



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

September 26, 2006

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**LOS ANGELES COUNTY HOMELESS PREVENTION INITIATIVE
HOMELESS AND HOUSING PROGRAM FUND
(ALL AFFECTED) (4 VOTES)**

JOINT RECOMMENDATION BY THE CHIEF ADMINISTRATIVE OFFICER (CAO), THE EXECUTIVE DIRECTOR OF THE COMMUNITY DEVELOPMENT COMMISSION (CDC), THE DIRECTORS OF THE DEPARTMENTS OF CHILDREN AND FAMILY SERVICES (DCFS), HEALTH SERVICES (DHS), PUBLIC HEALTH (DPH), MENTAL HEALTH (DMH), PUBLIC SOCIAL SERVICES (DPSS), PROBATION, AND THE SHERIFF REQUESTING THAT YOUR BOARD:

1. Approve the recommended allocation of the \$80 million County Homeless and Housing Program Fund (HHPF) into two major expenditure categories and related subcategories as outlined in the Homeless and Housing Program Fund Spending Plan (Attachment I).
2. Delegate authority to the CAO to prepare and execute agreements and Memoranda of Understanding (MOUs) needed to implement the provisions of County Programs, as noted on Attachment I, Subcategories 1, 2, and 3 with County departments/agencies and contractors.
3. Delegate authority to the CAO to execute amendments to the agreements and/or MOUs which either makes technical changes as may be needed to implement the funded programs and/or increase or decrease the maximum agreement/MOU amount by no more than 10 percent provided sufficient funding is available. The approval from County Counsel will be obtained prior to executing any such amendments.

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

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Fifth District

4. Direct the CAO working with the participating departments to return to the Board within 120 days with a recommended Request For Proposal (RFP) process for the HHPF City/Community Programs category of funds which utilizes the attached Spending Principles (Attachment II), input from private nonprofit homeless housing and service providers, and best practices employed in other local efforts such as the Partnership for Families process implemented by First 5 LA and the City of Industry Fund (Industry Fund) allocation process utilized by the CDC.
5. Receive and file the attached Quarterly Status Report on the Implementation of the County Homeless Prevention Initiative (Attachment III).
6. Approve the Request for Appropriation Adjustment (Attachment IV) for Fiscal Year 2006-07 in the amount of \$74.1 million, which is fully funded by one-time County General Fund revenue approved by your Board on April 4, 2006 to fund the projected cost of the recommendations outlined below.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On April 4, 2006, your Board approved the County Homeless Prevention Initiative (HPI) including 11 key recommendations. The HPI consisted of two categories of funding: (1) \$15.4 million in funding for ongoing programs; and, (2) \$80 million in one-time funding to develop innovative programs. Both funding categories are to focus on reducing or preventing homelessness.

In approving the HPI, your Board directed the CAO to coordinate the preparation of quarterly status reports beginning in September 2006, providing your Board with implementation updates and analysis of results of the various HPI programs in reducing and preventing homelessness. The first Status Report is included as Attachment III. Recommendation No. 5 requests your Board to receive and file this Status Report.

Creation of the \$80 million HHPF consisting of one-time County General Fund dollars was one of the key HPI recommendations. Based upon your Board's direction, a team of participating County departments (County Staff Team), including the CAO, DPSS, DHS, DPH, DMH, DCFS, Sheriff, Probation, and the CDC, met regularly and conducted numerous meetings with community stakeholders composed of homeless and housing service providers, advocates, and local governments to obtain input on the allocation of the HHPF.

Given the importance and unique challenges related to the development of a proposed spending plan for the HHPF, the consulting firm of Hamilton, Rabinovitz, & Alschuler, Inc. (HR&A) was retained to assist the County Staff Team with this effort. HR&A was selected because of its outstanding knowledge of, and practical experience with, publicly financed housing issues, as well as its track record in working with the County CDC in implementing the Industry Fund affordable housing development program.

Challenges

One of the County Staff Team's early challenges in developing expenditure recommendations was to align the HHPF with: (1) the Board's extensive existing funding commitments to the homeless population; (2) the wide range of County assistance programs already in place; (3) the special characteristics of a one-time allocation of this magnitude; (4) funding resources currently or potentially available from the State (e.g., Proposition 63 - Mental Health Services Act [MHSA] and the Governor's End Long-Term Homelessness in California Initiative), the City of Los Angeles and other public, private, and philanthropic agencies; and (5) the extraordinary size, complexity, and geographic distribution of the homeless population in Los Angeles County.

