

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: January 8, 2021

CAO File No. 0220-05701-0004

Council File No. 20-1524

Council District: All

To: City Council

From: Richard H. Llewellyn, Jr., City Administrative Officer

Reference: Homeless Housing, Assistance, and Prevention Program (HHAP) Round 2

Subject: Application for the State of California Homeless Housing, Assistance, and Prevention Program (HHAP) Round 2

SUMMARY

On December 15, 2020, the Council adopted a Homeless and Poverty Committee report instructing the City Administrative Officer (CAO) to apply for the State of California Homeless Housing, Assistance, and Prevention Program Round 2 (HHAP-2) funding. Additionally, the CAO and the Chief Legislative Analyst (CLA) were instructed to report to Council with recommendations on the HHAP-2 funding categories and take into consideration input from the Los Angeles Homeless Services Authority (LAHSA), City Departments and priorities from the Council and Mayor.

The State of California HHAP-2 program is a \$300 million block grant program designed to provide jurisdictions with one-time grant funds to support regional coordination and expand or develop local capacity to address immediate homelessness challenges. This second round of HHAP was authorized by Assembly Bill (AB) 83 and signed into law by Governor Gavin Newsom on June 29, 2020. The City of Los Angeles anticipates receiving a HHAP-2 allocation of \$55,575,000. The application process for these funds is more complex than previous applications, as it requires evidence of regional coordination, application of a gaps analysis, proposal of performance goals, and an explanation of the project selection process. The CAO will work closely with LAHSA and other City partners to adequately address these questions within the application.

This report outlines the recommended funding categories for the City's HHAP-2 application, the funding process to allocate HHAP funds within these categories, and requests authority to apply for the grant on or before Friday, January 22, 2021, to meet the Saturday, January 23, 2021, deadline. This report also recommends funding reservations or commitments to ensure funding for continued operations at each of the 31 A Bridge Home (ABH) sites, as well as new beds established as a part of the City's Covid-19 Homeless Roadmap agreement with the County of Los Angeles. All other HHAP funding will be recommended through the allocation process described in this report.

RECOMMENDATIONS

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

1. APPROVE the proposed funding categories and amounts for the City’s Homeless Housing, Assistance, and Prevention Program Round 2 application, which are further described in Table 1 of this report:

HHAP-2 Funding Category		State HHAP Eligible Use	Amount
1	COVID-19 Homelessness Roadmap Operating Costs	1, 2, 8	\$31,226,886
2	A Bridge Home (ABH) Operating Costs	2	\$7,894,350
3	Street Strategy, Outreach, Public Health, and Hygiene – Citywide and Skid Row	3	\$8,117,514
4	Youth Experiencing Homelessness or At Risk of Homelessness (8% Set-Aside Required)	Multiple	\$4,446,000
5	Administrative Costs (Capped at 7%)	Administration	\$3,890,250
Total			\$55,575,000

2. DESIGNATE the City Administrative Officer as the grant administrator for the Homeless Housing, Assistance, and Prevention Program Round 2;
3. DIRECT the City Administrative Officer to submit the City’s application for the Homeless Housing, Assistance, and Prevention Program Round 2 to the State of California Business, Consumer Services and Housing Agency, by January 22, 2021;
4. AUTHORIZE the City Administrative Officer to execute any necessary documents to accept Homeless Housing, Assistance, and Prevention Program Round 2 funding on behalf of the City;
5. DESIGNATE the Homeless Strategy Committee as the oversight body for the Homeless Housing, Assistance, and Prevention Program Round 2;
6. APPROVE the funding allocation process for Homeless, Assistance, and Prevention Program Round 2 dollars outlined in this report;
7. INSTRUCT the City Administrative Officer and Chief Legislative Analyst to report back to the City Council on the City’s ongoing operating liability, funding availability, and any resulting recommendations to amend the Homeless Housing, Assistance, and Prevention Program Round 2 categories by July 2021;

