

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: March 22, 2022

CAO File No. 0220-05151-0332

Council File No. 22-0278, 20-0841

Council Districts: All

To: The City Council

From: Matthew W. Szabo, City Administrative Officer 

Reference: COVID-19 Homelessness Roadmap

Subject: **REPORT BACK TO THE CITY COUNCIL ON FUNDING OPTIONS FOR EXTENDING THE CITY'S PROJECT ROOMKEY PROGRAM THROUGH JULY 1, 2022**

SUMMARY

On March 1, 2022, President Joseph R. Biden, Jr. announced that the Federal Emergency Management Agency (FEMA) will reimburse jurisdictions for costs associated with non-congregate emergency homeless shelters at 100 percent through July 1, 2022. On March 22, 2022, the City Council instructed the offices of the City Administrative Officer (CAO) and Chief Legislative Analyst (CLA) to identify funds to continue operating the City's Project Roomkey sites through the new full reimbursement deadline. This Report recommends extending three (3) of those sites: the Mayfair Hotel in Council District (CD) 1, Highland Gardens in CD 4, and the LA Grand in CD 14.¹

RECOMMENDATIONS

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

1. APPROVE up to \$3,596,408 from the Additional Homeless Services General City Purposes (AHS-GCP) Fund No. 100/56, Account No. 000931 to to the GCP Fund No. 100/56, Account No. 000957 Project Roomkey COVID-19 Emergency

¹ There are two additional City-funded Project Roomkey sites currently operating at the time of this report: the Airtel Plaza Hotel in CD 6 and the Best Western Dragon's Gate in CD 1. The Airtel was recently extended through September 30, 2022 (C.F. 20-0841-S21), while the Dragon's Gate is being demobilized on April 15, 2022. The full Project Roomkey ramp down schedule is discussed in further detail below.

Response to front-fund the extension of the City's Project Roomkey program through June 30, 2022 with expenditure authority for this program as outlined in this report through December 31, 2022.

2. AUTHORIZE a Reserve Fund loan in the amount of \$3,778,978 for the GCP Fund No. 100/56, Account No. 000957 Project Roomkey COVID-19 Emergency Response. The loan will front-fund the extension of the City's Project Roomkey Program through June 30, 2022, with expenditure authority for this program as outlined in this report through December 31, 2022. This loan will be repaid upon receipt of reimbursement from FEMA.
3. TRANSFER up to \$7,375,386 from the GCP Fund No. 100/56, Account No. 000957, Project Roomkey COVID-19 Emergency Response to the following departments as needed for the extension of the City's Project Roomkey Program through June 30, 2022, with expenditure authority for this program through December 31, 2022:
 - a. General Services Department (GSD) and/or Citywide Leasing in the up to amount of \$4,458,886;
 - b. Personnel Department and Office of the City Clerk in the up to amount of \$722,761; and
 - c. Los Angeles Homeless Services Authority (LAHSA) in the up to amount of \$2,193,739.
4. TRANSFER \$4,908,832.66 uncommitted balances in the COVID-19 Emergency Response from Fund No. 10A/43, Account No. 43S883, Project Roomkey Services to Fund No. 10A/43, Account No. 43TA68, PRK-LAHSA-FEMA for costs associated with Project Roomkey operations through the Roadmap contract with LAHSA (C-137223).
5. INSTRUCT the General Manager of the Los Angeles Housing Department (LAHD), or their designee, to amend Roadmap Contract No. C-137223 with LAHSA to reflect the service funding allocation in this report for Project Roomkey.
6. 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

Project Roomkey was established in March 2020 as part of the State of California's response to the COVID-19 pandemic. The purpose of Project Roomkey is to provide non-congregate shelter options for people experiencing homelessness who are at high risk for medical complications, serious illness, or death from COVID-19 to live temporarily in isolation to protect human life and minimize strain on healthcare system capacity. On March 22, 2022, the City Council instructed the CAO and CLA to identify funds to continue operating all the City-funded Project Roomkey sites through the new full reimbursement deadline of July 1, 2022.

As of March 22, 2022, the City has committed a total of \$228,266,708 from various funding sources to Project Roomkey, of which up to \$191,526,106 is potentially eligible for FEMA reimbursement.² The City has not received any reimbursement to date.

FEASIBILITY REVIEW OF EXTENSION OPTIONS

The process for considering extension and funding options of existing Project Roomkey sites requires various approvals. First, GSD confirms whether the hotel or motel owner is interested and willing to extend their agreement with the City. Next, LAHSA will confirm whether the nonprofit homeless service provider is willing to extend their contract, or whether they need to identify a new service provider. Then CAO reviews a recommended ramp down schedule from LAHSA and GSD and makes a determination, in consultation with City Council and the Mayor, about the sites' closures, taking into consideration factors, such as organizational capacity and housing plans for Project Roomkey residents. Lastly, the CAO confirms funding availability.

