areas protected from inclement weather. Planned features include kennels and a cart/personal belonging storage area.

Many community partners will be invited to participate onsite to provide a variety of services and engagement activities. In collaboration with community partners, DHHS will provide services onsite. Staff who currently serve persons experiencing homelessness may relocate to the Navigation Center. It is anticipated that DHHS will contract for site management for the residential program, using available State housing funding.

The Navigation Center is intended to be a safe low-barrier place for adults during the day. It will not be a crisis center nor a place for acute medical or psychiatric services or detox. The Navigation Center will service adults; families with minor children needing services will be linked to nearby, more appropriate services.

The State of California has increased funding available to serve people experiencing homelessness, including outreach and shelter, reducing the financial barriers to creating a needed facility. Detailed financial information is in the financial impact section; the short version is that Homeless Housing, Assistance and Prevention (HHAP) housing funds are available to cover initial leasing costs including up front tenant improvements that will reduce the cost of the lease long term. State housing funding is also expected to be available to retain a contractor to manage the residential program.

Attached is the lease with 80 West Third Eureka, LLC, for a two-story building at 7,300 square feet per story (14,600 square feet at \$1.95 per square feet) and 7,750 square feet of an adjacent exterior area at \$.90 per square foot for a combined rent of \$35,445. The lease term is for a period of ten (10) years upon receipt of Certificate of Substantial Completion with two (2), five (5) year options to renew. The lease delineates the construction design approval process and improvement cost reimbursement process, as DHHS is providing specifications to 80 West Third Eureka, LLC as well as using available housing funding for up front tenant improvements. A section of the Lease (26.1) refers to construction work that will be done by Mercer Fraser Company, in addition to the lessor, 80 West Third Eureka, LLC. Mercer Fraser, a California Corporation, President and Chief Executive Officer Justin Zabel, will be the contractor for the construction of the Navigation Center on the property owned by 80 West Third Eureka, LLC, a California LLC, Managing Member Justin Zabel and the J.E. Zabel Family Trust.

On February 27, 2018, your Board approved a resolution declaring the existence of a shelter crisis in accordance with government code sections 8698-8698.2 in recognition of the significant number of persons within the County who were currently unsheltered. Today, significant persons are still

unsheltered. The resolution is being rescinded and reissued in a revised form to incorporate specific flexibilities in the contracting process that will enable quicker action by the County Administrative Office, the Department of Health & Human Services, and the Public Works Department on behalf of the County.

Accordingly, DHHS recommends that the Board approve, and authorize the DHHS Director to execute, the attached lease with 80 West Third Eureka, LLC. It is also recommended that the Board authorize the DHHS Director, or a designee thereof, to execute any and all subsequent amendments to the attached lease with 80 West Third Eureka, LLC, after review and approval by County Counsel, Risk Management and the County Administrative Office. DHHS additionally recommends, the rescission and reissuance of the Shelter Crisis Declaration resolution reaffirm your Board’s commitment to addressing housing and homelessness issues.

**FINANCIAL IMPACT:**

<b>Expenditures (Fund, Budget Unit)</b>	<b>FY23-24 Adopted</b>	<b>FY24-25 Projected</b>	<b>FY25-26 Projected</b>
Budgeted Expenses	2,100,000	\$425,340	\$425,340
Additional Appropriation Requested	\$\$	\$\$	\$\$
<b>Total Expenditures</b>	<b>2,100,000</b>	<b>\$425,340</b>	<b>\$425,340</b>
<b>Funding Sources (Fund, Budget Unit)</b>	<b>FY23-24 Adopted</b>	<b>FY24-25 Projected*</b>	<b>FY25-26 Projected*</b>
General Fund	\$\$	\$\$	\$\$
State/Federal Funds	2,100,000	\$425,340	\$425,340
Fees/Other	\$\$	\$\$	\$\$
Use of Fund Balance	\$\$	\$\$	\$\$
Contingencies	\$\$	\$\$	\$\$
<b>Total Funding Sources</b>	<b>2,100,000</b>	<b>\$425,340</b>	<b>\$425,340</b>

*\*Projected amounts are estimates and are subject to change.*

**Narrative Explanation of Financial Impact:**

The lease agreement includes a construction drawdown account in the amount of \$2,100,000. The Lessor shall have the ability to draw down construction reimbursements for construction costs. Expenditures related to the construction drawdown account were included in the approved county budget for fiscal year (FY) 2023-24 in Fund 1160, Budget Unit 520, HOME as a professional service. Since the time of budget creation additional information has been gathered from the Auditor Controller who advised DHHS to account for the construction draw down account to the fixed asset line item “Building Improvements”. The attached budget appropriation will move the budgeted funds in the amount of \$2,100,000 from professional services to building improvements to ensure proper account practices. In the event that the building is not completed in FY 2023-24, remaining funds will be included in future proposed budgets accordingly.

Upon completion of the premises monthly lease payments will begin. The annual lease costs of

\$425,340 for the Navigation Center will be included in future proposed budgets for Fund 1160, Budget Unit 520, HOME. The lease includes provisions that there will not be an increase in the lease amount for the first 3 years of occupancy, after which, a 3% increase can be applied annually.

Grant funds through California Interagency Council on Homelessness, Homeless Housing, Assistance, and Prevention Program (HHAP) have been set aside to pay for the construction drawdown account. The lease amounts in future years will be included in future grant applications. There is no impact to the General Fund.

STAFFING IMPACT:

The lease itself does not have a staffing impact. Staff involved with housing and homelessness are involved in planning for the facility. As the Navigation Center comes closer to opening, your Board will be informed of details including staffing impacts.

STRATEGIC FRAMEWORK:

This action supports your Board's Strategic Framework priority of creating opportunities for improved safety and health, protecting vulnerable populations, providing community-appropriate levels of service, supporting self-reliance of citizens, and fostering transparent, accessible, welcoming and user-friendly services.

OTHER AGENCY INVOLVEMENT:

Department of Public Works, Human Resources Department (Risk Management), County Counsel, County Administrative Office

ALTERNATIVES TO STAFF RECOMMENDATIONS:

The Board could choose to not authorize the chair to sign the lease; this is not recommended, as it would result in not being able to provide additional needed services to the community.

ATTACHMENTS:

1. Lease Agreement (by and between County of Humboldt and 80 west Third Eureka, LLC), inclusive of lease attachments as follows:
  - a. Exhibit A - Premises - 80 W Third Street. Eureka, APN: 001-012-008
  - b. Exhibit B - Conceptual Space Plans and Program
  - c. Exhibit C - Scope of Consultant Services
  - d. Exhibit D - Consultant Contract Terms and Conditions
  - e. Exhibit E - Construction Protocols
  - f. Exhibit F - 80 West Third Cost Comparison
2. Resolution 18-15 "Resolution of the County of Humboldt Declaring the Existence of a Shelter Crisis in Accordance with Government Code Section 8698-8698.2;
3. Resolution 23-xx "Resolution of the County of Humboldt Declaring the Existence of a Shelter Crisis in Accordance with Government Code Section 8698-8698.2 (Revised);
4. Budget Appropriation Transfer

PREVIOUS ACTION/REFERRAL:

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**File #:** 23-957

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Board Order No.: I-4, H-1, I-1

Meeting of: 4/4/2023, 2/27/2018, 6/27/2022

File No.: 23-237, 18-92, 22-561