8. AUTHORIZE the Controller to:

- a. Establish a new Special Fund, entitled “HHAP-2,” within Department 10, to receive and disburse the Homeless Housing, Assistance, and Prevention Program Round 2 funds;
- b. Create the appropriation accounts named below, account numbers to be determined; and
- c. Upon receipt of Homeless Housing, Assistance, and Prevention Program Round 2 funds, increase appropriations within the newly created appropriation accounts as follows:

Special Fund: HHAP-2

<u>Account Name</u>	<u>Amount</u>
FC-1: COVID-19 Homelessness Roadmap Operating Costs	\$31,226,886
FC-2: A Bridge Home Operating Costs	\$7,894,350
FC-3: Street Strategy, Outreach, Public Health, and Hygiene Citywide and Skid Row	\$8,117,514
FC-4: Set-Aside for Youth	\$4,446,000
<u>FC-5: Administrative Costs</u>	<u>\$3,890,250</u>
TOTAL	\$55,575,000

9. AUTHORIZE the City Administrative Officer to:

- a. Prepare Controller instructions or make any necessary technical adjustments, including adjustments to the names of the Special Fund accounts recommended in this report, consistent with the Mayor and Council action in this matter, 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 consistent with the Mayor and Council action on this matter, and authorize the Controller to implement these instructions.

BACKGROUND

The State of California Homeless Housing, Assistance, and Prevention Program Round 2 (HHAP-2), administered by the Business, Consumer and Housing Agency (BCHA), will provide the 13 largest cities, 58 counties and 44 Continuums of Care in the State with \$300,000,000 for immediate assistance to people experiencing homelessness. The City has been allocated \$55,575,000. State-defined HHAP-2 eligible uses include:

1. Rapid rehousing, including rental subsidies and incentives to landlords, such as security deposits and holding fees;
2. Operating subsidies in new and existing affordable or supportive housing units, emergency shelters, non-congregant shelters, interim or bridge housing, and navigation centers. Operating subsidies may include operating reserves;

3. Street outreach to assist persons experiencing homelessness to access permanent housing and services;
4. Services coordination, which may include access to workforce, education, and training programs, or other services needed to promote housing stability in supportive housing;
5. Systems support for activities necessary to create regional partnerships and maintain a homeless services and housing delivery system, particularly for vulnerable populations including families and homeless youth;
6. Delivery of permanent housing and innovative housing solutions such as hotel and motel conversions;
7. Prevention and shelter diversion including crisis resolution, mediation and conflict resolution, creative problem solving, connection to mainstream resources and light-touch financial assistance that directly results in a housing solution; and
8. New navigation centers and emergency shelters, with clients obtaining housing as the primary goal, based on demonstrated need in consideration of the following:
 - a. The number of available shelter beds in the city, county, or region served by the Continuum of Care;
 - b. The number of people experiencing unsheltered homelessness in the homeless point-in-time count;
 - c. Shelter vacancy rates in the summer and winter months;
 - d. Percentage of exits from emergency shelters to permanent housing solutions; and
 - e. A plan to connect residents to permanent housing.

Enforcement programs and sanitation clean-up costs are not eligible for this funding. A minimum set-aside of eight (8) percent of the grant must be used to meet the needs of homeless youth or youth at risk of homelessness. Administrative costs are capped at seven (7) percent of the grant. 50 percent of HHAP-2 funds must be obligated by May 31, 2023, and 100 percent of the funds must be expended by June 30, 2026.

Housing First Requirements

HHAP-2 projects must align and comply with the core components of Housing First as defined in the State of California Welfare and Institutions Code § 8255(b), which include but are not limited to:

- Tenant screening and selection practices that promote accepting applicants regardless of their sobriety or use of substances, completion of treatment, or participation in services.
- Acceptance of referrals directly from shelters, street outreach, drop-in centers, and other parts of crisis response systems.
- Participation in services or program compliance is not a condition of permanent housing tenancy.
- Tenants have a lease and all the rights and responsibilities of tenancy, as outlined in California's Civil, Health and Safety, and Government codes.
- Case managers and service coordinators who are trained in and actively employ evidence-based practices for client engagement, including, but not limited to, motivational interviewing and client-centered counseling.

