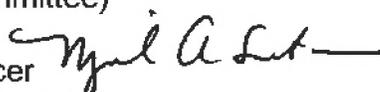


**CITY OF LOS ANGELES**  
INTER-DEPARTMENTAL CORRESPONDENCE

Date: October 27, 2015

To: The Mayor  
City Council (Homelessness & Poverty Committee)

From: Miguel A. Santana, City Administrative Officer



Subject: **SHELTER AND HOUSING NEEDS FOR HOMELESS**

### **SUMMARY**

Housing needs among the homeless of Los Angeles span a wide variety of housing types, from temporary emergency shelters to permanent supportive housing. Homeless populations are as varied as our diverse city itself, ranging from children and families, single individuals and teenagers and young adults across all races, ethnicities and genders and sexual orientations. The rising cost of housing, housing supply constraints, and near stagnant wage growth has contributed to the increased numbers of homeless individuals living on our streets. This report reviews the current shelter and housing gap affecting the homeless, frames the closing of this gap via tenant and project-based strategies, provides background and financials regarding the funding of affordable housing in the City and County, and provides an assessment of project-based and tenant-based strategies.

As we move forward on developing the overall strategic plan to address homelessness, the City will need to address how to best meet the needs identified in this report balanced against other critical components of the overall strategy, such as service needs, creating a standard engagement protocol for the homeless across city departments, and reforming governance to address longer-term housing supply issues. We are looking for policy guidance from this Committee on both the overall priority of housing in the larger homelessness strategy, as well as potential funding strategies.

### **RECOMMENDATIONS**

No recommendations are provided in this report. Staff seeks direction on priorities to be incorporated into the Comprehensive Homeless Strategy to be presented for Council review in the following months.

### **FISCAL IMPACT STATEMENT**

There is no fiscal impact at this time. This is a policy discussion report for Council.

Attachment A: Glossary of Key Relevant Terms  
Attachment B: HACLA Homeless Initiatives  
Attachment C: Potential Revenue Glossary

## **FINDINGS BASIS FOR REPORT**

City Council's Homelessness and Poverty Committee directed the City Administrative Officer (CAO), with guidance from the Chief Legislative Analyst (CLA), to report on the City's gaps in shelter and housing resources as a means to address the needs of the homeless. This report provides a gap analysis for the Mayor and Council to understand the number of shelter beds and housing units that will be required to establish resources to meet the shelter and housing needs of all homeless individuals and families in the City of Los Angeles, and possible methods to meet this need financially.

### **1. Housing Definitions, Current Actions, Needs, Assumptions**

#### *Housing Definitions*

Before discussing estimates of units needed to house homeless in the City, the types of housing needed must be clearly defined. Different shelter and housing types serve the needs of the people who are or are becoming homeless. Some individuals and families simply require shelter or housing, while others require a specialized mix of social services support. For the purposes of this report, there are four different types of housing offered to the homeless that provide different gradients of social and medical care: Emergency Shelter (ES), Rapid Re-Housing (RRH), Transitional Housing (TH) and Permanent Supportive Housing (PSH). If we could place housing to address homelessness on a gradient scale, ES facilities provide the most temporary form of housing, while PSH provides long-term housing. Additional detail regarding housing typologies is provided in Attachment A of this report.

The Los Angeles Homelessness Services Authority (LAHSA), a joint powers authority with the City and County of Los Angeles, has provided detailed information regarding the supply versus demand of housing for the homeless in the City. LAHSA conducts a biennial Point in Time (PIT) count of the homeless population across the City and County, the last of which was conducted in January 2015. Beginning in 2016, the PIT count will be conducted annually. The PIT is conducted in late January, during the peak of winter when the City has the largest number of ES beds available through the Winter Shelter Program.

#### *Current Actions*

This year, in response to a 12 percent increase in homelessness since 2013, as measured by the PIT counts, and as a result of public safety concerns regarding increased frequency of inclement weather due to El Niño, Council is considering action to authorize two additional months for the Emergency Shelter system of Winter Shelters (CF-12-1690-S4). Permanent year-round Emergency Shelters exist, some open all day (day shelters), while others are open primarily during evenings and nights. Council action would also provide additional funding of \$1.7 million for winter shelters to be open during periods of inclement weather like intense rainfall.

These emergency shelters are the most basic form of shelter in the City's system for addressing homelessness. Multiple housing options, some associated with supportive services, speak to the wide variety of issues facing homelessness conditions in our community. LAHSA has worked with housing experts to study and provide estimates on the amounts and types of housing required to meet the needs of the homeless and provide them housing appropriate to their needs.

