

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: October 16, 2017

CAO File No. 0220-05415-0000

Council File No. 14-0655-S5

Council District: All

To: City Council

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

Subject: **MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF LOS ANGELES, THE COUNTY OF LOS ANGELES, AND THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES TO FINANCE PERMANENT SUPPORTIVE HOUSING FOR THE CHRONICALLY HOMELESS AND HOMELESS POPULATION IN THE CITY OF LOS ANGELES**

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### RECOMMENDATIONS:

That the Council, subject to approval by the Mayor:

1. Approve the attached Memorandum of Understanding (MOU) between the City of Los Angeles, the County of Los Angeles, and the Housing Authority of the City of Los Angeles; and
2. Authorize the General Manager of the Housing and Community Investment Department to execute the MOU on behalf of the City.

### SUMMARY

With the passage of Measure H, and the approval of its first year revenue allocations, the Los Angeles County Board of Supervisors (County) adopted a motion to commit supportive services to cities and public housing authorities (PHAs) willing to finance permanent supportive housing (PSH) units. The motion authorized the County Chief Executive Officer to negotiate a Memorandum of Understanding, according to the draft template provided in the motion, with cities and PHAs willing to participate in this effort.

The Mayor's Office, in coordination with the Chair of the City Council Committee on Homelessness and Poverty, the City Administrative Officer (CAO), the Chief Legislative Analyst (CLA), the Housing and Community Investment Department (HCID) and the Housing Authority of the City of Los Angeles (HACLA), led the MOU negotiation with the County.

This MOU (attached) will guarantee that for every PSH unit the City finances through HCID,

HACLA will commit an operating subsidy in the form of a rental voucher and the County will commit supportive services, including, but not limited to, intensive case management services and linkages to health, mental health, and substance abuse disorder services. Per the MOU, both the County and HACLA are committing to support up to 1,000 units per year over a ten-year period. In year five (5), the City, County and HACLA will renegotiate the annual number of rental vouchers to be made available by HACLA.

The City, County and HACLA will also create a unified application that will allow housing developers to apply for capital, vouchers and services at once. This coordination will expedite the funding process for developers, and in turn, housing production.

## **BACKGROUND**

Unprecedented numbers of homeless people live on the streets of the City of Los Angeles. The Los Angeles Homeless Services Authority's 2017 point-in-time (PIT) count found that 34,189 of the 57,794 homeless people in Los Angeles County are in the City of Los Angeles. Of these 34,189 people, 10,669 are chronically homeless.

Permanent Supportive Housing, which is housing combined with supportive services, has been proven to be a successful tool to combat homelessness. Prior to passage of Proposition HHH (Prop HHH) in November 2016, which provides for \$1.2 billion in General Obligation bonds for PSH, affordable housing and facilities, the City financed up to 300 PSH units annually. The first Prop HHH bond issuance financed 615 units in nine (9) projects. 416 of these will be designated as PSH. Developing PSH units requires funding for three key components: capital, supportive services, and rental assistance (operating subsidy). Through this MOU, the City, the County, and HACLA commit to provide the following:

1. City: The capital to finance PSH units;
2. County: Intensive Case Management and Integrated Health Services (ICMS), and linkages to appropriate health and mental services, funded with County Measure H revenue; and
3. HACLA: The project based Section 8 vouchers (PBV), which provide the needed rental subsidy to operate the project.

This MOU represents a major financial commitment by the City, County and HACLA. The first Prop HHH funding round, provided up to a \$220,000 subsidy per unit. The County's commitment amounts to an average monthly cost of at least \$450/unit for intensive case management services, plus additional costs for other County supportive services such as primary care, mental health and substance abuse services. HACLA PBVs provide an average monthly rental subsidy of \$878 per PSH unit.

Tenant selection under this MOU will be made through the Coordinated Entry System (CES). Up to twenty percent (20%) of clients may be drawn from referral systems used by the County Health Agency, including, but not limited to the Housing for Health Access and Referral System. This will ensure that the PSH housing resources prioritize homeless people who have traditionally been difficult to place due to their complex health and social service needs.

Upon receiving approval from the Council and Mayor, HCID will execute this MOU with the County and HACLA on behalf of the City. It will go into effect the date it is signed by all parties, and shall be in place for ten (10) years.

