

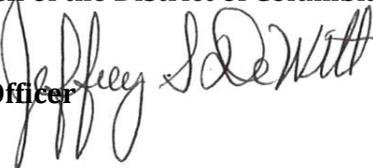
Government of the District of Columbia
Office of the Chief Financial Officer



Jeffrey S. DeWitt
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeffrey S. DeWitt
Chief Financial Officer 

DATE: April 14, 2016

SUBJECT: Fiscal Impact Statement – Homeward DC Omnibus Approval of
Facilities Plan for Short-Term Housing for Persons Experiencing
Homelessness Act of 2016

REFERENCE: Bill 21-620, introduced bill sent to the Office of Revenue Analysis on
February 24, 2016

Conclusion

Funds are not sufficient in the proposed fiscal year 2017 through fiscal year 2020 budget and financial plan to implement the bill. The bill will cost an estimated \$11.0 million in fiscal year 2018, \$7.7 million in fiscal year 2019, and \$7.9 million in fiscal year 2020, for a total of \$26.7 million over the four-year budget and financial plan.

The District will not execute the homeless facilities plan approved by the bill until fiscal year 2018. The projected costs reflect the terms in letters of intent and yet-to-be-signed contracts. If the terms change, the cost of the bill could change substantially before the District implements the bill.

Background

The bill approves the Mayor's plan to build or lease seven new shelters that will provide short-term housing to homeless families. Six of the new shelters—those in Wards 3 through 8—will replace the 270 units at DC General. The other new shelter will be in Ward 1 and will replace the apartment-style shelter located on Spring Road, NW.

The new shelters will open between January 2018 and September 2018. As these shelters open, the Department of Human Services (DHS) will fill them with families entering the shelter system and will stop placing families in DC General. Families that are already at DC General when the new facilities open will remain at DC General until they leave. If any families remain at DC General once the last homeless facility opens in September 2018, DHS will move the families to the new facility—

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by September, few families should be left at DC General since turnover there is high.¹ DHS will close DC General once the shelter is empty.

The Spring Road shelter will close in August 2016. DHS will move families staying at Spring Road to a temporary shelter and then to the new Ward 1 facility when it opens in August 2018.

Some homeless facilities will be built on District property; the District will lease others from private entities. The Mayor has signed letters of intent but not contracts with the land owners who will lease land or buildings.

Financial Plan Impact

Funds are not sufficient in the proposed fiscal year 2017 through fiscal year 2020 budget and financial plan to implement the bill. The bill will cost \$11.0 million in FY 2018, \$7.7 million in FY 2019, and \$7.9 million in FY 2020, for a total of \$26.7 million over the four-year budget and financial plan.

It will cost around \$27 million a year to lease and operate the seven new facilities. In FY 2017, costs will be limited to the Ward 1 property, which the District must lease before the construction begins construction. As the new facilities begin to open in FY 2018, costs will increase to about \$13 million a year. In FY 2019 and FY 2020, when all facilities will be open all year, costs will be around \$27 million. These costs include leases, services for families, facility expenses, and real estate taxes. The costs that the District is responsible for at each facility depend on the terms of each letter of intent.

To cover these costs, the District will have around \$19 million a year starting in FY 2019 from the closure of DC General and the Spring Road facilities. Since DHS expects to close DC General and Spring Road late in FY 2018, there will also be a smaller amount of money—around \$1.7 million—that DHS can use for the new shelters in FY 2018. The District will cover the FY 2017 cost of the Ward 1 lease (around \$408,000, including taxes) using money available in the budget of the Department of General Services.²

There will also be construction costs totaling \$35.6 million³ for the homeless facilities in Wards 1, 7, and 8. The District will pay for these costs using \$20 million from the FY 2016 capital budget and \$20 million from the FY 2017 capital budget. (Construction costs are not included in the table below.)

¹ On average, 52 families exit DC General each month, according to DHS.

² In its FY 2017 budget, the Department of General Services included \$1.05 million for the new Ward 3 shelter. Since DHS now projects that the new Ward 3 shelter won't be open until May 2018, this money will be available for use in FY 2017.

³ The letters of intent estimate the construction costs to be about \$34 million, but numbers DHS sent Council on April 11, 2016 put the costs at \$35.6 million.

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Cost of Implementing Bill 21-620, Homeward DC Omnibus Approval of Facilities Plan for Short-Term Housing for Persons Experiencing Homelessness Act of 2016, FY 2017 - FY 2020					
	FY 2017	FY 2018	FY 2019	FY 2020	Four-Year Total
Cost of leasing/operating new shelters ¹	\$408,000	\$12,729,000	\$27,194,000	\$27,900,000	\$68,231,000
Funds available after DC General and Spring Rd shelters are closed ²	\$0	(\$1,683,000)	(\$19,488,000)	(\$19,976,000)	(\$41,147,000)
Funds available from DGS ³	(\$408,000)				(\$408,000)
Net Cost	\$0	\$11,046,000	\$7,706,000	\$7,924,000	\$26,676,000

Notes

¹Costs include leases, services for families, facility expenses, and real estate taxes. The costs that the District is responsible for at each site depend on the site's letter of intent. Out-year costs include annual increases of 2.5 percent for services and facility expenses; 3 percent for real-estate taxes; and 2 to 3 percent for leases (depending on the site). Costs begin the month DHS projects the site will be complete, though for Ward 1, costs begin when construction begins in April 2017.

²Assumes money from DC General will be available starting in September 2018, and money from the Spring Road site will be available starting in August 2018. Also assumes available funds increase by 2.5 percent per year.

³In its FY 2017 budget, the Department of General Services included \$1.05 million for the new Ward 3 shelter. Since DHS now projects that the new Ward 3 shelter won't be open until May 2018, this money will be available for use in FY 2017.

The costs of this bill could change for a number of reasons. The amount the District will ultimately pay for leases, construction, or services depend on the Mayor's negotiations with landlords, builders, and service providers over the next year. The costs of the bill and the money available to pay for it also depend on whether DHS is able to adhere to its timeline. If the new facilities open later than DHS expects, it may have to keep DC General open later than September 2018, which would reduce the money available in FY 2018 and potentially FY 2019 to cover the costs of the new homeless facilities.