



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: OCTOBER 4, 2022**
FROM: OFFICE OF HOMELESS SOLUTIONS **WARD: 1**
SUBJECT: MEASURE Z – SECOND AMENDMENT TO LEASE AGREEMENT WITH HELPING HEARTS HULEN, LLC TO INCREASE THE PROJECT BUDGET TO \$1,003,594.15 AND THE LESSEE IMPROVEMENT ALLOWANCE TO \$835,094.15

ISSUE:

Approval of a Second Amendment to Lease Agreement with Helping Hearts Hulen, LLC to increase the project budget to \$1,003,594.15 and the lessee improvement allowance to \$835,094.15.

RECOMMENDATIONS:

That the City Council:

1. Approve a Second Amendment to Lease Agreement with Helping Hearts Hulen, LLC to increase the project budget to \$1,003,594.15 and the lessee improvement allowance to \$835,094.15; and
2. Authorize the City Manager, or designee, to execute the Second Amendment to Lease Agreement, including making minor, non-substantive changes, and to sign all documents and instruments necessary to complete this transaction.

BACKGROUND:

On April 2, 2019, the City of Riverside authorized \$650,000 in Measure Z funds to build out the proposed mental health component of the Hulen Place Campus. This would expand the availability of mental health services by adding 28 beds in partnership with Helping Hearts.

On June 10, 2019, Helping Hearts California received \$150,000 from Inland Empire Health Plan to fund its share of building renovations to further expand behavioral health services at Hulen Place while in negotiations with the City to lease the property located at 2801 Hulen Place.

On April 21, 2020, the City Council approved a Lease Agreement with Helping Hearts Hulen, LLC to rehabilitate a City-owned building located at 2801 Hulen Place and operate interim housing with 28 beds for homeless individuals with behavioral health needs coupled with supportive services who do not need immediate crisis stabilization in a restrictive psychiatric setting. The

program assists a minimum of 60 homeless individuals annually. When residents can live independently, they will graduate into permanent housing.

On February 26, 2021, the City Council approved a First Amendment to Lease Agreement with Helping Hearts Hulen, LLC, to extend the tenant improvements completion deadline to December 31, 2021.

DISCUSSION:

Helping Hearts Hulen, LLC has reached out to the City to request assistance with the project's funding gap of \$185,094.15. The project budget increased from \$815,500 to \$1,003,594.15 as a result of having to install features required by the City that were not included in the original approved plans. This increased costs in Furniture, Fixture and Equipment due to the COVID pandemic.

To cover the project's funding gap, staff is recommending utilizing Measure Z funds earmarked for Homeless Services that were not utilized in the previous fiscal year. Staff is also requesting City Council to approve a Second Amendment to Lease Agreement with Helping Hearts Hulen, LLC to increase the project budget to \$1,003,594.15 and increase the lessee improvement allowance to \$835,094.15. Under the current Lease Agreement, the City has reimbursed Helping Hearts Hulen, LLC \$650,000 for building improvements.

STRATEGIC PLAN:

This item contributes to **Strategic Priority 2 – Community Well-Being** and **Goal 2.2**, collaborate with partner agencies to reduce the incidence and duration of homelessness.

The item aligns with each of the five Cross-Cutting Threads as follows.

1. **Community Trust** – The City is transparent and makes decisions based on sound policy and data. The City will continue to use data when identifying gaps in homeless programs and services.
2. **Equity** – Riverside is supportive of the City's racial, ethnic, religious, sexual orientation, identity, geographic, and other attributes of diversity and is committed to advancing the fairness of treatment, recognition of rights, and equitable distribution of services to ensure every member of the community has equal access to share the benefits of community progress.
3. **Fiscal Responsibility** – Riverside is a prudent steward of public funds and ensures responsible management of the City's financial resources while providing quality public services to all.
4. **Innovation** – Riverside is inventive and timely in meeting the community's changing needs and prepares for the future through collaborative partnerships.
5. **Sustainability & Resiliency** – Riverside is committed to meeting the needs of the present without compromising the needs of the future and ensuring the City's capacity to persevere, adapt and grow during good and difficult times alike.

FISCAL IMPACT:

The fiscal impact of this recommendation is \$185,094.15, which is budgeted and available in the following Measure Z accounts:

- Account No. 8003901-450154: \$15,429.04
- Account No. 8003905-421000: \$169,665.11

Prepared by: Michelle Davis, Housing Authority Manager

Certified as to availability of funds: Edward Enriquez, Interim Assistant City Manager/Chief Financial Officer/City Treasurer

Approved by: Edward Enriquez, Interim Assistant City Manager/Chief Financial Officer/City Treasurer

Approved as to form: Phaedra A. Norton, City Attorney

Attachment: Second Amendment to Lease Agreement with Helping Hearts Hulen, LLC