

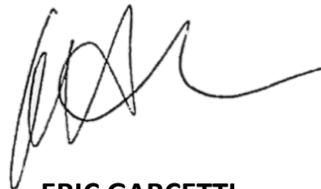
TRANSMITTAL

To: **THE COUNCIL**

Date: **02/16/22**

From: **THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in black ink, appearing to read 'Eric Garcetti', with a long horizontal flourish extending to the right.

(Andre Herndon) for

ERIC GARCETTI
Mayor



ERIC GARCETTI, MAYOR

February 1, 2022

Council File No: NEW
Council District: Citywide
Contact Persons:
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Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall
200 N. Spring Street
Los Angeles, CA 90012

Attention: Heleen Ramirez, Legislative Coordinator

COUNCIL TRANSMITTAL: ACCEPT THE ALLOCATION OF THE HOME INVESTMENT PARTNERSHIPS AMERICAN RESCUE PLAN PROGRAM (HOME-ARP, P.L. 117-2) AND AMEND THE PROGRAM YEAR 47 (2021-22) HOUSING AND COMMUNITY DEVELOPMENT CONSOLIDATED ACTION PLAN

SUMMARY

In accordance with Executive Directive No. 3, the Los Angeles Community Investment for Families (CIFD) and Housing Departments (LAHD) respectfully request that your office review and approve this transmittal and forward it to the City Council for further consideration. The CIFD and LAHD seek approval to accept the allocation of \$99,891,031 of the HOME-ARP program to provide homelessness assistance and supportive services. We ask that you approve the budget and various contracts for the HOME program. This change would amend the Program Year (PY) 47 (2021-22) Housing and Community Development Consolidated Action Plan (Con Plan).

RECOMMENDATIONS

- I. That the City Council, subject to the approval of the Mayor:
 - A. **ACCEPT** the allocation of \$99,891,031 in HOME-ARP funding provided to the City from the U.S. Department of Housing and Urban Development (HUD) through the American Rescue Plan Act for HOME programs (HOME-ARP).
 - B. **AUTHORIZE** the General Manager of CIFD, or designee, to submit an amendment to the Con Plan for the 2021-22 program year to effectuate the intent of the actions in this report, after the public comment period ends.

- C. **AUTHORIZE** the General Manager of CIFD, or designee, to negotiate and execute a new contract with LIFT, Inc. in an amount up to \$1,500,000, to educate the public on the available resources provided through the proposed L.A. Emergency Fund program, and to provide technical assistance on the LIFT financial coaching model to all sixteen FamilySource Centers, which will result in direct service to eligible households, for the period of July 1, 2022 to December 31, 2024, including an option to renew and amend the contract for an additional one-year term, subject to the approval of the Mayor and City Council along with the City Attorney as to form.

- D. **AUTHORIZE** the General Manager of CIFD, or designee, to negotiate and execute a new contract with the Southern California Housing Rights Center in an amount up to \$6,940,000 to review and process the request for funds for the L.A. Emergency Fund program, for the period of July 1, 2022 to December 31, 2024, including an option to renew and amend the contract for an additional one-year term, subject to the approval of the Mayor and City Council along with the City Attorney as to form.

- E. **AUTHORIZE** the City Controller to:

- 1. Establish a new, interest-bearing fund entitled “HOME-ARP” for the receipt and disbursement of the HOME-ARP grant from the HUD, to be administered by LAHD.

- 2. Establish new accounts and appropriate funds as follows:

<u>Fund/Dept</u>	<u>Account</u>	<u>Amount</u>
43VB79	HOME-ARP - Homekey	\$58,119,965
43VB80	HOME-ARP – AHMP	\$20,000,000
43VB81	HOME-ARP – Eviction Defense	\$10,200,000
43VB82	HOME-ARP – Adm Reserve – LAHD	\$2,571,066
43VB83	HOME-ARP – Adm Reserve - CIFD	\$560,000
43VB84	HOME-ARP - L.A. Emergency Fund Outreach, Technical Assistance, and Financial Coaching	\$1,500,000
43VB85	HOME-ARP - L.A. Emergency Fund	\$6,940,000

- F. **AUTHORIZE** the General Manager of the LAHD to amend contract number C-138260 with the Legal Aid Foundation of Los Angeles to allocate an additional amount up to \$10,200,000 from HOME-ARP funding source and extend the contract term through June 30, 2024 for eviction defense services and program evaluation, subject to the approval of the City Attorney as to form.