## Shelter/Housing Need

Tables 1 and 2 show the current number of beds and units available for individuals and families across the City and the key shelter and housing unit types that serve homeless people. The tables also show the estimated total number of beds and units needed to meet the on-going need for the City's current and anticipated homeless population, "Beds" in Table 1 refers to either a bed in a group shelter or a single unit of housing with a bed. Table 2 refers to "Units" of housing with one unit hosting multiple beds for multiple family members.

Table 1 – Individuals

Program Types - SINGLES	Current System for Indiv (Beds)	Proposed System for Indiv (Beds)	Difference (Current Housing Gap)
Emergency Shelter (ES)	2,401	2,952	(-552)
Prevention/Diversion	0	600	(-600)
Rapid Re-Housing (RRH)	156	3,480	(-3,324)
Transitional Housing (TH)	2,209	583	1,626
Permanent Supportive Housing (PSH)	7,960	17,010	(-9,049)
<b>TOTAL</b>	<b>12,726</b>	<b>24,025</b>	<b>(-11,899)</b>

(-6,648 annualized slots)

Table 2 – Families

Program Types - FAMILIES	Current System for Fam (Units)	Proposed System for Fam (Units)	Difference (Current Housing Gap)
Emergency Shelter (ES)	643	463	180
Prevention/Diversion	0	630	(-630)
Rapid Re-Housing (RRH)	184	294	(-110)
Transitional Housing (TH)	445	227	218
Permanent Supportive Housing (PSH)	1,110	1,954	(-845)
<b>TOTAL</b>	<b>2,382</b>	<b>3,568</b>	<b>(-1,187)</b>

(-220 annualized slots)

Source: LAHSA

The tables above contain data that relate to one another. Numbers of beds/units needed do not directly match PIT counts for a variety of reasons, one of which being the different time periods in which data was collected, the second of which being one unit for a family provides multiple beds for individuals. It should also be noted that estimations in the tables above are partially based off of the Homeless Management Information System (HMIS). HMIS is a tool originally set up under federal mandate that is now being integrated with the Coordinated Entry System (CES). There are three different iterations of the CES. One for families that was set up by LAHSA, one for individuals that was spearheaded by the United Way and one for Transition Age Youth (TAY) that is currently in trial/development. Going forward, more reliable CES information will be critical to ensure City leadership has a clear, unified view of how well it is addressing the homeless by using the CES as a tool to track details of the homeless and their various interaction points with City, County, State, Federal and philanthropic resources. The CES will come into greater focus in the Comprehensive Homeless Strategy document due in the months ahead.

The "Difference/Current Housing Gap" columns in both Tables 1 and 2 represent the current housing gap for the homeless that the City is experiencing based on the January 2015 PIT counts and LAHSA estimates.

Based on amounts alone, with a 9,049 bed deficit, Permanent Supportive Housing for single individuals represents the highest need the City is facing in regards to the housing gap for LA's homeless. Rapid Re-Housing for singles comes in second at a 3,324 deficit of beds. Housing the current numbers of Los Angeles homeless singles will require nearly doubling the current supply.

It is helpful to remember that a unit of housing for a family ensures ensure that several people are sheltered and off the streets, so the number of individuals assisted by family housing is higher than the number of units provided.

Off to the side of each table are annualized numbers for RRH that are higher than the "Difference/Current Housing Gap" column to their immediate left. This is because RRH is short to medium term with many programs averaging 4 to 6 months in assistance. As such, annualized numbers for beds/units are higher to represent the total number of individuals or families that would be helped each year.

Included with the shelter and housing types provided, the discussion includes Prevention/Diversion as an additional response. This is not a type of housing; rather, it represents efforts by LAHSA and homeless service providers to work with individuals and families to prevent them from entering into homelessness. No formal budget allocations have been made to fund and implement these efforts.

Veterans have not been included in Tables 1 and 2. LAHSA anticipates that current, enhanced efforts and programs will address the shelter and housing needs of homelessness veterans in the City. Transition Age Youth (TAY), have not been broken out into a separate category here. The Coordinated Entry System (CES) does not yet track homelessness youth independently. Such refinements are currently being designed into the CES, but are not fully scaled. As such, LAHSA has embedded homeless youth into the general homeless population counts for singles and families.

### *Assumptions*

Data presented in Tables 1 and 2 was prepared by LAHSA in tandem with Abt Associates, a national provider regularly contracted by HUD for their expertise in the field of housing research and their track record with Home For Good, a partnership of United Way and the Greater Los Angeles Chamber of Commerce. The Coordinated Entry System (CES) helped inform these estimates as well.

