


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: May 27, 2016

SUBJECT: UPDATED Fiscal Impact Statement – Homeless Shelter Replacement Act of 2016

REFERENCE: Bill 21-620, updated bill sent to the Office of Revenue Analysis on May 16, 2016

This fiscal impact statement reflects changes Council made to this bill on May 16, 2016. It replaces the fiscal impact statement we issued on April 14, 2016 for the version of this bill introduced by the Mayor.

Council renamed the bill the “Homeless Shelter Replacement Act of 2016” when it updated the bill. The name of the bill introduced by the Mayor was the “Homeward DC Omnibus Approval of Facilities Plan for Short-Term Housing for Persons Experiencing Homelessness Act of 2016.”

Conclusion

Funds are sufficient in the proposed fiscal year 2017 through fiscal year 2020 budget and financial plan to implement the bill.

The bill authorizes the Mayor to spend \$88 million in capital funds to build seven new homeless shelters. Under the Council’s plan, operating these shelters will cost an additional \$20.0 million in FY 2019 and \$20.5 million in FY 2020. Council has budgeted for these costs in the proposed fiscal year 2017 through fiscal year 2020 budget and financial plan. The Mayor is under no obligation, though, to follow the plan in the bill—the bill authorizes her, but does not require her, to spend these capital funds on the new shelters.

Background

The bill authorizes the Mayor to build seven new shelters on District-owned land to serve as temporary housing for homeless families. Six of the new shelters—those in Wards 3 through 8—will replace the D.C. General shelter. The other new shelter will be in Ward 1 and will replace the apartment-style shelter located on Spring Road, NW. The Ward 2 shelter is currently under construction and is not a part of this legislation.

The Honorable Phil Mendelson

FIS: Bill 21-620, "Homeless Shelter Replacement Act of 2016," updated bill sent to the Office of Revenue Analysis on May 16, 2016

The bill directs the Mayor to use specific sites for the shelters. The District already owns the sites in five of the wards. In Ward 1, the Mayor will need to acquire the land through eminent domain or other means, and in Ward 4, the Mayor will need to either acquire land or use District-owned land.

Council has set the following spending limits on acquiring land and building the shelters:

Limits on Capital Spending in B21-620 for Acquiring Land and Building Shelters	
Ward	Limit on Capital Spending (dollars in millions)
1	\$20.0
3	\$12.5
4	\$13.0
5	\$10.0
6	\$12.5
7	\$10.0
8	\$10.0
TOTAL	\$88.0

Financial Plan Impact

Funds are sufficient in the proposed fiscal year 2017 through fiscal year 2020 budget and financial plan to implement the bill.

In the FY 2017 through FY 2022 Capital Improvements Plan, Council has set aside \$105 million for the new shelters: \$88 million is earmarked for specific wards and \$17 million is for contingency spending. If the Mayor implements the plan as outlined in the bill, the Office of Revenue Analysis estimates it will cost an additional \$20.0 million in FY 2019 and \$20.5 million in FY 2020 to operate the shelters. Most of the operating costs will be covered by money freed up from the closure of D.C. General, assuming that the new shelters open at the beginning of October 2018 and D.C. General closes at the beginning of November 2018. Council has included funding in the FY 2019 and FY 2020 budgets to pay for operating expenses not covered by money previously allocated to the D.C. General and Spring Road facilities.

Operating Costs and Savings: Replacing D.C. General and Spring Road Facilities with Seven New Shelters on District-Owned Land					
	FY 2017	FY 2018	FY 2019	FY 2020	Four-Year Total
Cost of operating new shelters ¹			\$19,970,834	\$20,470,106	\$40,440,939
Funds available after D.C. General and Spring Rd closures ²			(\$17,965,562)	(\$19,975,593)	(\$37,941,155)

The Honorable Phil Mendelson

FIS: Bill 21-620, "Homeless Shelter Replacement Act of 2016," updated bill sent to the Office of Revenue Analysis on May 16, 2016

Net operating cost funded in budget			\$2,005,272	\$494,513	\$2,499,784
--------------------------------------------	--	--	--------------------	------------------	--------------------

Table Notes

¹Costs include services for families and facility expenses. Out-year costs include annual increases of 2.5 percent. Assumes all new shelters will open by October 1, 2018.

²Assumes money from D.C. General will be available starting November 1, 2018, and money from the Spring Road facility will be available starting October 1, 2018. Also assumes available funds increase by 2.5 percent a year.

These costs differ from the cost of the original bill introduced by the Mayor. Council's version of the bill requires shelters to be built and owned by the District, resulting in higher capital costs but lower operating costs, since leases will no longer be needed.

If the Mayor decides to implement the bill as Council has written it, costs could still deviate from the table above. Even though the bill caps capital spending, the cost of construction and land acquisition is still unknown since the Mayor has not entered into any contracts. Also, financing cost for the Ward 6 site could increase if the city has to use taxable bonds for construction on the site. IRS rules limit the use of tax exempt bonds to construction of buildings for public benefit *only*, and the city might have to use taxable bonds if the city plans to lease the health clinic on the site to a private entity.

A change in the timeline could also have a cost. Our analysis assumes that the new shelters will all open in October 2018 and D.C. General will close one month later. Delaying the opening of the new shelters past October 2018 has minimal fiscal impact, as long as the new shelters open all at once and D.C. General still closes one month later. Costs will increase if D.C. General and the new shelters are open simultaneously for longer than a month (it will cost about \$1.5 million a month to operate D.C. General and over \$200,000 a month, on average, to operate each new shelter.)