A report received from HR&A outlined the following points for consideration in the design of an HHPF expenditure plan:

- The Board-approved funding is a one-time commitment with no assurance that it will be repeated in future years; or, if repeated, will not necessarily be at the same scale. This argues against using the funds in ways that involve long-term, ongoing annual commitments.
- The funding is unusually flexible, because it is from the County's General Fund and can be spent without the requirements or restrictions generally imposed by other public financing programs.
- The one-time nature of the HHPF suggests that its use should be held to heightened performance standards and measures of success.
- Given the special nature of the HHPF and heightened performance standards, allocation decisions should be based upon program design merit and not geographic distribution equity.

The County Staff Team and stakeholders also carefully considered whether all or most of the HHPF should be targeted to development of additional affordable housing units, because the need for new units is so large. This approach was rejected for several reasons.

- First, the County subsidy required to deliver a unit of affordable housing for the special needs populations is about \$100,000 per unit, based on recent expenditures from the Industry Fund and County HOME affordable housing programs. This means that the \$80 million HHPF could support development of about 800 units. Although this would be a very important contribution, it pales in comparison to the current estimate of 88,000 homeless persons in the County, and a large number of additional households at risk of becoming homeless.
- Second, there are a number of other existing sources of capital funding for development of such housing, including existing County programs, city redevelopment and housing trust funds, tax-exempt bonds, State and federal low-income housing tax credit equity, and other State funds (e.g., Multifamily Housing Program). The State currently does not allow the MHSA funds to be used for capital development, but may in the future. While these sources do not meet the demand for new affordable housing, they are already being accessed regularly by affordable housing developers. County funds have supported the development of nearly 1,000 new special needs units over the past decade, and many more units have been, or will be, built within Los Angeles, Santa Monica, West Hollywood, Long Beach, and other cities within the County.
- Third, funding for the wide range of supportive services and operating subsidies that are essential to make housing for the homeless population effective is in more desperately short supply than funding for development costs. In addition to supportive services and operating subsidy funding that is needed to support each new affordable housing development, there are many existing developments that lack sufficient supportive services and operating subsidy funding, or are at-risk of losing the funding they now have. And, there is evidence from existing County programs that other, more modest expenditures can make a significant difference in preventing or ending homelessness for a larger number of individuals and families, as discussed below.

Spending Principles

With these considerations, in mind, HR&A also suggested several principles to guide development of recommendations for the types of programs the HHPF might target. These principles, which were shared during the stakeholder input process described below, and revised based upon input from stakeholders, shaped the recommendations in this report. The principles suggest that HHPF expenditures should seek to accomplish one or more of the following:

- Provide high leveraging opportunity.
- Help build service system capacity or fill service gaps in existing service systems.
- Demonstrates collaborative networks and capacity building.
- Support previously untried projects or programs that hold particular promise for success in addressing homelessness.
- Support approaches that can be replicated elsewhere in the County.
- Result in a net cost savings to the County.
- Decrease the number of homeless individuals and/or families in a given area.
- Will not replace existing funding.
- Demonstrates the value of modifying or waiving administrative requirements tied to existing funding sources.
- Includes a plan for replacement funding.
- Demonstrates community support.

It is not intended that each funded HHPF project or program meet each and every one of the Spending Principles. Rather, projects and programs should be weighed against the principles to ensure that there is significant alignment with their general intent.

Recommendations

The County Staff Team's expenditure recommendations reflect all of the above considerations. They are also based on several months of meetings with community-based service providers, housing and homeless advocates, affordable housing developers, local government representatives, and deputies from your offices.

The recommendations as set forth in Attachment I are divided into two overarching categories: (1) \$32 million (or 40 percent) for City/Community Programs, which would be distributed on the basis of competitive proposals from social service providers, cities and/or communities for locally-defined needs; and, (2) \$48 million (or 60 percent) for County administered programs. These two major program categories and their respective programs are described below. The individual programs within each category are also

summarized in the Program Detail Matrix (Attachment V). The attachment identifies the lead County department/agency responsible for program oversight and indicates if that department/agency or a non-County agency will be providing the service via a contract or MOU.

City/Community Programs

The \$32 million for the City/Community Program category would be distributed using a Countywide open, competitive proposal process and would serve to strengthen local social service infrastructure and/or help create an infrastructure in communities where one currently does not exist. These funds could also be used as interim gap funding and for the expansion or enhancement of programs with a record of proven success.

In meeting with the various community/stakeholder groups, the County Staff Team stressed that applicants would be expected to leverage any proposals made under this program with funds from other programs such as the MHSA, the Industry Fund and the \$15.4 million ongoing County General Fund approved for the HPI. Examples of such leveraging would be MHSA full service partnerships and Safe Havens; Industry Fund special needs housing projects; and the stabilization centers, the General Relief Rental Subsidy Pilot Program, the housing data base and housing locators funded through the HPI. The County Staff Team has also stressed that applicants would be expected to identify other sources of funding to maintain their programs once the programs are established with assistance from the HHPF.

