

## **Background Information Regarding the Dairy Drive Campground**

### **September 16, 2025**

#### **History and Background**

In November 2021, the City opened its first legal, state-licensed campground, at 3202 Dairy Drive, a property owned by the Madison Fire Department. It was created as a safe and legal, but temporary, alternative to encampments that had arisen at multiple locations in Madison, the largest in Reindahl Park. The facility was part of a multi-pronged response to housing instability during COVID that included substantial investments in expanded shelter facilities, the use of hotels for shelter, emergency rent assistance (Dane CORE) an eviction defense initiative and more, most of which was possible only with the help of unprecedented sums of one-time federal assistance. That funding no longer exists.

Dairy Drive featured 30 single-occupancy, climate-controlled shelters (one was destroyed by fire), electrical connections, lighting, a secure entrance, privacy fencing, paved walkways, and a converted trailer that housed 8 bathroom/shower stalls and office space. The shelters were not intended to be used as housing (which would, among other things, violate State Campground regulations), but rather to offer short-term use for people unable or unwilling to access congregate shelter while they sought housing.

The City contracted with MACH 1 Health (now Madison Street Medicine) to manage the property and, in collaboration with Kabba Recovery Services, provide on-site support to campers. This support included housing navigation, mental health counseling, conflict resolution, substance disorder responses, transportation and food assistance.

When opened, City officials expected the campground to operate for 2 years, an estimate based on projected operating budgets and available resources. It became possible to operate longer as City officials took advantage of other COVID dollars (\$560K of CDBG-CV funds in 2023), and received contributions from other sources - the MG&E Foundation (\$80K spread over 2 years), Dane County ARPA funds (a one-time contribution of \$226K in 2024), Dane County General Purpose Revenue (\$174,500 each in 2024 and 2025), and a 3-year Federal HUD grant (\$199K/year beginning in 2023, and which expires in August 2026.) The additional funds were sufficient to sustain the campground through September 2025. **City levy funds were not used to support Dairy Drive.**

#### **Financial Resources**

##### **Initial Set-Up Costs**

The cost to set up Dairy Drive totaled about \$1.1M. It included site improvements made by City Engineering staff and external contractors to connect the site to public water/sewer infrastructure, install electrical facilities, renovate a donated trailer for bathroom/office use, lay pavement, purchase and assemble shelter structures, etc. Tax Increment Financing revenues contributed just under \$350K toward site improvement costs; the balance of set-up costs were paid from ARPA funds.

### Operating Expenses

The initial contract for property management and on-site services was slightly more than \$1M (\$86K on a monthly basis.) It was funded entirely from ARPA dollars. Round-the-clock services were to be performed by staff from both MSM and Kabba that included social workers focused on mental health, substance abuse and housing, and other staff devoted to program/guest coordination, conflict resolution, security and more.

In succeeding years, the monthly operating budget declined by 25% to about \$64K and, in 2025, to just over \$60K. These savings were attributable to MSM decisions (reduced staff coverage, particularly overnight) and circumstances (underspending caused by staff turnover), and led to a reduction in the scope of services offered at the facility. The 2025 contract supports 10.05 FTE positions.

In addition to expenses addressed in the service contract (property management and on-site services) are a variety of facility-related costs – utilities, waste management, pest control, phone – that are paid by the City via its Community Development Division. These total at least \$5K per month. The City spends another \$10K per year on expenses related to maintenance and repair functions performed by City Engineering staff.

### The Planned Closure of Dairy Drive

As the City's 2024 budget process got underway in the summer of 2023, it was evident that funds for Dairy Drive would run out in 2024 - a fact shared with MSM. However, in its own 2024 budget process, the Dane County Board approved a one-time contribution of ARPA funds (\$226K) and \$174,500 of General-Purpose Revenue to support the campground, the County's first contribution to the operation. Those funds, and the new HUD funds awarded to MSM (\$199K/yr for three years) provided the means to extend operations into and, perhaps, through the summer of 2025, and avoid the need to close during winter. At that point, in September 2023, initial plans to close in the summer of 2025 began to take shape.

