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MEMO

To: Honorable Members of Los Angeles City Council *M. S.*
From: Nathaniel VerGow, Deputy Chief Program Officer
Date: 26, 2024
CC: Paul Rubenstein, Deputy Chief External Relations Officer
Re: Adult Interim Housing Reprocurement (Council File 23-1348)

Background

Over the past 15 years, the design and procurement of Interim Housing programs have evolved significantly. What began as simple Requests for Proposals (RFP) for emergency shelters and transitional housing has now expanded with the creation of new shelter typologies including non-congregate sites and Tiny Home Villages and with an expanded pool of providers. The passage of Measure H at the County level in 2017, along with increased funding from the City's General Fund, led to greater investments in the homeless services system. This expansion enabled the use of client assessment tools, regional coordination, and case conferencing, while facilitating the creation of enhanced Bridge Housing programs for women and older adults.

In response to the escalating crisis of unsheltered homelessness in Los Angeles, including the disproportionately growing number of women, older adults, and LGBTQ+ residents falling into homelessness, efforts have intensified. Effective procurement represents one such measure to address the disparate outcomes the system is seeing among vulnerable populations. It is a process that more equitably positions small, under-resourced providers to submit a proposal when LAHSA puts out an RFP. Rather than continue to disseminate contracts to the same group of providers, effective procurement not only expands the number of qualified providers overall, but also enables the inclusion of providers staffed by those with lived experience. This increases the capacity of the system to offer culturally competent care that better serves the unique population of clients without disrupting service delivery. Qualified providers will be selected based on their ability to deliver services that meet LAHSA's Key Performance Indicators (KPIs) and funder expectations.

The primary function of Interim Housing is to provide a safe, temporary location for people experiencing homelessness to escape the challenges of sleeping outside while they work toward obtaining permanent housing resources. It allows clients to continue to receive supportive services while living in a safe, stable environment until they obtain Permanent Housing. While in Interim Housing, providers help clients gather essential documents and refer them to public and community-based services they may have never known they would be eligible for – better positioning them to obtain Permanent Housing. Best practice principles of low-barrier, trauma-informed, Housing First, and Harm Reduction inform the work of all Interim Housing programs.



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LAHSA will reprocure the individual adult Interim Housing portfolio for Fiscal Year (FY) 2025-26. The contract term for contracts awarded through the RFP is July 1, 2025, to June 30, 2026, with annual funding thereafter. Service providers selected and contracted through this procurement will be paid through the submission of monthly invoices to LAHSA for costs incurred up to the contractually agreed upon rate. LAHSA reserves the right to authorize funding on an annual basis, based upon, but not limited to, satisfactory contractor performance, availability of funds, and demonstrated geographic need.

Cost-Benefit Analysis

The goal of the re-procurement process is to improve service delivery, reduce staff turnover, enhance program performance, and cover the costs of operations. To achieve this, adjustments to contract rates and staff wages must be made to ensure competitiveness in the labor market, improve retention, and enhance service quality. Below is an analysis of the costs and anticipated benefits associated with proposed wage increases and program adjustments:

1. Staff Compensation and Retention

- a. **Costs:** Increasing staff wages will raise overall program costs. A recent RAND report estimates that frontline staff salaries in the homeless services sector range from \$40,000 to \$60,000, while the living wage for the region is \$64,160 for a one-bedroom unit. Closing this wage gap will likely increase program costs by 10-20%.
- b. **Benefits:** Competitive wages will enhance staff retention, reduce turnover rates, and improve service delivery. Providers that retain staff can maintain continuity of care, which directly benefits clients by stabilizing their housing journey. Improved staff morale and decreased burnout will lead to better client outcomes, with fewer disruptions in service.

2. Client Outcomes and Service Continuity

- a. **Costs:** Enhancing contracts to include metrics for client outcomes, performance evaluations, and reporting requirements will require investments in data collection, monitoring, and administrative oversight.
- b. **Benefits:** Increased oversight will lead to more effective and accountable service delivery. Providers will be held to higher standards, which should improve the overall success rate of transitioning individuals from interim housing to permanent housing. Reducing turnover through better staff retention will likely lead to more consistent support for clients, which could reduce the time spent in interim housing and accelerate permanent housing placements.

3. Standardized Contracting and Best Practices

- a. **Costs:** Implementing uniform standards across all City and LAHSA contracts will require initial investments in training, compliance systems, and contract management. The cost of developing these systems, while not insignificant, will be offset by the increased efficiency and reduced ambiguity in service delivery expectations.



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- b. **Benefits:** Standardizing contracting processes and expectations will reduce confusion for providers, improve service quality, and streamline the procurement process. Providers, especially new or smaller entities, will benefit from clearer guidance on program expectations, leading to more consistent client outcomes.