Numbers presented in Tables 1 and 2 are based on population counts from 2015 PIT with no adjustment in the years ahead. They do not include projections or estimates about growing or declining numbers of homeless in the City, but show the amount of housing units that would be needed as of today in order to house the City's homeless.

Additional assumptions in the housing gap model relate to the time needed to help people locate housing, both in the RRH and PSH categories. The time factors are based on current experience helping people locate housing. It may be possible to identify strategies and services to improve efficiencies in placing people in housing.

### *Annual Assessment of the Housing Gap*

The estimated housing needs identified in Tables 1 and 2 provide a current assessment of the shelter and housing gap in the City. Efforts to provide more housing and housing vouchers and changes in the general housing market will affect the estimated need from year-to-year. In addition, efforts to rapidly rehouse homeless people and improved services to assist special needs populations may reduce the number of people who become chronically homeless, thereby reducing the demand for PSH.

An annual assessment of the housing gap, aligned with the PIT count, is necessary to ensure that available resources are directed to the program areas that are most effective and to areas where additional need has emerged.

## **2. Level 4 Users, Housing and Saving Public Dollars**

Additional funding is necessary to support chronically homeless individuals who, due to mental and psychological disorder, physical disability or emotional trauma, are best served by PSH. As mentioned in section 1 of this report, single individuals needing PSH also form the largest single group of homeless in the City. They have varying needs across their populations, but on a scale of 1 to 4 in the CES, homeless individuals needing frequent health care are referred to as Level 4 acuity users. At the County level, the Department of Health Services (DHS) finances homeless housing via a Housing First approach in a program known as Housing for Health (HFH). This program saves City and County entities thousands of dollars per individual. We will go into greater detail about Housing First in the section ahead.

Un-housed individuals living in the public space in most need of PSH, cost the City and County significant amounts of resources consuming public health dollars, law enforcement and judicial system money, and street services and public sanitation dollars. Averaged across the top 100 Level 4 acuity users in LA County cost the system more than the costs per year to house them.

Housing For Health's average user in Permanent Supportive Housing costs the taxpayer roughly \$18,000 a year for housing, administration and wrap around service cost to ensure low homelessness return rates to the street and dramatically reduced costs to DHS and other agencies that interact with the homeless. Per person, based on the roughly 1,100 people HFH has housed since 2013, monthly costs per individual can be broken out to roughly \$825 per month in rental subsidy, \$125 in costs to administrate the program, and between \$400-\$450 per month in wraparound services coordinated by a case manager with an average case load of 1:20 formerly homeless individuals.

In light of the issues facing the homeless population, housing voucher programs aim to locate units for their clients but it is useful to explore potential solutions that may allow units to be located more quickly. The County Department of Health Services (DHS) Housing for Health (HFH) program has utilized alternative strategies to quickly house its clients. Specifically, HFH uses a contract with a non-profit to locate rental units and negotiate leasing arrangements. One of the keys to the contractor's success is the employment of real estate experts familiar with the housing market to handle the rental issues and case managers to support the clients. The contractor provides an on-call service to landlords who agree to house clients, whereby a case manager will travel on-site to resolve issues that may arise between tenant and landlord. This gives landlords peace of mind that any issues that the formerly homeless tenant has will not affect their business and become their responsibility.

Additionally, the HFH program utilizes County General Funds through its Flexible Housing Subsidy Pool (FHSP) to finance costs for its clients not covered by VASH, Section 8, Medi-Cal, or other entitlements. For example, when a homeless individual uses a VASH or Section 8 voucher to rent a unit there is a lag time between the point when the landlord agrees to hold the unit vacant and when the homeless individual moves in. During the period, the VASH/Section 8 voucher does not pay for the rent and this discourages the landlord to agree to house someone with solely those vouchers as they are losing money while the unit is vacant. HFH uses the FHSP to pay for the rent during this period of time to incentivize landlords to agree to rent to its clients. The combination of services and flexible funding has allowed the HFH program to quickly house its clients and to avoid many of the impediments facing other voucher housing programs.

Level 4 acuity homeless are often the most visible and most vulnerable homeless in our communities. Housing for Health offers potential City-County collaboration that will be explored in greater detail in the Comprehensive Homeless Strategy.

### **3. HUD Requirements and Housing First**

As a best practice and to ensure compliance with Federal HUD guidelines, the City must provide housing options citywide, regardless of average median incomes or density profiles in existing housing stock in a given area. In short, housing for low-income individuals cannot be concentrated in low-income areas. In addition, Council and the Mayor should be aware that HUD is moving toward a policy of funding housing versus shelters. They have made this stance apparent in their 2015 SuperNOFA (Super Notice of Funding Availability).