The MOU addresses City Comprehensive Homeless Strategy 10A "Budget – Full Funding for Affordable Housing Trust Fund to Finance Construction of Permanent Supportive Housing."

Attachment

**MEMORANDUM OF UNDERSTANDING  
BETWEEN  
THE COUNTY OF LOS ANGELES and  
THE CITY OF LOS ANGELES and  
THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES**

This MEMORANDUM OF UNDERSTANDING (“MOU”) is entered into this \_\_\_\_ day of \_\_\_\_\_, 2017 by and between the COUNTY OF LOS ANGELES, a subdivision of the State of California (“COUNTY”), the CITY OF LOS ANGELES (“CITY”), a municipal corporation, and the HOUSING AUTHORITY OF THE CITY OF LOS ANGELES (“HACLA”), for the purpose of establishing roles, responsibilities, and financial relationships necessary to align funding to create permanent supportive housing in the City. COUNTY, CITY, and HACLA will be referred to herein individually as “PARTY” and collectively as “PARTIES”.

PARTIES mutually agree to the following:

**A. Term of Agreement**

The term of this agreement will begin on the date of signature of all PARTIES, and will end 10 years following this date, unless extended upon mutual agreement of PARTIES.

**B. PARTIES’ Responsibilities**

PARTIES agree to the following responsibilities in creating permanent supportive housing opportunities within CITY’s jurisdiction:

1. During the term of this MOU, CITY will facilitate permanent supportive housing opportunities for tenants eligible for permanent supportive housing through the following:
  - a. Creating approximately 10,000 new permanent supportive housing units over the course of the MOU through:
    - i. Capital financing, including
      - A. Construction, and/or
      - B. Acquisition, and/or
      - C. Rehabilitation; and/or
    - ii. Land donation.
  - b. An expedited process for siting permanent supportive housing, including by reducing or eliminating zoning restrictions and/or creating a fast-track process for permitting permanent supportive housing.
2. During the term of this MOU, HACLA will provide, subject to funding availability:
  - a. Approximately, but not to exceed, 1,000 Project-Based Vouchers per year to tenants eligible for permanent supportive housing. In year five (5) of this MOU, the PARTIES will renegotiate the number of project-based vouchers that HACLA will make available on an annual basis.
3. COUNTY will provide, for each permanent supportive housing unit created by CITY, the following:
  - a. Services to tenants, including—
    - ii. Intensive Case Management System (ICMS) and integrated health services and
    - iii. Services to ensure a tenant’s connection to appropriate medical, mental health, and substance use services; and/or
  - b. Rental assistance, including Project-Based Vouchers and/or Tenant-Based Vouchers; and/or
  - c. Landlord incentive funds.

**C. Types of Permanent Supportive Housing to be Developed**

For purposes of this MOU, as used herein, “permanent supportive housing” shall be defined as a pairing of rental assistance and supportive services in either a single-site model or a scattered-site model, as defined below.

“Single-site model” means housing in which a site will be acquired and a building constructed or renovated for the purpose of providing dwelling units of a size and character that conform to applicable State and CITY laws and regulations. The permanent supportive housing units developed in this fashion may be a part of a larger building.

“Scattered-site model” means existing dwelling units leased for the purposes of housing and serving the clients who are the recipients of this program, including in master-leased projects.

#### D. Supportive Services

PARTIES agree all housing and services provided to eligible recipients under this MOU shall follow Housing First principles.

Based on individualized assessment, COUNTY will fund appropriate services to each new unit of permanent supportive housing, to include the following:

1. Services to engage and assess tenant needs, as well as create tenant-directed goals;
2. Intensive Case Management Services ;
3. Peer support activities;
4. Linkage to primary care, specialty mental health services, and substance abuse disorder services, as needed;
5. Benefits advocacy; and
6. Transportation planning and assistance to access off-site services and appointments.

COUNTY will establish and implement standards for the above-identified services in units created under this MOU, and may update those standards during the term of this MOU.

#### E. Geographic Diversity

PARTIES agree to develop policies to encourage the siting of permanent supportive housing units. PARTIES agree, to the extent feasible, to accommodate tenant choice in where to live.

