



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: JULY 28, 2026**

FROM: HOUSING AND HUMAN SERVICES **WARD: 2**

SUBJECT: FIRST AMENDMENT TO SUBRECIPIENT AGREEMENT WITH MERCY HOUSE LIVING CENTERS OF SANTA ANA, CALIFORNIA FOR THE HOMELESS HOUSING, ASSISTANCE AND PREVENTION PROGRAM ROUND 4 TO EXTEND THE TERM THROUGH DECEMBER 31, 2026 AND INCREASE COMPENSATION BY \$836,089.35 FOR THE OPERATIONS OF THE BRIDGE HOUSING PROGRAM, A 23 BED NON-CONGREGATE SHELTER LOCATED AT 2881 HULEN PLACE

ISSUE:

Approve a First Amendment to Subrecipient Agreement with Mercy House Living Centers of Santa Ana, California for the Homeless Housing, Assistance, and Prevention Program Round 4 to extend the term through December 31, 2026, and increase compensation by \$836,089.35 for the operations of the Bridge Housing Program, a 23 bed non-congregate shelter located at 2881 Hulen Place.

RECOMMENDATIONS:

That the City Council:

1. Approve a First Amendment to Subrecipient Agreement with Mercy House Living Centers of Santa Ana, California for the Homeless Housing, Assistance, and Prevention Program (HHAP) Round 4 to extend the agreement term through December 31, 2026, and increase compensation by \$836,089.35 for the operations of the Bridge Housing Program, a 23-bed non-congregate shelter located at 2881 Hulen Place; and
2. Authorize the City Manager, or designee, to execute the First Amendment to Subrecipient Agreement with Mercy House Living Centers for the operations of the Bridge Housing Program, including making minor and non-substantive changes.

BACKGROUND:

On October 13, 2013, the City of Riverside acquired 2881 Hulen Place, a 4,568 square foot commercial/industrial building situated on an 11,326 square foot parcel, for \$420,000 using Community Development Block Grant (CDBG) funds. The acquisition expanded homeless services capacity at the Hulen Homeless Service Campus.

On August 19, 2019, the Office of Homeless Solutions released a Request for Management Proposals for operation of a 23-bed bridge housing facility located at 2881 Hulen Place. Two

proposals were received and deemed responsive. An evaluation committee consisting of three (3) members evaluated the proposals based upon approach, methodology, pricing, qualifications, experience with similar programs, and references. Mercy House Living Centers (Mercy House) received the highest overall score of 85.67 and was determined to be the most qualified responsible proposer.

In 2021, the property was rehabilitated and converted into the Bridge Housing Program, a 23-bed non-congregate shelter. The total rehabilitation cost was \$1,504,832 and was funded through the following sources:

Funding Source	Amount
County of Riverside Homeless Emergency Aid Program (HEAP)	\$ 903,902
HHAP Round 1	\$ 250,930
CDBG	\$ 350,000
Total	\$1,504,832

Since February 2022, Mercy House has continuously operated the Bridge Housing Program under successive agreements funded through federal and state homeless assistance funding sources.

The City entered into the following Subrecipient Agreements for the operation of the Bridge Housing Program.

Execution Date	Funding Source	Term	Amount
March 29, 2022	U.S. Department of Housing and Urban Development 2019-2020 Emergency Solutions Grant – Cares Act (ESG-CV) Round 2.	February 1, 2022 – May 31, 2023	\$ 1,242,118
June 23, 2023	HHAP Round 2	June 1, 2023 - March 31, 2024	\$ 876,608.52
July 10, 2024	HHAP Round 3	March 1, 2024 – March 31, 2025	\$1,595,452.48
September 18, 2025	HHAP Round 4	May 1, 2025 – June 30, 2026	\$280,243.86
September 23, 2025	Permanent Local Housing Allocation	May 1, 2025 – May 31, 2026	\$1,664,757.60

The September 18, 2025, Subrecipient Agreement with Mercy House for HHAP Round 4 included an option to extend the agreement for one additional one-year term, subject to the availability of HHAP funding.

To date, Mercy House has served 315 unduplicated individuals through the Bridge Housing Program. Of those served, 109 individuals successfully exited to permanent housing, resulting in a 35% permanent housing placement rate.

The Bridge Housing Program's performance reflects strong outcomes when compared to regional shelter system benchmarks in Southern California. Permanent housing exit rates for emergency

shelter programs in the region typically range from approximately 15 to 30%, with outcomes varying based on program design, intensity of housing navigation services, and local housing market conditions. Enhanced bridge or interim housing programs that incorporate robust case management, coordinated entry participation, and landlord engagement efforts generally achieve higher outcomes, often ranging from approximately 25 to 45 percent.

The Bridge Housing Program's current permanent housing exit rate of 35% (109 of 315 participants) falls within the upper range of regional performance expectations for bridge housing models and exceeds typical outcomes for standard emergency shelter programs. This performance is notable given ongoing regional constraints, including limited affordable housing availability, high rental costs, and constrained subsidy resources. These factors continue to impact housing placement timelines across the Southern California continuum of care system.