- Services are informed by a harm-reduction philosophy that recognizes drug and alcohol use and addiction as a part of tenants' lives, where tenants are engaged in nonjudgmental communication regarding drug and alcohol use, and where tenants are offered education regarding how to avoid risky behaviors and engage in safer practices, as well as connected to evidence-based treatment if the tenant so chooses.

Application Process and Timeline

The City must apply for its \$55,575,000 HHAP-2 allocation. The State application period opened on November 23, 2020 and is due to BCSH on or before Saturday, January 23, 2021. The CAO intends to apply for the funding by January 22, 2021.

Although similar to the HHAP application, the HHAP-2 application requires more detailed information and data. According to HHAP-2 guidance released in November 2020, the application will require a proposed budget with funding categories, a demonstration of regional collaboration of existing homelessness resources, and a narrative including the following information:

1. A gaps assessment of the homelessness response;
2. Intended use of HHAP-2 funding to address identified gaps and augment current investments;
3. Clearly defined and measurable goals for the HHAP-2 investments;
4. Local selection process that ensures equitable access and targeted intervention spending;
5. Efforts being made to ensure racial equity is being advanced at every level of the homelessness response system;
6. How HHAP-2 will be used to strengthen regional collaboration and partnerships;
7. A commitment to ensuring compliance with a Housing First approach; and
8. An agreement to participate in a statewide Homeless Data Integration System, and to enter individuals served by this funding into the local Homeless Management Information System (HMIS), in accordance with local protocols.

Within 60 days of receiving a complete application, the State will notify the City of whether the application is approved or if amendments are required. If an amendment is required, approval may take up to an additional 75 days. Upon approval of the application, the City will receive an award package, which includes an award letter, and a request for funds forms. The City will have 30 days to complete and return the documents, upon which the Homeless Coordinating and Financing Council (HCFC) will initiate the disbursement process. Based on this time frame, the City should receive HHAP-2 funds no later than July 2021.

Consistent with the previous State Homeless Emergency Aid Program (HEAP) and HHAP grants, this report recommends that the Homeless Strategy Committee (HSC) be designated as the HHAP-2 grant oversight body, and the CAO as the HHAP-2 grant administrator. The CAO will prepare and submit the HHAP-2 application, and execute the HHAP-2 grant agreement with the State of California on behalf of the City.

State Reporting Requirements

The State will require HHAP-2 grantees to provide annual reports with the following information:

1. Individuals and families served, including demographic data;
2. Partnerships among entities, or lack thereof;
3. Participants and regional outcomes;
4. The number of individual exits to permanent housing from unsheltered environments and interim housing resulting from this funding;
5. Racial equity; and
6. Any other metrics deemed appropriate by HCFC.

The first annual report of HHAP-2 allocations will be due on January 1, 2022 and annually thereafter until all funds have been expended, with the final annual report due by January 1, 2027.

DISCUSSION

Recommended Funding Categories

At this time, it is recommended that all funding that is not part of the youth set-aside and administrative funds be reserved for the ongoing operating costs for the A Bridge Home Program (ABH), City COVID-19 Homelessness Roadmap (Roadmap) interventions and Citywide and Skid Row Hygiene services. A total of \$33,962,655 will be needed in Fiscal Year (FY) 2021-22 to continue these programs, as discussed in the description of the Funding Categories. Additional sites are being evaluated for inclusion in the Roadmap, and as a result, the annual operating costs for this program may increase beyond the current estimate. It is recommended that the CAO and CLA be instructed to report to the Mayor and Council in July 2021 with the final ongoing liability for these programs, available funding for new initiatives, and any recommended adjustments to the HHAP-2 funding categories.