#### F. Tenant Selection

PARTIES agree to reserve tenancy for units created pursuant to this MOU for people with the greatest need for permanent supportive housing, determined under tenant selection protocols developed by the Coordinated Entry System, and consistent with the regional priority population goals under the MOU and the underlying regulatory requirements mandated by the source of rental assistance and/or capital funding for the permanent supportive housing unit. Up to 20% of all tenants housed under this MOU may be drawn from current and future patient/client identification and referral systems used by the COUNTY Health Agency, including but not limited to, the Housing for Health Access and Referral system. Regardless of referral process, tenant selection for CITY permanent supportive housing units will prioritize people experiencing homelessness in the City of Los Angeles.

#### G. Priority Populations

PARTIES agree to coordinate their programs to maximize each PARTY’s priority populations to be served in permanent supportive housing, including—

1. Units developed to serve single adults experiencing chronic homelessness, significant barriers to housing stability, multiple barriers to independence or high risk of becoming chronically homeless;
2. Units developed to serve families (with custody of children below the age of 18) experiencing chronic homelessness, significant barriers to housing stability, multiple barriers to independence, or high risk of becoming chronically homeless;
3. Units developed to serve youth and young adults, aged 18 to 24, determined to need permanent supportive housing under tenant selection protocols identified in Section F; and
4. Units developed to serve veterans, especially through the HUD-Veteran Affairs Supportive Housing program, determined to need permanent supportive housing under tenant selection protocols identified in Section F.

In addition to maximizing each PARTY's priority populations, a portion of every new permanent supportive housing development facilitated by the CITY will be accessible to persons with mobility disabilities and with hearing/vision disabilities.

#### H. Definitions

For purposes of this MOU, PARTIES agree to the following definitions:

1. "Chronically homeless" refers to meeting the criteria defined in 24 CFR Section 91.5 as well as persons meeting the expanded DedicatedPlus criteria defined by the U.S. Department of Housing and Urban Development.
2. "Housing First principles" means immediate access to housing without preconditions or housing readiness requirements, landlord compliance with tenant protections under law, consumer choice and self-determination, recovery orientation, individualized and client-driven supports, and social and community integration.
3. "Landlord incentives" means funding designed to facilitate a private-market landlord's acceptance or use of tenant-based rental assistance that the CITY or COUNTY provides to people experiencing homelessness.
4. "Permanent supportive housing" means pairing of rental assistance and supportive services in either a single-site building constructed or renovated for this purpose or in scattered-site dwelling units subsidized for the purposes of housing and serving eligible recipients.
5. "Veteran" means an individual who actively served in the U.S. military or was injured as a result of U.S. military service.

#### I. Implementation

PARTIES agree to meet at least quarterly to assess the implementation of this MOU and perform the following:

1. Develop a schedule for allocation of resources and identify tracking mechanisms to ensure PARTIES are using the permanent supportive housing resources developed as a result of this MOU fully;
2. Create a unified application between PARTIES or utilize a countywide unified application that allows housing developers to apply for capital, operating, and services awards.
3. Design data collection and reporting systems to evaluate the outcomes of this MOU; and
4. Perform adjustments based on needs of people experiencing homelessness, progress in meeting responsibilities outlined in this MOU, resource utilization and availability, overall permanent supportive housing production, evaluation findings, and permanent supportive housing gaps in difficult-to-develop areas of City.

#### J. Evaluation

PARTIES agree to conduct an evaluation of the MOU, using data COUNTY, CITY, and third party evaluators collect, as well as tenant-reported data. The evaluation shall be completed and presented to the

County Board of Supervisors and the CITY Council within five years of the date of this MOU. The evaluation shall include, but not be limited to, the following:

1. Progress in achieving the goals outlined in Section B of this MOU;
2. Barriers to implementation of the MOU;
3. Recommended strategies for removing barriers to implementation;
4. Population-specific data on the following:
  - a. Number of formerly homeless individuals/families housed;
  - b. Number of people who remained in permanent housing one and two years after housing placement;
  - c. Improved health outcomes among participants served, demonstrated through obtaining regular medical, mental health, and/or substance use disorder treatment, and decreased hospital admissions and emergency department visits;
  - d. Community integration and social connectedness, including reconnection with family or friends or building new support networks, through tenant satisfaction surveys;
  - e. Gainful employment and/or educational attainment;
  - f. Consistent payment of rent;
  - g. Positive exits from permanent supportive housing; and
5. To the extent data is available, COUNTY and CITY costs avoided as a result of the MOU.