- G. **AUTHORIZE** the General Managers of the CIFD and LAHD, or designees, to prepare Controller instructions and/or make any technical adjustments that may be required and are consistent with the intent of this action with the approval of the Chief Legislative Analyst and instruct the Controller to implement these instructions.

DISCUSSION

On March 11, 2021, President Biden signed the American Rescue Plan Act (ARP) into law, which provides close to \$2 trillion in relief to address the continued impact of the COVID-19 pandemic on the economy, public health, State and local governments, individuals, and businesses. Of the total ARP allocation, Congress appropriated \$5 billion in these funds to address the need for homelessness assistance and supportive services to be administered through the HOME grant to perform four activities that must primarily benefit qualifying individuals and families who are homeless, at risk of homelessness, or in other vulnerable populations. These activities include:

- Development and support of affordable housing,
- Tenant-based rental assistance (TBRA),
- Provision of supportive services; and
- Acquisition and development of non-congregate shelter units.

As it relates to the beneficiary focus on specific, vulnerable populations, the ARP further defines qualifying individuals and families as those that are:

1. Homeless, as defined in section 103(a) of the McKinney-Vento Homeless Assistance Act, as amended (42 U.S.C. 11302(s)) (McKinney-Vento);
2. At risk of homelessness, as defined in Section 401 of the McKinney-Vento Act;
3. Fleeing, or attempting to flee domestic violence, dating violence, sexual assault, stalking, or human trafficking;
4. Part of other populations where providing supportive services or assistance would prevent a family's homelessness or would serve those with the greatest risk of housing instability; or
5. Veterans and families that include a veteran family member that meet the criteria in one of 1-4 above.

Unlike previous, COVID-related stimulus funding allocations, the HOME-ARP-funded activities are not required to substantiate that their use(s) directly prepare, prevent, and respond to the COVID-19 pandemic. However, the grantee must communicate to the public and the U.S. Department of Housing and Urban Development, via its allocation plan, which of the four eligible activities it intends to fund, which of the qualified populations it intends to serve, and provide a needs assessment that substantiates the gap the City is intending to meet with its intended use of funds.

PROGRAM AND BUDGET

The City's HOME-ARP funding allocation is proposed to be used to respond to the housing and supportive service needs of those individuals and families who are homeless or at risk of homelessness, as defined in Section 401 of the McKinney-Vento Act (qualifying populations #1 and #2 above) as well as part of other populations where providing supportive services or assistance would prevent a family's homelessness or would serve those with the greatest risk of housing instability (qualifying population #4 above). In general, the City of Los Angeles intends to leverage state funds to finance the creation and rehabilitation of affordable housing by providing a required local funding match (known as Project Homekey), investing in the City's Affordable Housing Managed Pipeline, and funding supportive services that would help precariously-housed families avert homelessness.

Immediately below is the proposed budget. Thereafter, an expanded discussion of proposed projects.

Project/Program	Department	Amount	Description
(1) DEVELOPMENT AND SUPPORT OF AFFORDABLE HOUSING			
Homekey (local funding) Match	LAHD	\$58,119,965	Acquire/develop 750 units for supportive housing.
Affordable Housing Managed Pipeline	LAHD	\$20,000,000	Support production goal of 250 supportive housing units.
Development Subtotal		\$78,119,965	
(2) PROVISION OF SUPPORTIVE SERVICES			
Eviction Defense	LAHD	\$10,200,000	Extend/enhance landlord-tenant education and outreach and eviction prevention services.
L.A. Emergency Fund	CIFD	\$8,440,000	Provide households with funding for emergency needs that include but are not limited to rental arrears, childcare costs and meals or groceries.
Prevention Services Subtotal		\$18,640,000	
(3) PROGRAM ADMINISTRATION			
CIFD Administration	CIFD	\$560,000	For proper cost allocation for staff work on HOME-ARP.
LAHD Administration	LAHD	\$2,571,066	For proper cost allocation for staff work on HOME-ARP.
Administration Subtotal		\$3,131,066	
TOTAL ALLOCATION		\$99,891,031	

Homekey Match

California’s Homekey Program provides grant funding to cities, counties, and other local public entities, including housing authorities, to expand the inventory of housing for people experiencing homelessness or at risk of homelessness. California’s fiscal year 2021-22 budget authorizes \$2.75 billion, including \$1.45 billion in the current fiscal year and \$1.3 billion in fiscal year 2022-23 to the State’s Homekey Program.

