

March 22, 2004

Council Member Robert Lilligren and
Council Member Scott Benson
City Hall, Room 307
350 South 5th Street
Minneapolis, MN 55415

Dear Council Members Benson and Lilligren:

I am writing to follow-up on our conversation of several weeks ago regarding the use of Emergency Shelter Grant (ESG) funding. We appreciate the time the two of you took to listen to our concerns regarding the restrictions that have been placed on the use of those funds.

As you know, the Community Advisory Board on Homelessness (CABH), a working group comprised of 23 members appointed by the Minneapolis City Council and Hennepin County Board, is charged with advising the City and County on issues affecting people experiencing homelessness. For the past three years, the CABH has advocated for a change in the way ESG funds are used—essentially advising the City that it was prudent to allow the eligible uses of ESG funds to be expanded to include operating as well as capital costs. We are again making that argument, but now in a more financially challenging and difficult environment.

The Amherst H. Wilder Foundation's recent homelessness survey once again has pointed out that the problem of homelessness has not gone away. Indeed, it appears that, while the numbers of homeless have not increased dramatically, their situation remains critical—fewer homeless individuals are working, more are reporting mental health & chemical dependency issues, and the ranks of homeless youth remain significant and particularly underserved. The goals of the CABH, committed to by both the City Council and Board of Commissioners, identified increases in shelter beds and supportive housing for youth, families and individuals. While we have made modest progress in the supportive housing arena, no new emergency shelter beds have been created. Indeed, the challenge now has turned to keeping our existing shelters open.

The CABH has argued in the past that most other cities across the country use their ESG funds for operating purposes. Our recent research indicates that Minneapolis may be the only City in the nation that restricts the use of these funds in this manner. Portland, OR, Seattle, WA, San Diego, CA, St. Paul, MN, Chicago, IL, Philadelphia, PA, Hartford, CT, Jacksonville, FL, Kansas City, MO, and Houston, TX, are just a handful of the cities that use Federal ESG funds for operating purposes. From a purely local standpoint, however, we believe the following realities argue for such a change:

1. **A shortage of operating funds has resulted in shelter closures and program cuts.** Emergency housing programs have been funded through a combination of State, County and private resources. In 2003, the State Legislature cut 2.7 million dollars or 30% of the funding for shelter and transitional housing. Further, cuts in aids to local government for Counties have resulted in additional reductions in shelter funding. This

has been compounded by stagnant and declining private sector and philanthropic giving due to the difficult economy. The result has been a very tough funding environment for shelter operators, several of whose ability to remain open is tenuous. We also know, however, that several shelters have had to close for periods of time due to a lack of available operating funds. Last year, 100 beds for men were closed during the warmer summer months, putting an additional 100 men in the position of having to sleep on Minneapolis' streets. Youthlink, a key provider of youth shelter, has closed its 10 beds for youth and Project Foundation, another key youth shelter provider which, ironically, used ESG funds to renovate one of its two shelters, is now unable to reopen that renovated building (housing 10 shelter beds) because of a lack of operating funds. These service cuts come at a time when the need for youth shelter is increasing dramatically. Increased flexibility in the City's ESG program would help shelter providers to continue operating these critically needed programs.

2. **There is a mismatch between the availability of capital funds and operating supports.** Shelter providers have noted that capital funding is more often readily available than operating funding. While resources are scarce across the board, shelter providers have noted that the more tangible and visible capital projects are often much easier to package and "sell" to private funders than are their operating needs. Among the funders that shelter providers are able to turn to for their capital needs are:

- Minnesota Housing Finance Agency
- Family Housing Fund
- Open Your Hearts to the Hungry & Homeless
- Numerous Private Foundations, including:

Athwin	Beim	Bemis
Beverly	Otto Bremer	Bush
Charlson	Cottonwood	Deluxe
Graco	Grey Coach	Land O Lakes
Lanners	Leonard Street and Deinard	
Mn. Mutual	Nash	O'Shaughnessey
Pentair	Philanthrofund	Phillips Family
Elizabeth Quinlan	Riverway	St. Paul Cos.
Simmet	Star Tribune	Target
Tennant	Walser	Wells Fargo

Shelter providers and the CABH believe that, in some cases, capital dollars that would be available from these sources may not be fully utilized or leveraged because of the scarcity of operating funds. It would be unfortunate if opportunities to create additional shelter capacity, or to improve the quality of services that are already being provided, were lost because of limitations on the use of the City's ESG funds.

3. **A shortage of operating support limits efforts to reform the shelter system.** The Shelter Providers Action Association (SPAA) is working to define a comprehensive vision for how adult emergency shelter should be provided in Hennepin County. SPAA will soon present its plan to replace "overflow" spaces with more dignified full-service shelters to the CABH for endorsement. From 1982-1995, Minneapolis had 350 beds for

homeless men and women age 18 and over. Since 1995, the City has added 450 beds of secure waiting or overflow in spaces which do not hold conditional use permits and do not meet zoning code requirements. Unlike the 350 full-service beds, the secure waiting and overflow spaces do not provide the longer-term services and solutions that help the homeless achieve any stability or self-sufficiency. The SPAA plan will help to address that problem. Increased ESG flexibility will help leverage additional investment in support of this transformation. We believe this presents a unique opportunity to reform and reconstruct the shelter system, and deserves your support.

The CABH is aware that increased ESG flexibility may require policy and administrative changes at the City level. Currently the City allocates ESG funds through a competitive RFP process, and allows their expenditure exclusively for capital projects, in compliance with its Affordable Housing Policy. Changing the use of these funds would require a change in the Affordable Housing Policy. We also recognize that certain regulatory requirements that now govern the expenditure of ESG funds would need to be changed (in particular, the requirement that no more than 10% of ESG funds can cover staff costs). Another change would be purely administrative. While the Community Planning and Economic Development (CPED) Department currently administers the ESG program, the Office of Grants and Special Projects may be a more appropriate administrative agency if ESG funds are to be used for operating support. We believe that these minor changes would not be difficult to achieve and we would be prepared to help think these issues through in any way appropriate.

We are hopeful that the Community Development Committee and the City Council will view the CABH's recommendation favorably. We look forward to your response and would be happy to answer any questions you may have. We appreciate your continued support of our mission.

Sincerely,

Paul Williams
Chair, on behalf of the
Community Advisory Board on Homelessness

cc: Mayor R.T. Rybak
Community Advisory Board on Homelessness