COUNTY and CITY will allocate the staff resources required to conduct the evaluation. COUNTY will retain the evaluator and bear the costs of the evaluation.

#### K. Modifications, Revisions, and Termination

This MOU constitutes the entire agreement between PARTIES hereto, and no oral understanding not incorporated herein will be binding on any PARTY. This MOU may only be modified, altered, or revised, as necessary, by mutual consent of PARTIES hereto by the issuance of a written amendment, signed and dated by PARTIES.

If any PARTY determines another has violated the terms of the MOU, that PARTY may terminate this MOU upon 60 days written notice. PARTIES will continue to honor existing commitments to units already placed in service or agreed upon in the development or pipeline process.

#### L. Dispute Resolution

PARTIES to this MOU agree to implement good faith efforts and promptly meet and confer to resolve disputes arising from this MOU between the lead administrators for this MOU listed in Section Q. If issues cannot be resolved at this level, the lead administrators will refer such issues to their respective supervisors for discussion and resolution.

#### M. Press Releases and Communications

To the extent feasible, PARTIES shall be included when communicating with the press, television, radio or any other form of media regarding duties or performance under this MOU. Participation of each PARTY in press/media presentations will be determined by each PARTY's public relations policies. Unless a PARTY directs otherwise, each PARTY shall make specific reference to all PARTIES in all communications regarding this MOU.

#### N. Hold Harmless/Indemnification/Liability

Pursuant to the provisions of Section 895.4 of the California Government Code, PARTIES agree to indemnify and hold the other PARTY harmless from all liability for damage, actual or alleged, to person or property arising out of or resulting from indemnifying PARTY's acts or omissions in the performance of this MOU. In the event of third-party loss caused by negligence, wrongful act or omission of PARTIES, each PARTY shall bear financial responsibility in proportion to its percentage of fault as may be mutually agreed or judicially determined. The provisions of California Civil Code Section 2778 regarding interpretation of indemnity agreements are hereby incorporated.

O. Severability

If any part of this MOU is found to be null and void or is otherwise stricken, the rest of this MOU will remain in force.

P. Counterparts

This Agreement may be executed in any number of counterparts, each of which so executed will be deemed to be an original and will together constitute one and the same Agreement. Manual signatures may be provided by facsimile, or digitally scanned and provided by electronic mail.

Q. Notice Provision/MOU Lead Administrators

COUNTY:  
Phil Ansell  
Director, Los Angeles County Homeless Initiative  
Los Angeles County Chief Executive Office  
500 West Temple Street, Fourth Floor  
Los Angeles, CA 90012

With copy to:  
Elaine Lemke  
Assistant County Counsel  
Office of the County Counsel, County of Los Angeles  
500 West Temple Street, Sixth Floor  
Los Angeles, CA 90012

CITY:  
Rushmore Cervantes  
General Manager  
Housing and Community Investment Department of Los Angeles  
1200 West 7th Street, 1st Floor  
Los Angeles, CA 90017

With copy to:

PHA:  
Doug Guthrie  
President and Chief Executive Officer  
Housing Authority of the City of Los Angeles  
2600 Wilshire Blvd  
Los Angeles, CA 90057



IN WITNESS WHEREOF, the PARTIES have executed this AGREEMENT as of the day and year first written above.

COUNTY OF LOS ANGELES, a subdivision of the State of California

By: \_\_\_\_\_  
Sachi A. Hamai  
Chief Executive Officer

Date: \_\_\_\_\_

APPROVED AS TO FORM:  
MARY C. WICKHAM  
County Counsel

By: \_\_\_\_\_

Date: \_\_\_\_\_

CITY OF LOS ANGELES, a municipal corporation

By: \_\_\_\_\_  
Rushmore Cervantes  
General Manager, Housing and Community Investment Department of Los Angeles

Date: \_\_\_\_\_

APPROVED AS TO FORM:  
\_\_\_\_\_ City Attorney

By: \_\_\_\_\_

Date: \_\_\_\_\_

HOUSING AUTHORITY OF THE CITY OF THE CITY OF LOS ANGELES, a public body, corporate and politic

By: \_\_\_\_\_  
Doug Guthrie  
President and Chief Executive Officer

Date: \_\_\_\_\_

APPROVED AS TO FORM:  
\_\_\_\_\_ City Attorney

By: \_\_\_\_\_

Date: \_\_\_\_\_