Re-procurement Process and Timeline

The 2024 Interim Housing procurement for the Single Adult system will be open to all service providers who are certified to apply for City and County of Los Angeles funding through LAHSA's Request for Statement of Qualifications process. The RFSQ process prequalifies service providers to apply for our funding opportunities by verifying that they are a legal entity in good standing to do business in California and are not suspended or debarred (excluded based on past conduct) by the City or County. LAHSA plans to release the 2024 Interim Housing Request for Proposals (RFP) on November 15, 2024, with all proposals due on January 17, 2025. The quality review and evaluation of submitted proposals will take place during January and February 2025, and recommendations for awards will be presented to the Programs & Contracts Committee of the LAHSA Commission in March 2025. Selected service providers will receive an award letter by the end of March 2025, with new program contracts to begin July 1, 2025.

Timeframe	Action
November 15, 2024	Request For Proposals (RFP) released and posted for submissions
January 17, 2025	Date in which all proposals from interested applicants must be submitted.
January 17, 2025-Feb 28, 2025	RFP Review and Scoring by quality review panels.
March 21, 2025	Recommendations are shared at Programs and Contracts Committee
March 28, 2025	Recommendations for applicants selected for program funding are presented for approval. LAHSA Commission formally votes.
March 28, 2025-March 31, 2025	Award Letters are sent to selected providers
April 1, 2025-June 30, 2025	Demobilize current providers not selected through this RFP and integrate newly awarded providers.
July 1, 2025	New program commences with the start of the Fiscal Year that the contract applies to.

Equity Amongst Interested Parties

To promote equity for new interim housing providers and small interim housing providers in submitting a competitive Adult Interim Housing RFP, the following have been implemented in LAHSA's RFP:

- The RFP is open to providers who have tendered services to participants experiencing homelessness, and is not exclusive of providers who have previously operated interim housing sites



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- The RFP introduces additional application criteria, allowing new Interim Housing providers to earn the same number of points as IH providers with site operation experience. The RFP allows new Interim Housing providers to supplement the required IH program data metrics with data from similar programs that provide comparable services. These could be programs that provide comparable services, such as temporary housing, shelter, or supportive services, even if they aren't explicitly labeled as IH programs. The idea is that providers can use data from these similar programs to demonstrate their capacity to manage Interim Housing services.

Types of questions on RFP

The RFP includes questions designed to evaluate the ability to maintain a calm and safe environment, ensure client compatibility, and assess the applicant's capacity to address and manage common challenges in operating an interim housing site. This evaluation is grounded in the principles of Housing First, low-barrier access, trauma-informed care, and harm reduction. The questions are less focused on how well a provider knows the contractual expectations. Rather, they are designed to assess how the applicant will manage difficult situations within the expectations of the contract.

Transition Process When New Providers Replace Current Providers

Should a current provider not be chosen to continue operating a site, LAHSA Interim Housing and Grants Management and Compliance teams will provide technical assistance. This will transition the provider away from the site within 90 days of notification. This includes, but is not limited to:

- 1) Ensure access to current participant records is transferred to the new provider
- 2) Assist with case conferencing to facilitate warm handoff between staff and participants
- 3) Ensure final billing is processed
- 4) Process appropriate contract close-out and transition duties to the new provider

Should a current provider who owns a site not be chosen to continue to operate that site, LAHSA Interim Housing will utilize its existing demobilization protocol to support the participants in transitioning to other interim housing or permanent housing opportunities.

Since LAHSA is now implementing a new performance management framework, guidance on addressing underperformance will come after internal review. The implications for remedial action are expected to be communicated in mid-October.

City Council Involvement in Reprocurement

LAHSA welcomes the participation and insight of our partners in the RFP quality review process. City Council offices may designate one or more staff members to participate in the quality review and evaluation process. Council District staff will be assigned to review proposals submitted for areas of the City outside of their Council District. All quality review team members must confirm impartiality through a Conflict of Interest and Confidentiality certification prior to the beginning of the quality review process.

Listening Sessions for Staff Recruiting and Retention



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To better understand the impacts of wage increases and staff retention efforts, listening sessions will be conducted at three key points: January 2025 (after incremental increases), June 2025 (midway in process), and January 2026 (after substantial increases). These sessions will help assess both the subjective and objective impacts of wage adjustments on staff retention and client outcomes.

At any of these three initial assessment points, listening sessions would be a preferred way of collecting data that will likely include both subjective and objective data from providers.

