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To: Homeless and Poverty Committee

From: Peter Lynn, Executive Director, Los Angeles Homeless Services Authority

Subject: **LOS ANGELES HOMELESS SERVICES AUTHORITY – FLEXIBLE HOUSING SUBSIDY POOL**

The Budget and Finance Committee Discussing the Mayor’s Proposed Budget for FY2016-17 approved by City Council included a requested report relative to the Flexible Housing Subsidy Pool and why the County’s Voucher programs were not funded. The report should provide the rationale for not making greater use of these County programs.

This report will articulate the important programmatic differences between a permanent supportive housing program and a rapid re-housing program. Permanent supportive housing (PSH) is a programmatic model that connects a homeless person with wrap-around supportive services and a long-term rental subsidy to provide a permanent housing placement. PSH focuses on chronically homeless, high acuity people with deep service needs. An open-ended commitment of financial support – deep rental subsidies and deep supportive services – is the hallmark of permanent supportive housing. The two longest running programs that provide PSH in the City of Los Angeles use HACLA administered federal rental subsidies, either Section 8 Housing Choice Vouchers, or Continuum of Care Permanent Supportive Housing Rental Assistance (formerly called Shelter Plus Care). Those federal rental subsidies have provided the enduring funding source that would persist through local funding fluctuations.

To serve high-cost frequent utilizers of the Los Angeles County Department of Health Services (DHS) hospitals, DHS built a PSH program using local County resources, which is called the Flexible Housing Subsidy Program (FHSP). Through the FHSP, DHS is committing – as far forward into the future as the client resides the unit that it subsidizes – to pay the client’s rent and to pay for their supportive service needs. This time commitment may be 10, may be 20 years, may be longer. For DHS, this model reduces operating costs because they save more than they spend in reduced costs on their hospital frequent utilizers. Pay for rent and services, save money on ER visits and hospital costs. As long as their client lives, it’s less costly to house and care for them. The day DHS stops paying that rent, their client goes back on the street where their health deteriorates and the subsequent ER bill goes up higher than the cost of the rent would have been, so it will always make sense to pay rent instead. And equally important, DHS has and will have the enduring budget to cover it.

The DHS FHSP makes great sense for them, because their expenditures are higher without it. The program would make sense for any other entity that is able to make a decades-long promise to pay for rent and services, because their direct costs are tied to the permanent housing outcome.

In contrast, rapid re-housing (RRH) is another form of housing assistance for homeless people with some similar features – there are both supportive services and rental subsidies – but the time and duration commitment to each client is finite. Rapid re-housing targets

homeless people who are lower acuity, generally not chronically homeless, and who have less deep service needs. Case managers assist clients with connections to public services, including employment, training and benefits that help stabilize the client for long-term housing, while providing housing search, move-in cost and short-term financial assistance to get the client relocated to a permanent housing placement. RRH rental assistance ends on average after six months. LAHSA has operated a RRH program for the City and County for several years, using TANF funds from the County Department of Public and Social Services, as well as City and County ESG and General Funds. LAHSA's rapid re-housing program has successfully housed thousands of households. Each funded RRH 'slot' is used by a client household for about six months, and then turns over for a new client.

This difference in the duration of the funding commitment is a critical difference between PSH and RRH, and why the City Chief Administrative Officer recommended to fund rapid re-housing rather than PSH, using one-time City general funds. No RRH client receives an open-ended rental and services commitment, so the City's source of funding can be one-time. Obviously, the programmatic need for such assistance will continue as we house new clients, but it would be new clients who receive the assistance, and the City would have the ability to scale the program up or down as the funding cycles and needs of homeless residents are seen.

There is no clear way to scale PSH down in a down budget cycle. The City would need to wait for program attrition to slowly taper it down, and such attrition should be low in a good program.

The crucial difference between PSH and RRH is the permanence of the assistance under PSH. There is no way to reduce a commitment for rental subsidies, once they are begun. The City has to make a clear, open-ended commitment to pay rental as long as the client is housed before embarking on a permanent rental subsidies.

There is another way that the City could participate in the DHS FHSP. The County DHS has made a clear commitment to fund the deep supportive services necessary, and to provide additional wrap-around assistance, if local public housing agencies commit turn-over Section 8 vouchers to the program. HACLA has made such commitments in the past. In this way, the City would provide the long-term rental subsidies, using its policy-setting ability at the local public housing agency, and the County would provide the services the clients need to maintain stably housed. This programmatic commitment by DHS, offered to all Public Housing Agencies countywide, is an ideal way for the City to participate in the FHSP.

FISCAL IMPACT STATEMENT

This memorandum is provided for informational purposes only. There is no fiscal impact.