The focus of the state Homekey Program is the rapid acquisition and occupancy of properties to provide permanent supportive housing, while also allowing for property acquisitions that provide interim housing that can be converted to permanent housing. The Homekey Notice of Funding Availability (NOFA) provides baseline grant amounts per unit for property acquisitions that vary according to unit size and population served as follows:

Homekey Baseline Grant Amounts by Unit Size:

- \$150,000 per unit for studio and one-bedroom units
- \$175,000 per unit for two-bedroom units

- \$200,000 per unit for three-bedroom or larger units

Homekey Baseline Grant Amount by Population Served:

- \$175,000 per unit for Transition Aged Youth or Youth at Risk of Homelessness
- \$200,000 per unit for those experiencing Chronic Homelessness

These Homekey baseline grant amounts require no local acquisition match from the City. However, if the City provides a local acquisition match, the state Homekey effort will increase its grant amount on a 1:1 basis up to \$100,000 per unit. Thus, if the City contributes a matching amount of \$100,000 or more per unit, the state Homekey funding effort will grant up to an additional \$100,000 per unit resulting in a maximum Homekey grant amount of \$300,000 per unit. For successful Homekey applications submitted prior to January 31, 2022, Homekey will grant an additional \$10,000 per unit as an incentive that can be used for property acquisition or operating subsidy. LAHD will use the Los Angeles Homeless Services Authority's Point-In-Time Count to determine the target population for the respective Project Homekey sites.

The City will be applying for up to \$252,030,000 of state Homekey funds. This would enable the City to acquire up to 750 units of permanent, supportive housing. The estimated match necessary for the City's property acquisition, including due diligence expenses, is \$149 million. In addition to acquisition costs matched by the state, the City will be responsible for funding approximately \$82 million in rehabilitation and other project related costs.

Among other sources of funding, approximately \$60 million from the HOME-ARP fund has been identified for the City match, inclusive of costs incurred to administer this program effort.

Affordable Housing Managed Pipeline

The Affordable Housing Managed Pipeline (Managed Pipeline) creates affordable rental housing for low- and very, low-income households by making long-term loans for new construction or for the rehabilitation of existing residential structures through an open, competitive call for projects process.

The Managed Pipeline was created to provide for the ability to leverage and attract the investment dollars of other public and private entities for the development of affordable housing within the city. In addition, on January 23, 2013, the City of Los Angeles was designated by the California Tax Credit Allocation Committee as the 11th region to have its own geographic allocation of nine percent (9%) Low Income Housing Tax Credits (LIHTC).

LAHD continues to manage and ensure that affordable housing developments in the Managed Pipeline are in alignment with prospective federal, state, and/or local multifamily housing development funding programs and sources and scheduled diverse and competitive application cycles. This collaborative, forward-thinking and measured approach has proven successful in securing funding in a way that balances the Managed Pipeline with funding availability, leaving no project without permanent funding.

One to two funding rounds are held each calendar year, with projects competing for funds that are used to leverage LIHTC or funding from other state or federal housing programs. Currently, the Managed Pipeline funds are comprised of various funding sources, including but not limited to federal HOME funds,

assets and funds of the former Community Redevelopment Agency (CRA/LA), City General Funds, and city Linkage Fee funds.

The HOME-ARP funds are proposed to be included in a future funding round and will be used to support the program's regular production goal of 250 supportive housing units through the Affordable Housing Managed Pipeline Program, with HOME-ARP allocations specifically targeted at households that are homeless or at risk of homelessness. The projects financed, once placed in service, will have a regulatory agreement in place to ensure the units serve tenants at the appropriate income levels for 55 years.

Eviction Defense Program

The City of Los Angeles created a comprehensive Eviction Defense Program (EDP), in direct response to the COVID-19 pandemic, designed to prevent illegal evictions and tenant displacement, especially in light of the affordable housing shortage in the midst of a pandemic (CF No 18-0610). The program launched on July 1, 2021, to provide outreach and education, pre-eviction legal services, unlawful detainer defense, rental assistance, case management, financial coaching, and other housing assistance resources for low-income renters.