Accountability and Performance

Provider Accountability

LAHSA's Grants Management and Compliance (GMC) team meets monthly with Service Providers to assess LAHSA's Key Performance Indicators by monitoring and analyzing provider outcomes relative to their grant's expenditure at the individual contract level. The goal is to monitor contracts to ensure optimal performance and to offer guidance and interventions in tandem with improvement plans, as needed. Monthly reporting on both fiscal and programmatic components equips service providers with frequent, accurate data to inform implementation and fund-utilization processes. The monthly performance outcomes from the contracts, both fiscally and programmatically, are assessed using a scoring matrix. This matrix employs a point system that compares actual scores to the total points available. Additionally, GMC provides cost matrices to reduce the occurrences of disallowed costs and ensure that spending aligns with program objectives. LAHSA's compliance team actively monitors providers to ensure alignment with the issued contract and Scope of required services (SRS).

Addressing Underperformance

Ongoing underperformance results in non-compliance of contractual obligations. This is based on criteria associated with the substance or nature of the issue being flagged.

The types of issues vary depending on the specific problem identified. For instance, underspending could result from understaffing, which in turn affects the ability to meet performance targets. Some examples include:

- Failure to adequately address or implement corrective actions as required by LAHSA.
- Financial mismanagement or instability.
- Gross negligence or misconduct.
- Fraud, malfeasance, or mistreatment of clients.
- Willful disregard for federal, state laws, or LAHSA guidelines.
- Ongoing non-compliance with fiscal or programmatic standards.

Non-compliance classifications include low-risk, moderate-risk, and high-risk (risk level rubric still in development).



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When the Performance Improvement Plan (PIP) intervention(s) do not improve performance over the predetermined period, the matter is escalated for non-compliance responsiveness from the Compliance Division of the Grants Management and Compliance Department. The PIP may also formally document or acknowledge non-compliance matters not directly associated with KPI or grant performance but must be escalated. The reasonable time standard to evaluate whether the implemented PIP is effective in improving performance is three months (90 days). There is flexibility to determine whether the length of time should be extended based on the reasonable time standard in relation to ongoing corrective action steps. Because performance is scored and documented monthly, the assigned Grant Specialist can determine whether performance has improved from month to month.

Examples include but are not limited to:

- Failure to sufficiently resolve or implement corrective actions as required by LAHSA.
- Financial mismanagement or financial instability.
- Gross negligence or misconduct.
- Fraud, malfeasance, or client mistreatment.
- Willful disregard of federal and state laws or LAHSA guidelines.
- Persistent non-compliance with fiscal or programmatic standards.

Each service provider's performance will be categorized into High, Medium, and Low based on their progress toward KPIs throughout the 12-month cycle.

Formally documented communication shall be sent by Compliance.

- First notice: *Notice of Action (1-3 months)*
 - *A Notice of Action may be formally issued by LAHSA in response to an agency's violation of contract terms or poor performance. This notice is triggered when an agency fails to meet the expectations outlined in their executed contract(s) and serves as a compliance tool to enforce corrective measures, ensuring alignment with contractual obligations.*
 - *Implement a Corrective Action Plan (CAP).*
- No improvement in future months (4-6 months) = *Delinquency Notice*
 - *A Delinquency Notice is defined as a formal action initiated when a service provider fails to comply with any specific terms and conditions outlined in their executed contract(s) with LAHSA and or the Notice of Action. Additionally, this type of notification is made in response to violations or deficiencies identified during routine monitoring, reporting, or program evaluation, and it serves as a mechanism to ensure the service provider meets its regulatory and contractual obligations.*
- No improvements in future months (7-9 months) = *Non-Compliance Notice*
 - *Non-Compliance Notification- Non-compliance with contractual obligations or performance expectations is a critical issue that necessitates formal action. A Notice of Action is a formal document issued by LAHSA when a service provider fails to adhere to the terms of their contract or exhibits poor performance. This notice is triggered when an agency does not meet the expectations set forth in their executed contract(s).*



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- No improvements = *Potential Remedial Action* (12-months)(12-months)
 - Remedial Action Typically imposed by LAHSA as a corrective measure, these actions often arise from an investigation into non-compliance or other contractual issues. They may also follow the service provider's failure to address deficiencies identified in the Notice of Action, Delinquency Notice, or Non-Compliance Notification. These findings can result from complaints submitted by external parties or issues identified by LAHSA staff during monitoring visits or through a review of the agency's programmatic or financial performance.

Addressing funding gaps, improving service delivery, and ensuring equity among providers are essential components of this reprocurement process. By investing in staff retention and enhancing oversight, LAHSA aims to improve client outcomes, reduce homelessness, and increase the effectiveness of the City's Interim Housing system.