Within the City/Community Programs category, it is recommended that sub-allocations be made as follows:

- \$11.6 million for Capital Development: This part of the HHPF would be reserved to support the development of three types of housing capital projects:
 - *Emergency Shelters, Transitional Shelters, and Permanent Affordable Housing:* This would include a one-time opportunity for funding required to develop new housing resources, as defined and supported by an individual city or community.
 - *Safe Havens:* This would provide funding for new construction or expansion of an existing facility to provide up to two new Safe Havens to serve homeless single adults with severe mental illness and substance abuse or other serious problems. Safe Havens provide a high tolerance program that includes housing without time-limits and voluntary services, and has no more than 25 beds per site. This

approach is beginning to show effectiveness in reaching dually-diagnosed chronically homeless people, and other individuals with special needs who have not been successfully engaged by other programs. This allocation would also be in the form of a one-time commitment for part of a project's capital cost.

- *Operating Subsidies:* An operating subsidy is supplemental monthly revenue to affordable housing owners/developers that is required to maintain accessibility for very low income individuals and families whose rent payments are not sufficient to pay all operating costs. Operating subsidies are primarily used in developments whose tenants are chronically homeless individuals with multiple difficulties (e.g., mental health issues, active substance use, and possible criminal history), or transitional age youth, who are in need of, intensive supportive services attached to their housing, but who cannot afford to pay much for rent.
- \$20.4 million for Locally Defined Programs: This part of the HHPF would be reserved for competitive proposals that seek to reduce and/or prevent homelessness through programs sponsored by community-based organizations and/or social service providers, but with the support of local government or communities. Such proposals could include, for example, programs involving delivery of supportive service (e.g., mental health, substance abuse treatment or counseling, physical health, or benefit qualification assistance), case management programs (i.e., referrals to service providers and referral follow-ups), service needs assessments, programs to strengthen local collaborations among service providers, and community education.

The central concept behind this recommendation is that the needs of the homeless and at-risk populations in each area of the County are so different, and the development status of each community's continuum of care varies so significantly, that it is not possible to prescribe a particular approach to ending or preventing homelessness that will be effective in all areas of the County. This approach will enable service providers, cities, and communities the opportunity to design whatever approach best suits their particular circumstances, and seek funding from the HHPF to help implement it.

Both the Capital Development and Locally Defined Programs components of this HHPF funding category would be distributed on the basis of competitive proposals. CDC would lead the process and would use the Special Needs Housing Alliance as the participating County Staff Team. Although the precise details of this approach cannot be developed in advance of your Board's concurrence with these HHPF expenditure recommendations, the County Staff Team envisions a process that may include the following general elements.

- For the Capital Development programs, competitive proposals would be considered in a way that is similar to the Industry Fund affordable housing program. The Industry Fund model has proven over the past 10 years to be an effective approach to soliciting competitive housing development proposals, and conducting a rigorous and timely proposal review and funding recommendation process. Among the elements of this approach that help make it effective are a clear RFP document that is developed through intensive County staff review and general consultation with potential applicants; a largely objective scoring system in which points are awarded for specified criteria that are weighted in relation to their relative importance in achieving a successful project; use of independent reviewers to score the proposals; and use of an independent panel of subject matter experts to confirm or modify the application scores, as the basis for recommendations to your Board.

Applications for HHPF funding to support development of shelters, new affordable units, or Safe Havens would be a logical extension of the Industry Fund approach. Even the program for operating subsidies could fit easily within this implementation model, because the applicants would be affordable housing developers similar to those involved in the Industry Fund program, and the applications would involve technical issues with which the CDC is already very experienced.

- The City/Community Programs category proposal review and recommendation approach could follow the Industry Fund model, in general, though it would emphasize input from the health and human service departmental representatives of the Special Needs Housing Alliance. The process for this category would also include more effort at the outset to develop the RFP, its applicant eligibility requirements, maximum funding limits, application scoring system, among other proposal particulars, and to conduct informational outreach to potential applicants to familiarize them with the process.

Given the variety of services or programs that may qualify for these funds, further work may be needed with prospective applicants to narrow the range of possible funding categories so that appropriate proposal evaluation criteria can be developed. At a minimum, adherence to the Spending Principles noted above, firm plans for non-HHPF replacement funding, and a system of program evaluation using the County's *Performance Counts!* framework would be required. Implementation may also require making additional, though tentative, sub-allocations of funding within this category, which could then be shifted between categories in response to demand, once proposals have been submitted. The proposals could be scored by an interdepartmental County staff team, and then confirmed or modified by a panel of independent subject matter specialists, as with the Industry Fund program, in order to frame recommendations to your Board for funding. Recommendation No. 4 provides direction to staff to return to the Board within 120 days with a fully developed process.