The City contracts with the Legal Aid Foundation of Los Angeles (LAFLA) as the lead contractor for EDP. Through this contract, LAFLA partners with 14 other legal services providers and community organizations under the "Stay Housed LA" umbrella to implement the City's program. The current contract allocates \$7,614,510 targeted to provide legal services and counseling to approximately 2,000 to 4,000 renter households, as well as outreach and education reaching 100,000 renters; this funding will be expended by June 30, 2022.

In the first seven months of the program, legal services were provided to 1,700 tenants through a combination of full and limited-scope eviction defense ranging from representing tenants in eviction proceedings to providing legal advice at clinics. Approximately 35% of those 1,700 clients were represented in court eviction cases; the remainder received legal counseling for eviction prevention. Education and outreach reached approximately 96,000 renters through a combination of 135 workshops attended by 3,000 participants, including social media efforts.

The impending expiration of the eviction moratoria will increase the demand and need for critical eviction protection services, particularly for historically-marginalized communities. LAHD is proposing to allocate \$10,200,000 from the City's HOME-ARP grant to continue these services. Combined with other anticipated funding sources, this additional funding will allow the continuation of the EDP through FY 2023-24 and will expand existing case management resources to ensure greater wrap-around and holistic services for tenants facing eviction, including tenant navigators and caseworkers to address pre-eviction housing search challenges and post-eviction filing needs. Additionally, \$200,000 of this funding will be reserved for program data collection and evaluation services. Under ARP regulations, individuals and families at risk of housing instability with household incomes at up to 50% of AMI are eligible for services. These services will be even more critical to mitigate the potential disproportionate eviction impact on low-income communities after tenant eviction moratoria expire and are a critical component of the City's strategy to keep Angelenos housed.

L.A. Emergency Fund

The proposed budget includes funding to address the needs of households that are one emergency away from homelessness. The HOME-ARP grant recognizes that for many households, an unexpected, one-

time emergency or sudden loss of income can make homelessness unavoidable. CIFD will partner with LIFT-LA to launch an emergency relief program paired with economic mobility coaching for the City of Los Angeles. LIFT-LA is uniquely positioned to provide direct service delivery with their financial coaching model paired with technical assistance training for CIFD's FamilySource Centers (FSCs). Together, through a coordinated approach, the program will provide individualized, one-on-one coaching and will aim to improve personal well-being, increase social connections, and improve the financial strength of the households served. The funds will seek to serve between 500-1,000 households and will offer up to \$8,000 financial assistance per household.

LIFT's financial, educational, and employment coaching model helps heads of households increase income, decrease debt, and build savings. The LIFT financial coaching model is family-centered, where parents work directly with a financial coach to create a personalized plan that accounts for the time and expenses required to raise a family while taking personal steps toward acquiring job skills and/or earning an educational degree or higher-paying job. Through a partnership with LIFT-LA, CIFD will strengthen the capacity of FSCs to increase household income and improve economic and housing stability for low-income households. Further, we know that forty percent of Americans do not have \$400 to cover an emergency, and that the chronic income volatility endemic to poverty can prevent progress toward economic stability and mobility. LIFT has a proven track record of designing and administering different cash transfer models, including emergency relief funds, to help families overcome that volatility and make progress towards stability.

Additionally, CIFD is proposing partner with the Housing Rights Center (HRC) to oversee the disbursement of funds allocated through the L.A. Emergency Fund. The HRC has been working to ensure equal opportunity in housing in Los Angeles since 1968. HRC has many years of experience in addressing the fair housing, tenant/landlord, housing and economic needs of residents, providing them with counseling and referrals to appropriate service providers, investigation and resolution of discrimination complaints, litigation services, rental assistance and a wide range of educational opportunities via community outreach, publications, media events, and many other means. In December 2019, HRC entered into a contract with the City of Los Angeles to administer three, multimillion dollar emergency rental assistance programs which provided much needed resources to tens of thousands of Angelenos. Through the Emergency Rental Assistance Program (ERAP), approximately \$223 million for 18,446 households has been paid out by the City in partnership with HRC, and approximately \$425 million for 32,866 renter households has been paid by the state Housing Is Key Program for a total of approximately \$648 million in assistance on behalf of 51,312 L.A. City households in 2021-2022. Since the beginning of the pandemic, approximately \$748 million has been provided to assist approximately 100,000 L.A. City renter households impacted by the COVID pandemic through the combined 2020 ERAS and 2021-22 ERAP programs.

