

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: May 31, 2024

CAO File No. 0220-05151-0557
Council File No. 23-1022
Related Council File No. 20-0841
Council District: 3, 4, 13

To: The City Council

From: Matthew W. Szabo, City Administrative Officer



Reference: Alliance Settlement Agreement

Subject: **FIRST FUNDING REPORT: ALLIANCE SETTLEMENT AGREEMENT PROGRAM (ASAP) FUNDING RECOMMENDATIONS**

SUMMARY

The City of Los Angeles is required to develop 12,915 new interim or permanent housing units or other interventions by June 14, 2027 to accommodate 60 percent of unsheltered persons experiencing homelessness (PEH) within the City under the June 14, 2022, Alliance Lawsuit Settlement Agreement. This is the first Alliance Settlement Agreement Program funding report. This report recommends the approval of two new interim housing sites that will count towards the Alliance Settlement bed obligation, as well as funding for operations and leasing of an existing Alliance site for Fiscal Year 2024-25.

RECOMMENDATIONS

That the City Council, subject to approval by the Mayor:

1. DETERMINE that the lease, funding allocation, and continued use of interim housing/navigation center at 4969 Sunset Boulevard, for those experiencing homelessness, is statutorily exempt from CEQA under Public Resources Code (PRC) Section 21080.27 and Government Code Section 65660(b), applicable to City of Los Angeles (City) low barrier navigation centers, Government Code Section 8698.4(a)(4), governing homeless shelter projects under a shelter crisis declaration, and PRC Section 21080(b)(4) and State CEQA Guidelines, 14 California Code of Regulations (CCR) Section 15269(c) as specific actions necessary to prevent or mitigate an emergency.
2. DETERMINE that the lease, funding, and operation of a Safe Parking project at 7136 Darby Avenue, for those experiencing homelessness, is statutorily exempt from CEQA Government Code Section 8698.4(a)(4), governing homeless shelter projects under a shelter crisis declaration, and PRC Section 21080(b)(4) and State CEQA Guidelines, 14 California Code of Regulations (CCR) Section 15269(c) as specific actions necessary to prevent or mitigate an emergency.

3. AUTHORIZE the Controller to establish a new account and appropriate up to \$12,500,000 in General Fund No. 100/56 Account No. TBD, Alliance Settlement Agreement Program from revenue received from the County within Fund No. 100/56, Revenue Source Code No. 3811, Reimbursement from Other Agencies to fund sites that count towards the Alliance Settlement Agreement obligation and are eligible to receive reimbursement;
4. APPROPRIATE \$465,361 of unspent 2022-23 General City Purposes - Additional Homeless Services (GCP-AHS) funding to GCP-AHS Fund No. 100/56, Account No. 000931 from the following accounts:
 - a. \$223,209 from the Los Angeles Housing Department (LAHD) Fund No. 10A/43, Account No. 43WC61, LAPD Involuntary Storage;
 - b. \$242,152 from LAHD Fund No. 10/43, Account No. 43WC62, Storage-Unattended Property;
5. APPROPRIATE up to \$2,138,770 from General City Purposes - Additional Homeless Services (GCP-AHS) Fund No. 100/56, Account No. 000931 to Fund No. 100/56, in the newly established account entitled "Alliance Settlement Agreement Program" to provide a cash flow loan for five months of services at City's interim housing sites;
6. APPROVE up to \$1,366,560 of GCP funds for operations of the interim housing located at 4969 Sunset Boulevard with 52 beds in Council District 13 through June 30, 2025;
 - a. APPROPRIATE up to \$1,366,560 from GCP Fund No. 100/56, in the newly established account entitled "Alliance Settlement Agreement Program" to the Los Angeles Housing Department (LAHD) Fund No. 10A/43, in a new account entitled "FC-1: Alliance Other Interim Housing Operations" for operations at the interim housing located at 4969 Sunset Boulevard with 52 beds in Council District 13 from June 24, 2024 to June 30, 2025;
7. APPROVE up to \$10,000 for accessibility improvements of the interim housing located at 4969 Sunset Boulevard with 52 beds in Council District 13 through June 30, 2025;
 - a. APPROPRIATE \$10,000 from Homeless Housing, Assistance, and Prevention (HHAP-1) Fund No. 62Y/10, Account No. 10S650, FC-1: A Bridge Home Capital and Operating Gap to LAHD Fund No. 62Y/43, in a new account entitled, accessibility improvements of the interim housing located at 4969 Sunset Boulevard with 52 beds in Council District 13 through June 30, 2025;
8. REQUEST LAHSA to enter into a new or amend an existing contract with Volunteers of America Los Angeles for the operations of the proposed interim housing site located at 4969 Sunset Boulevard with 52 beds in Council District 13 through June 30, 2027;
9. APPROVE up to \$365,000 for the operations of the Safe Parking program located at 7136 Darby Avenue with 25 spots in Council District 3 through June 30, 2025;
 - a. APPROPRIATE up to \$365,000 from Fund No. 100/56, in the newly established account entitled "Alliance Settlement Agreement Program" to LAHD Fund No. 10A/43, in a new account entitled "FC-2: Alliance Safe Parking Operations" for

operations of the Safe Parking program located at 7136 Darby Avenue with 25 spots in Council District 3 July 1, 2024 to June 30, 2025;