The HHAP-2 funding categories and funding amounts are described in Table 1 below. Corresponding State eligible uses for each Proposed HHAP-2 Funding Category are also provided for reference. The State allows the City to reprogram within the categories as necessary.

Table 1: Proposed Homeless Housing, Assistance, and Prevention Round 2 Funding Categories

Proposed HHAP-2 Funding Category		State HHAP-2 Eligible Use	Amount
1	COVID-19 Homelessness Roadmap Operating Costs Includes: Continued funding for 6,000 housing interventions under the City and County Roadmap.	1, 2, 8	\$31,226,886
2	A Bridge Home Operating Includes: Continued operating funding for A Bridge Home beds not included in the COVID-19 Homelessness Roadmap	2	\$7,894,350

Proposed HHAP-2 Funding Category		State HHAP-2 Eligible Use	Amount
3	<u>Street Strategy, Outreach, Public Health, and Hygiene -Citywide and Skid Row</u> Includes: Programs to address immediate public health and hygiene needs of unsheltered persons experiencing homelessness, including bathrooms, showers, drinking water, and other outreach.	3	\$8,117,514
4	<u>Youth Experiencing Homelessness or At Risk of Homelessness (8% Set-Aside Required)</u> Eight (8) percent (\$4,446,000) of HHAP-2 funds must be set aside for youth experiencing or at risk of homelessness. Includes: Any HHAP-2-eligible projects or programs serving youth, including foster youth, transition age youth (TAY), and Lesbian, Gay, Bisexual, Transgender, Transsexual, Queer, Intersex, Asexual (LGBTQIA+) Youth.	Multiple Uses	\$4,446,000
5	<u>Administrative Costs (Capped at 7%)</u> HHAP-2 guidelines allow grantees to use up to seven (7) percent of funds for administrative costs to support HHAP-2-funded programs.	Multiple Uses	\$3,890,250
Total			\$ 55,575,000

Administrative Costs

Because this is the only source of funds to support City costs associated with HHAP-2 program implementation, the CAO recommends that the full seven (7) percent allowed for administrative costs be allocated to Category 7. Once all HHAP-2 program allocations are determined, any remaining balance will be recommended for reprogramming to other funding categories.

Funding Categories

Funding Category 1 - COVID-19 Homelessness Roadmap Operating Costs

The City of Los Angeles (City) reached an agreement with the County of Los Angeles (County) on June 16, 2020, to develop an additional 6,700 homeless interventions in the City to address the COVID-19 emergency within 18 months. This agreement establishes the following milestones:

- 700 beds in existing agreements with the County within 10 months;
- 5,300 new beds within 10 months; and
- 700 new beds within 18 months.

6,000 of these interventions must be new interventions, which are not included in any existing agreements between the City and the County. The County has committed to providing \$60 million in services per year over five (5) years for a total of \$300 million or half of the estimated \$600 million cost for these beds over the five (5) year term of the agreement. The target population for this effort includes:

- People experiencing homelessness and living in the City within 500 feet of freeway

- overpasses, underpasses and ramps;
- People experiencing homelessness within the City who are 65 years of age or older; and
- Other vulnerable people experiencing homelessness within the City.

The estimated City cost for Roadmap interventions in FY 2021-22, based on currently approved projects is \$17,560,939. This includes 1,195 new interim housing beds (\$16,101,220) and 255 safe parking spaces (\$1,459,719). Funding for these costs is recommended to be committed within recommended HHAP-2 Funding Category 1 (FC-1). The balance of FC-1 (\$13,665,947) is recommended to be reserved for Roadmap operating costs pending confirmation of ongoing City liability for these services.