Further, HRC is also a subcontractor to the City's Eviction Defense Program (EDP). HRC's role in the EDP project is to administer emergency rental assistance funds. Under the EDP project, HRC receives tenant referrals through the Stay Housed L.A. program where the tenant requires emergency assistance for an incurred debt. Under the L.A. Emergency Fund, assistance can be provided before a tenant falls behind in rent or to assist a tenant household in being able to preserve and sustain their housing, thus preventing potential homelessness. As HRC administers the EDP rental assistance project, it will administer both projects to ensure there is no duplication of benefits. Currently, EDP is limited in that it only provides up to 3 months of rental assistance not to exceed \$5,000. Under the L.A. Emergency Fund program, households can be provided with additional assistance necessary to sustain their housing.

Given HRC’s track record with managing cash disbursements for various emergency subsidy programs and their vast experience working with a broad coalition of providers to address homelessness and deploy homeless prevention strategies, CIFD recommends this agency to manage the cash disbursement for the L.A. Emergency Fund.

The proposed L.A. Emergency Fund will serve households at risk of homelessness with emergency subsidy payments that will help pay for various costs that are not otherwise paid for with other federal funds. The table below includes a snapshot of the types of costs that are eligible:

Eligible Cost	Description
Rental arrears; application fees and security deposits	NOTE: A rental housing application fee is one that is charged by the owner to all applicants. Security deposits: A security deposit that is equal to no more than 2 months’ rent. This assistance is separate and distinct from the provision of financial assistance for First and Last Month’s rent provided under this section and cannot be used to duplicate those costs.
Utility deposits	NOTE: HOME-ARP funds may pay for a standard utility deposit or initiation fee required by the utility company or owner (if owner-paid utilities are provided) for all program participants for the following utilities: Gas, Electric, Water, Sewer.
Costs of child care	NOTE: The costs of child care for program participants, including providing meals and snacks, and comprehensive and coordinated developmental activities, are eligible. The child care center must be licensed by the jurisdiction in which it operates in order for its costs to be eligible. The following conditions also apply: Children must be under the age of 13 unless the children have a disability. Children with a disability must be under the age of 18.
Costs of providing meals or groceries	NOTE: The cost of providing meals or groceries to program participants is allowed.

FURTHER DISCUSSION

HUD, through this funding, has provided a dedicated resource to address localities’ specific ongoing economic challenges as they relate to our most vulnerable residents affected by the pandemic and its

ongoing and deleterious impacts. To this end, HUD has used the HOME grant to funnel funds for needs and activities that the traditional HOME formula grant does not typically allow, including an expanded use for a broader array of supportive services, a recommended use of the local Continuum of Care entity's Coordinated Entry System, as well as a specific focus on the city's specified, qualified populations.

A virtual public meeting of the Commission on Community and Family Services was held in August 2021 that included a consultation on the HOME-ARP funding awarded to the City. Two virtual public meetings were held per HUD requirements to obtain preliminary public feedback on the proposed uses for the HOME-ARP allocation (held on 10/19/21 and 10/20/21). In addition, the City consulted with the Continuum of Care as it relates to the proposed uses for the HOME-ARP grant, including the City's planned use of the Coordinated Entry System for tenant referrals to units serving people experiencing homelessness and chronic homelessness. Units serving people at risk of homelessness will be filled using the City's Affirmative Marketing Plan procedures and the Affordable and Accessible Housing Registry established by the City in 2020. Also, a public notice describing the draft proposed uses for the HOME-ARP grant was emailed to about 25,000 subscribers in January 2022.

To comply with HUD's Duplication of Benefits prohibitions that are essential to disaster-related assistance, all impacted stakeholders will have to identify all other sources of funds that are available to them that pay for the same service (e.g., federal extended unemployment assistance).

FISCAL IMPACT

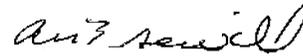
There is no fiscal impact to the General Fund. All costs will be paid by the HOME-ARP federal grant.



ABIGAIL R. MARQUEZ

General Manager
Community Investment for Families Department

ARM:LS/VM:JO:RR



ANN SEWILL

General Manager
Los Angeles Housing Department

AS:TK:LS:DH:SS