10. REQUEST LAHSA to enter into a new or amend an existing contract with Safe Parking LA for the operations of the proposed safe parking program located at 7136 Darby Avenue with 25 beds in Council District 3 through June 30, 2027;
11. AUTHORIZE and APPROVE the General Services Department (GSD) to enter into a new or amend an existing agreement with the Department of Transportation for the use of the lot located at 7136 Darby Avenue for a Safe Parking program with 25 beds in Council District 3 through June 30, 2027;
12. APPROVE up to \$15,400 from HHAP Fund No. 62Y/10, Account No. 10S650, FC-1: A Bridge Home Capital and Operating Gap to Special Parking Revenue Fund No. 363/94, Account No. 94Y030, Maintenance, Repair, & Utility Service for Off-Street Lots for fencing repairs of the Safe Parking program located at 7136 Darby Avenue with 25 spots in Council District 3 from July 1, 2024 to June 30, 2025;
13. AUTHORIZE GSD to negotiate and enter into a new or amend an existing lease agreement with Baklayan and Baklayan Family Trust beginning July 1, 2024, for the continued use of the Highland Gardens Hotel located at 7047 Franklin Avenue as an interim housing site with up to 143 beds in Council District 4;
14. APPROVE up to \$4,535,473 for GSD FY 2024-25 leasing costs at the Highland Gardens Hotel located at 7047 Franklin Avenue with up to 143 beds in Council District 4;
 - a. APPROPRIATE \$4,535,473 from the AHS-GCP Fund No. 100/56, Account No. 000931 to Citywide leasing Fund No. 100/63, Account No. 000027, A Bridge Home Leasing for leasing costs (\$4,137,473) and maintenance costs (\$398,000) of the Highland Gardens Hotel located at 7047 Franklin Avenue with up to 143 beds in Council District 4;
15. APPROVE up to \$3,642,167 of General City Purposes for operations of the interim housing site, the Highland Gardens Hotel, located at 7047 Franklin Avenue with up to 143 beds in Council District 4 through June 30, 2025;
 - a. APPROPRIATE up to \$3,642,167 from GCP Fund No. 100/56, in the newly established account entitled "Alliance Settlement Agreement Program" to the Los Angeles Housing Department (LAHD) Fund No. 10A/43, in a new account entitled "FC-1: Alliance Other Interim Housing Operations" for operations of the Highland Gardens Hotel located at 7047 Franklin Avenue with up to 143 beds in Council District 4 from July 1, 2024 to June 30, 2025;
16. APPROVE the following funding categories within the City's Alliance Settlement Agreement Program contract (C-141840) with LAHSA for interim housing operations:
 - a. Funding Category 1 (FC-1): Other Interim Housing Operations
 - b. Funding Category 2 (FC-2): Safe Parking

17. INSTRUCT the General Manager of LAHD, or their designee, to amend the Alliance Settlement Agreement Program contract (C-141840), with LAHSA to:
 - a. Reflect new Funding Categories and allocations as follows with an expenditure deadline of June 30, 2025:
 - i. Up to \$5,008,727 in FC-1 Interim Housing Operations
 - ii. Up to \$365,000 in FC-2 Safe Parking

18. INSTRUCT the General Manager of LAHD, or their designee, to amend the City's General Fund contract (C-140706) with LAHSA to:
 - a. Reflect reprogramming of unspent funds:
 - i. LAPD Involuntary Storage
 - ii. Storage-Unattended Property

19. INSTRUCT the City Clerk to place on the agenda of the first regular Council meeting on July 1, 2024, or shortly thereafter, the following instructions:
 - a. REAPPROPRIATE up to \$2,138,770 of GCP-AHS funds in Fund No. 100/56, in the newly established account entitled "Alliance Settlement Agreement Program";

20. AUTHORIZE the CAO to:
 - a. Prepare Controller instructions or make necessary technical adjustments, including to the names of the Special Fund accounts recommended for this report, to implement the intent of these transactions, and authorize the Controller to implement these instructions; and
 - b. Prepare any additional Controller instructions to reimburse City Departments for their accrued labor, material or permit costs related to projects in this report, to implement the intent of these transactions, and authorize the Controller to implement these instructions.

BACKGROUND

Under the June 14, 2022, Alliance Lawsuit Settlement Agreement (Settlement), the City is required to develop 12,915 new interim or permanent housing units or other interventions by June 14, 2027, in order to accommodate 60 percent of unsheltered persons experiencing homelessness (PEH) within the City based on LAHSA's 2022 Point-in-Time Count who do not have a serious mental illness. As of March 31, 2024, there are 3,018 new interventions open and occupiable and 5,568 interventions in progress.