### The 2025 Operating Budget

The decision to close Dairy Drive in September 2025 was reflected in CDD's 2025 budget recommendations, eventually adopted by the Common Council. The Adopted Budget included \$602,486 for a 2025 contract with MSM- \$228,986 from City converted ARPA funds, \$174,500 from County GPR and \$199,000 from HUD. It would support campground operations through September 30 and provide an additional month of funding to allow MSM to help transition any remaining campers. CDD's budget also included \$40K to pay utility expenses through September and \$220K for site restoration. All City dollars, as they were derived from ARPA funding, are one-time funds. They are not part of CDD's base budget for 2026 and, if not used in 2025, will lapse to the City's General Fund.

Similarly, Dane County funds are available only through the end of the year. Notably, those funds are not included in the County Department of Human Services' 2026 budget recommendations.

Any remaining HUD funds can be used through August of 2026.

Housing resources (10 Section 8 Housing Choice Vouchers and 5 Rapid Rehousing Slots) are available to aid campers in securing stable housing.

### **The Proposal to Maintain Dairy Drive through April 30, 2026**

The proposal to extend campground operations through April 30, 2026, would have the following budget impacts:

#### **For 2025**

##### Costs

Funding exists to operate the campground through September 30 and maintain MSM's service contract through October 31.

The cost to operate through the end of 2025 is about \$140,000, the sum of:

- \$60,250 monthly contract cost \* 2 months = \$120,500
- + \$5,000 monthly facilities costs \* 3 months = \$15,000
- + \$3,500 maintenance/repair expenses

##### Available Funds

If the campground is not closed, as scheduled money available to pay for added costs through the end of 2025 includes:

- About \$300,000 of unused HUD funds that MSM reports remain. These funds are governed by a contract agreement between HUD and MSM. Presumably, their use for purposes other than those described in that agreement requires an amendment to that contract.
- Up to \$220,000 of City funds. These funds are currently budgeted for site restoration but, if the campground does not close, could be available for other City-approved uses.
- Up to \$100,000 of County ERA funds. The possibility of drawing on unused County ERA funds has been raised but apart from uncertainty regarding their actual availability, they must be used by September 30, 2025, and so would seem to have little practical value.

#### **For 2026**

##### Costs

The cost in 2026 to maintain the campground through April 30 (and extend the service contract through May 31) is estimated at about \$550,000. This includes:

- \$60,250 monthly contract \* 5 months = \$301,250
- + \$5,000 monthly facilities cost \* 4 months = \$20,000

- + \$6,500 maintenance/repair expenses
- +\$220,000 site restoration

#### Available Funds

- Up to \$300,000 of unused HUD funds potentially available to MSM. These funds are subject to a contract agreement between HUD and MSM. Their use for purposes other than those described in that agreement requires a contract amendment. It seems unlikely site restoration would be an eligible use of funds.

#### Outstanding Issues

- As it currently stands, there is insufficient funding to keep the campground open through April 2026. This is in part because when potential funding is available (2025) is not aligned with when most of the expenses will occur (2026). Nor is there compatibility between existing sources of funding and future spending needs, particularly those associated with site restoration.
- As this property and its improvements are City-owned, there is risk to the City of needing to step in if other funding fails to materialize.
- No exit strategy has been articulated for April 30<sup>th</sup>. To the extent that structures vacated in anticipation of a September 30<sup>th</sup> closing are re-occupied, we will in fact have lost progress. That leaves the likelihood that even if funding is somehow found to keep the campground open until April 30<sup>th</sup>, the Council will find itself back in the same place as it is currently, without funding to continue to keep the campground open – and now with more individuals to rehouse, no dedicated housing resources to support them and no funding to restore the site when it closes.
- With what level of services is the City comfortable? The past success of Dairy Drive is largely attributable to a well-funded collaborative partnership between MSM and Kabba. By all appearances, Kabba is not part of plans if the campground continues. The staffing structure put forth in MSM's response to the City's recent Homeless Services RFP includes 6.45 FTEs, compared to 10.05 FTEs currently supported in MSM's 2025 contract with the City. It contains no mention of mental health or substance use services.