Overall, the program demonstrates effective utilization of resources and alignment with regional best practices in advancing participants toward permanent housing stability.

DISCUSSION:

Staff recommends approval of a First Amendment to the Subrecipient Agreements with Mercy House to provide an additional \$836,089.35 in HHAP Round 4 funding for continued operation of the Bridge Housing Program from July 1, 2026 – December 31, 2026. Funding will support 24-hour shelter operations, case management, housing navigation, assistance with obtaining identification and vital documents, enrollment into the Coordinated Entry System, referrals to employment programs and income-support programs, and individualized service planning to support permanent housing outcomes.

The most recent competitive procurement for operation of the Bridge Housing Program was conducted in 2019. Given the limited six-month funding period, Mercy House's demonstrated performance, and the need to maintain uninterrupted shelter operations for vulnerable residents, staff recommend amending the existing agreement through December 31, 2026. During this period, staff will conduct a new competitive Request for Proposals process for operation of the Bridge Housing Program beginning in 2027.

Purchasing Overview

The HHAP Handbook Procurement Standards, Section 8 requires that "Agencies must follow the federal procurement standards found in 2 CFR 200.318, 200.319 and 200.320," specifically. The original approval and this approval are authorized based on 200.320...(c) Noncompetitive procurement. There are specific circumstances in which the recipient or subrecipient may use a noncompetitive procurement method. The noncompetitive procurement method may only be used if one of several circumstances applies. In this situation, the following circumstances applies and is permissible and that is the public exigency or emergency for the requirement will not permit a delay resulting from providing public notice of competitive solicitation.

The original agreement was approved by City Council on August 19, 2025, in accordance with Purchasing Resolution 24101, Section 703 which states when the Procurement of Services is to be procured through the use of Federal or State grant funding, procurement shall be done in accordance with the procedures herein. If the receipt of grant funding is conditioned upon requirements and procedures stricter than as set forth herein, the procedures necessary for the receipt of the grant funding shall be followed. Certain federally funded Procurements are subject to sections 200.317 through 200.327 of Title 2 of the Code of Federal Regulations (CFR).

Federally funded Procurements shall follow the applicable CFR provisions, except where this Resolution provides for a stricter procedure, then the provisions of this Resolution shall apply.

The Using Agency is responsible for compliance with all aspects of grant requirements and shall inform the Manager of any and all grant requirements which affect the expenditure of grant funds and the procurement of Goods, Services, or Construction with grant funds;" and to prevent any interruption in services and ensure continuity of the Bridge Housing Program, the Purchasing Manager exercised the authority granted under Section 702(w). Exceptions which states, "When approved by the Manager, Services not subject to the bidding requirements of Section 1109 of the City Charter, which are of such a nature that suitable technical or performance specifications describing them are not readily available and cannot be developed in a timely manner to meet the needs of the City, in which case the Manager shall be authorized to negotiate with any Person or Persons for the Procurement thereof upon the price, terms and conditions deemed by the Manager to be in the best interest of the City and in doing so may utilize Informal Procurement or Negotiated Procurement process."

This first amendment is pursuant to Purchasing Resolution 24101, Section 702(w). "Exceptions", which states, "When approved by the Manager, Services not subject to the bidding requirements of Section 1109 of the City Charter, which are of such a nature that suitable technical or performance specifications describing them are not readily available and cannot be developed in a timely manner to meet the needs of the City, in which case the Manager shall be authorized to negotiate with any Person or Persons for the Procurement thereof upon the price, terms and conditions deemed by the Manager to be in the best interest of the City and in doing so may utilize Informal Procurement or Negotiated Procurement process," and "Section 1104 "Change Orders", which states: "Modification to a Purchase Order shall be made only by Change Order. Subject to the availability of funds, Change Orders may be utilized for purposes of...(1) adding and/or deleting quantity of items being procured (5) modifying contract completion time or the term of a Contract...a) 10% of the original contract price for Contracts and/or Purchase Orders previously approved by the Awarding Entity and the total Change Order amount will not exceed \$150,000... (d) A Contract amendment which extends the term of the agreement beyond one year of the original expiration date.

The Purchasing Manager concurs that the recommended action is compliant with Purchasing Resolution 24101.

FISCAL IMPACT:

The total fiscal impact of this action is \$836,089.35. Sufficient funding in the amount of \$836,089.35 is budgeted and available in the Development Grants Fund, HHAP Round 4 Operations account number 9347580-440210 to support the continued operation of the Bridge Housing Program through December 31, 2026.

Prepared by:	Shaleah Thomas, Administrative Analyst
Approved by:	Michelle Davis, Housing and Human Services Director
Certified as to availability of funds:	Julie Nemes, Finance Director
Approved by:	Kris Martinez, Assistant City Manager
Approved as to form:	Rebecca McKee-Reimbold, Interim City Attorney

Attachments:

1. Subrecipient Agreement for the HHAP Round 4
2. First Amendment to Subrecipient Agreement for HHAP Round 4