On May 2, 2024, the City and County of Los Angeles executed a Memorandum of Understanding, under which the County has allocated \$259 million for services for the City's interim housing requirements under the Settlement. The County will reimburse at the bed rate established by the City and the Los Angeles Homeless Services Authority (LAHSA) until an adjusted and standardized interim housing bed rate schedule is adopted, at which point the County will reimburse the City consistent with the adjusted "basic bed rate" schedule. The not to exceed total amount of \$259,000,000 that the County has allocated for interim housing bed rates under the MOU will be adjusted if the basic bed rate under the standardized interim housing bed rate schedule exceeds

\$100 per night. The County will contract for and fund permanent supportive housing (PSH) services for PSH units established by the City. The MOU will terminate on June 30, 2027.

DISCUSSION

Services Funding and Reimbursement

The total recommended budget for the services at three interim housing sites is \$5.4 million. As part of the executed Memorandum of Understanding (MOU), the County is to reimburse the City for services rendered at the Alliance interim housing sites. As such, the City is required to front-fund services and request reimbursements from the County. The reimbursement will include costs the City has incurred for the Highland Gardens site prior to the execution of the MOU, which the City has front-funded approximately \$5.9 million for services starting in 2022-23. Upon receipt of the reimbursement, the reimbursed funds are recommended to be used to front-fund services for the sites noted in this Report. Given that the reimbursement process is in development, it is critical to provide an initial cash flow for these sites until the reimbursements are received. As such, this Report recommends a cash flow loan from the 2023-24 General City Purposes - Additional Homeless Services account for up to five months of operations.

As the City continues to increase the interim housing portfolio, any new sites that are part of the Alliance will need to have an initial funding allocation identified to front-fund services. As reimbursements are received for the sites, the reimbursed funds will be used to front-fund services at the agreed upon bed rates for the subsequent fiscal years through the term of the agreement.

4969 Sunset Boulevard in Council District 13

The proposed interim housing site in Council District 13 is located at 4969 Sunset Boulevard. The building is currently owned by Volunteers of America Los Angeles (VOALA), in which they will also act as the service provider on site. This location will serve single adult men and has received an increased bed rate of \$72 per bed per night to account for maintenance that will be provided by VOALA as the property owner. Once operational, this site will provide 52 beds and services to single adult men, as well as count towards the Alliance settlement bed obligation. LAHSA has been requested to contract with VOALA for operations at this site through June 30, 2027, to ensure compliance with the end date of the settlement agreement. This report recommends \$1.4 million of General City Purposes (GCP) funds, which will support the first year of site operations from June 24, 2024, to June 30, 2025, and are expected to be reimbursed by the County.

7136 Darby Avenue Safe Parking in Council District 3

The parking lot owned by the Department of Transportation located at 7136 Darby Avenue is proposed for the use of Safe Parking services. The program would provide 25 parking spaces to people experiencing vehicular homelessness. This site will be funded at the current City adopted bed rate of \$40 per space per night and will be operated by Safe Parking LA. This report requests LAHSA to contract with Safe Parking LA for operations at this site through June 30, 2027, to ensure compliance with the end date of the settlement agreement. It also recommends \$365,000 in GCP

funding to support the first year of operations, which is expected to be reimbursed by the County. To provide safety and security for program participants on site, \$15,400 of Homeless Housing, Assistance, and Prevention round 1 (HHAP-1) funds is recommended for fencing repairs of the lot.

Highland Gardens in Council District 4

On October 21, 2022, the Council and Mayor approved the report from the City Administrative Officer (CAO) that recommended the Highland Gardens Hotel located at 7047 West Franklin Avenue in Council District 4 serve as an interim housing site with up to 143 beds (22-0756-S2). A total amount of \$12.7 million has been allocated for leasing and operations costs at this interim housing site. The site is operated by People Assisting the Homeless (PATH), and they also currently hold the lease agreement with the owner of the hotel. PATH has requested to transition the lease to the City due to the inability to pay the lease on time based on the current reimbursement payment structure and limited advances from LAHSA. In addition, PATH reports that holding the lease creates a tax liability.

In order to ensure timely lease payments and reduce the tax liability for PATH, this report recommends granting authority for the General Services Department to negotiate and enter into a new or amend an existing lease agreement with the hotel's owner to transition the financial obligation for paying the lease from PATH to the City. This report recommends allocating \$4.5 million of GCP funds for leasing and maintenance costs. Additionally, this report recommends allocating up to \$3.6 million of GCP funds to support operations at the site.

FISCAL IMPACT STATEMENT

There is no additional General Fund impact as a result of the recommendations in this report. The recommendations in this report utilize the City's General Fund that was previously budgeted and anticipated reimbursements from the County. Additionally, the recommendations in this report also utilizes the Homeless Housing, Assistance, and Prevention funding.

FINANCIAL POLICIES STATEMENT

The recommendations in this report comply with the City Financial Policies in that budgeted funds and anticipated reimbursements are being used to fund recommended actions.