Funding Category 2 - A Bridge Home Operating

Funding for operations and services for 2,015 beds created through the ABH program expires on June 30, 2021. 762 of these beds are included in the Roadmap. Of the remaining 1,477 beds, 538 are included in the County's commitment to provide Measure H funding for up to 600 ABH beds at a rate of \$50/bed/night for three (3) years. The City provides an additional \$10/bed/night, or \$3,650 per bed, per year, to subsidize Measure H funding for all the beds within the County's 600-bed commitment. The City funds all ABH beds in excess of this commitment that do not have other operating funding at the full ABH bed rate of \$60/bed/night, or \$21,900 per bed, per year.

The cost to continue services at ABH sites not included in the roadmap in FY 2021-22 is \$7,894,350. In FY 2022-23, the commitment for the 538 Measure H beds will expire, increasing the annual City liability to \$13,338,050.

Funding for FY 2021-22 ABH costs is recommended to be committed within recommended HHAP-2 Funding Category (FC-2).

Funding Category 3 - Street Strategy, Outreach, Public Health, and Hygiene Citywide and Skid Row Sites

\$8,117,514 is needed to continue operations of hygiene services currently supported with State Homeless Emergency Aid Program (HEAP) funding through June 30, 2021. These services include the Citywide Pitstop Program (\$4,444,538), the Skid Row Pit Stop Program (\$1,909,572), the Skid Row Sidewalk Cleaning Program (\$1,200,000), the Council District 1 Mobile Shower and Laundry Program (\$563,404.).

The \$8,117,514 in program costs is included in recommended HHAP-2 Funding Category 3 (FC-3). Administrative costs in the amount of \$389,852 recommended to be committed within HHAP-2 Funding Category 5 (FC-5).

Funding Category 4 - Youth Experiencing Homelessness or At Risk of Homelessness (8% Set-Aside Required)

\$4,446,000 is required from HHAP-2 Funding Category 5 - Youth Experiencing Homelessness or At Risk of Homelessness Set-Aside. Eight (8) percent of the \$55,575,000 grant is required to be used for homeless youth populations, which are defined as unaccompanied youth who are between

12 and 24 years old and experiencing homelessness. Funds spent under this provision must still comply with the eligible uses outlined above.

Funding Category 5 - Administrative Costs

\$389,852 from HHAP-2 Funding Category 5- Administrative Costs is recommended for the administrative costs associated with the Street Strategy, Outreach, Public Health, and Hygiene programs funded above in Funding Category 3. The remaining \$3,500,398 should be reserved until program costs are finalized.

Table 3. Status of HHAP-2 Commitments and Reservations if Report Recommendations are Approved

Proposed Funding Category	Amount	Amount Committed	Amount Reserved	Balance Uncommitted/ Unreserved
1. COVID-19 Homelessness Roadmap Operating Costs	\$31,226,886	\$17,560,939	\$13,665,947	\$0.00
2. A Bridge Home Operations	\$7,894,350	\$0.00	\$7,894,350	\$0.00
3. Street Strategy, Outreach, Public Health, and Hygiene Citywide and Skid Row Sites	\$8,117,514	\$0.00	\$8,117,514	\$0.00
4. Youth Experiencing Homelessness or At Risk of Homelessness (8% Set-Aside Required)	\$4,446,000	\$0.00	\$0.00	\$4,446,000
5. Administrative Costs (Capped at 7%)	\$3,890,250	\$0.00	\$3,890,250	\$0.00
Total	\$55,575,000	\$17,560,939	\$33,568,061	\$4,446,000

FISCAL IMPACT

There is no impact to the General Fund at this time as a result of the recommendations in this report. The City will receive \$55,750,000 from the State of California through the Homeless Housing, Assistance, and Prevention Program Round 2 to support the recommendations in this report. The estimated cost to operate the Covid-19 Homeless Roadmap interventions, A Bridge Home operations and hygiene programs in Fiscal Year 2022-23 is \$61,784,831. If the City does not receive additional State funding, these costs will be considered through the City’s annual budget process, which is subject to Mayor and Council approval.

FINANCIAL POLICIES STATEMENT

The recommendations in this report comply with the City’s Financial Policies.