FUNDING AND PROGRAM CONSIDERATIONS

While the City expects to receive full reimbursement for its Project Roomkey expenditures to date, the last two program extensions, including the one found in this report, requires the City Council to borrow more than \$15 million from the City's Reserve Fund as other funding sources were not available. While the Reserve Fund balance remains above the five percent Reserve Fund policy, the balance has decreased \$118.82 million since the Second Financial Status Report (FSR), and the Third FSR, which was heard in Budget

² The total amount committed by the City includes the recommended Project Roomkey funding in the Tenth Roadmap Report, which was approved by the City Council on March 22, 2022 (C.F. 20-0841-S21).

and Finance Committee on March 21 and is pending Council adoption, recommended an additional \$92.67 million in transfers from the Reserve Fund, and \$3.13 million in Reserve Fund loans.

Front-funding Project Roomkey is expensive. As noted, the City has committed more than \$215 million to the program to date. Given these factors, as well as the extremely temporary nature of the program, the CAO does not recommend continuing to extend Project Roomkey any further. At the time of this report, there is no indication that the Biden-Harris Administration will extend the full FEMA reimbursement deadline beyond July 1, 2022. Project Roomkey was initially intended as an emergency response to the pandemic to protect people experiencing homelessness who were most at-risk of serious illness or death from COVID-19. As an emergency measure, the program did not – and does not – include full case management or supportive services for clients, like other City-funded interim housing programs, such as A Bridge Home and Tiny Home Villages, do.

On March 8, 2022, the City Council directed the CAO to report on a funding strategy for interim housing sites that have been assessed and were determined to be feasible to support temporary homeless interventions (C.F. 20-0841). Of the six (6) interventions presented in that report, three (3) are ready to move forward this fiscal year if funding were to be made available, pending the findings of the California Environmental Quality Act (CEQA) review. Table 1 below lists the estimated costs for the three (3) pending projects. If the City's Project Roomkey program is extended through July 1, 2022, capital funding for new interim housing interventions will likely not be available until next Fiscal Year, pending the budget approval process.

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Table 1: Unfunded Interim Housing Projects

Type	Site	Beds	Owner	Lease Term	Estimated Funding Liability for Lease Term	Recommended Funding Commitment in FY 2021-22
Permanent Structure	Bailey St.	75	Private	5 years	\$14,226,225	\$472,500
Tiny Home Village	Mission St.	148	City - LASAN	5 years, option to extend with approval	\$20,903,471	\$5,551,471
Tiny Home Village	E. 116th Pl.	41	Caltrans / Metro	3 years, up to 7 years*	\$9,655,242	\$3,752,687
Total		264			\$44,784,938	\$9,776,658

*Estimated funding liability increased from \$6,360,942 in the CAO report, dated January 24, 2022 (C.F. 20-0841), to \$9,776,658 to include the estimated costs for years 4-7 in operation.

FUNDING RECOMMENDATIONS

This Report provides funding recommendations to extend operations at three (3) existing Project Roomkey sites with up to 829 beds: Mayfair Hotel in CD 1, Highland Gardens in CD 4, and LA Grand in CD 14. A total of up to \$7,375,386 is recommended to cover the operating costs for these sites through June 30, 2022. Expenditure authority is recommended through December 31, 2022, beyond the closure of these sites, in order for the City departments and LAHSA to thoroughly inspect, clean, and repair all rooms and close out expenditures for the overall Project Roomkey program. Table 2 below provides an updated schedule of the existing Project Roomkey sites.

Table 2: Schedule for Project Roomkey Program by End Date

CD	Site	Beds	Start Date	Recommended End Date
1	Best Western Dragon's Gate	52	4/1/2021	4/15/2022
1	Mayfair Hotel	276	8/11/2020	5/30/2022
4	Highland Gardens	70	7/8/2021	6/30/2022
14	LA Grand	483	5/11/2020	6/30/2022
6	Airtel Plaza Hotel	237	4/15/2021	9/30/2022

COVID-19 Emergency Response Funding Contract Amendment

On March 17, 2020, Council adopted a motion (C.F. 20-0147-S46) that established a new funding account titled, "COVID-19 Emergency Response," in order to provide the City additional resources to respond to the COVID-19 pandemic. A total of \$12,141,779 of the funding was allocated to LAHD and LAHSA (C-135536), to oversee and provide support for Project Roomkey. The contract has since expired with an uncommitted balance of \$4,908,832.66. The CAO recommends transferring funds to the COVID-19 Homelessness Roadmap contract with LAHSA (C-137223) in order to continue funding current and ongoing Project Roomkey operating costs.

FISCAL IMPACT

There is a potential impact to the General Fund associated with the Reserve Fund loan. Because FEMA reimbursements are General Fund revenue, if FEMA does not reimburse all costs, then the Reserve Fund loan may not be fully repaid. In addition, if the City programs the FEMA revenue to another program as part of a future budget process, then the loan would need to be forgiven as the revenue would not be available to repay the loan.

FINANCIAL POLICIES STATEMENT

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