

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: June 14, 2018

CAO File No. 0220-05363-0005

Council File No. 17-0090

Council District: All

To: The City Council

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

Reference: Proposition HHH

Subject: **PROPOSITION HHH ADMINISTRATIVE OVERSIGHT COMMITTEE
RECOMMENDATIONS RELATIVE TO THE PROPOSITION HHH FACILITIES
PROGRAM FISCAL YEAR 2018-19 REQUEST FOR PROPOSALS
RECOMMENDATIONS FOR THE FISCAL YEAR 2019-20 BOND ISSUANCE**

RECOMMENDATIONS

The Proposition HHH Administrative Oversight Committee recommends that the Council, subject to approval by the Mayor, direct the City Administrative Officer to suspend the Fiscal Year 2018-19 Request for Proposals for the Proposition HHH Facilities Program (2019-20 Bond Issuance).

SUMMARY

At its May 31, 2018 meeting, the Proposition HHH (Prop HHH) Administrative Oversight Committee (AOC) considered recommendations from the Prop HHH Citizens Oversight Committee (COC) relative to this report regarding the Prop HHH Fiscal Year (FY) 2018-19 Facilities Program Request for Proposals (RFP) for the FY 2019-20 bond issuance. The AOC recommended approval of the report with the amendment that the CAO modify the report to remove the following language from the recommendation, "pending the availability of additional State resources for the Proposition HHH Permanent Supportive Housing Loan Program." The recommendation and body of this report have been amended to reflect the AOC's action.

BACKGROUND

On November 8, 2016, voters approved Prop HHH on the State's General Election ballot, providing the City with authority to issue up to \$1.2 billion in General Obligation (GO) bonds to finance the development of permanent supportive housing (PSH), affordable housing, and facilities that provide supportive services to the homeless. The Prop HHH ballot language outlines that no more than twenty percent (20%) of the bond proceeds are to be used for affordable housing and that at least eighty percent (80%) of the proceeds must be used for PSH units and facilities. The Prop HHH language also provides that the Project Expenditure Plan (PEP) prioritize

funding for supportive housing units. The language, does not, however, specify a percentage of funds for facilities, nor does it mandate that bond funds be used for facilities.

Status of Prop HHH GO Bond Authority

The first Prop HHH bond issuance in FY 2017-18 and the FY 2018-19 bond issuance total \$362.5 million to fund 2,132 units, 1,659 of which are supportive. The remaining bond authority is approximately \$837.5 million. If these remaining funds are used only for housing units at the current Prop HHH maximum subsidy of up to \$220,000 per unit, the City would finance up to 3,807 additional units. If additional subsidy sources from the State become available (No Place Like Home and SB 2), we could expect the City's subsidy to be reduced to about \$140,000 per unit. Even with this reduced subsidy, we may not be able to reach our anticipated 10,000 unit-goal.

The Mayor's Crisis and Bridge Housing Program in FY 2018-19 Budget

As you know, there are 23,114 unsheltered homeless persons in the City according to the 2018 Point in Time Homeless Count. Building permanent housing units takes time and the City has to address the needs of its unsheltered population more quickly. In the last ten months, the City has started to focus on establishing temporary shelters using pre-fabricated structures. The first of these interim shelters is set to open at the El Pueblo Historical Monument's Parking Lot 5 in August 2018. On May 21, 2018, the City Council approved the Mayor's proposed FY 2018-19 City budget, which included \$20 million Crisis and Bridge Housing Fund to establish interim housing facilities on City-owned or other public and private sites throughout the City. Moreover, the City Council added \$10 million to the budget for this effort and other homeless programs. Either membrane structures or trailers will be placed on these sites and the County of Los Angeles has committed to coordinate with the City to fund the service costs.

PROPOSAL: NO RFP FOR PROP HHH FACILITIES PROGRAM IN FISCAL YEAR 2018-19

As stated above, with the remaining bond authority, we may not reach our 10,000 unit goal for Prop HHH. It would, therefore, be prudent to not issue a Facilities Program RFP until additional State resources are available for housing units. It is expected that the No Place Like Home Program, if approved by voters in November, and the SB 2 Housing funds will become available to jurisdictions in the next fiscal year. Suspending the RFP for one year would allow the City to focus on the Crisis and Bridge housing effort, which Prop HHH cannot support, and focus the voter-approved bond funds on supportive housing units.

FISCAL IMPACT

There is no impact on the General Fund.