A growing national consensus around homelessness policy, including direction from HUD, is forming around “Housing First” as the most effective strategy to assist the homeless. At its most basic level, this means that regardless of a homeless person’s physical, emotional, and psychological status, and independent of any constraints for sobriety, employment or other preconditions, that housing is pursued as the most primary and basic of needs to be addressed through the continuum of care.

The Council and the Mayor should consider the merits of establishing “Housing First” as the City’s preferred policy, as a means to clarifying the goals and the means to addressing homelessness, and as a signal to federal authorities that long-term strategy over short-term fixes is what Los Angeles is committed to delivering.

### **4. Housing Inventory Options – Lease vs. Build**

With regard to permanent housing, the two primary program options are project-based housing units and tenant-based housing units.

#### Project-based Option

Gap financing for rent-restricted units: Project-based housing includes those units constructed through the City’s housing development program, which is financed in part by its Affordable Housing Trust Fund. The City typically provides gap financing assistance through several sources of funding available at its discretion to help private and non-profit affordable housing developers leverage other governmental and private financing to create an affordable housing project. Affordable housing is an

essential tool to ensure that a certain number of units are available to people of limited incomes. In addition, the City funds PSH through this same process.

#### Tenant-based Option

Voucher-based housing: Provides rental assistance to an eligible person. That person can take the voucher to partially pay for a unit in the general housing market. The person, the landlord, and the local governmental agency enter into an agreement related to the rent for the unit.

Housing Vouchers for Veterans: As noted above, the housing gap analysis provided in Tables 1 and 2 above exclude veterans as special resources have been identified to provide housing and services to homeless veterans. Recent efforts to assist veterans, though, provide some context to help other homeless individuals and families.

Integral to achieving the goal of meeting the shelter and housing needs of all homeless veterans has been the Veterans Affairs Supportive Housing (VASH) program, a joint effort through the federal Department of Veterans Affairs (VA) and federal Department of Housing and Urban Development (HUD). VASH allows veterans to receive Housing Choice Vouchers that help offset the cost of housing by ensuring that no more than 30 percent of a VASH participant's income goes to housing. The remaining housing cost is provided through the Housing Choice voucher. This program has been effective in placing homeless veterans into housing.

The majority of VASH participants gain housing through a lease model similar to tenant-based Section 8 housing available generally to qualified households. Government entities do not own or maintain this type of housing, but instead rely on the private sector to provide this housing. The program establishes a framework, standards, and safeguards to ensure that the privately owned leased housing is being properly maintained. A three-way relationship is established between landlord, tenant and government. This is also a tenant-based strategy.

There are advantages and disadvantages to both project- and tenant-based strategies. The lead time to provide tenant-based options are usually much shorter than the process to zone, plan, design and build project-based bricks and mortar solutions. However, the City does not have a rental assistance program in place and this option will have to be further analyzed. In addition, it is essential that the total number of housing units in the City is adequate to meet the housing demands of all people moving into the City.

Both tenant and project-based strategies must cope with a lack of adequate housing supply in Los Angeles and California. A variety of forces have led to this outcome. As the City goes through the process of amending the zoning code through Re:Code LA, short-term strategies to address the currently constrained housing supply may facilitate efforts to address housing affordability and homelessness. Zoning future housing density in the City speaks to medium and long-term goals in helping to address homelessness. Governance reform to enable by-right denser infill development would enable faster development of more housing units. As more units would become available, the City, County, and third party care providers could more quickly provide housing to homeless individuals by reducing leasing placement timeframes.

## 5. Potential Funding Sources & Spending On Homelessness

City, County, State, federal, private, and philanthropic sources offer a variety of funding sources to support the development of an array of housing types depending on the subset populations of the homeless they are serving. *It should be noted* that these potential funding sources have been previously committed to funding certain programs. If these sources are reallocated and committed to funding homeless programs, it may cause future gaps in currently funded programs. These funding sources are listed in Table 3.

Table 3

List of Potential Funding Sources		
Program	Description	Funds
<b>Community Development Block Grant (CDBG) (City)<sup>1</sup></b>	CDBG funds are used to benefit a clientele that is generally presumed to be principally low- and moderate-income, which is inclusive of homeless persons. The funds are anticipated entitlements for Program Year (PY) '16-'17; these funds are not inclusive of program income and program savings.	\$48.3 million (PY '16-'17)
<b>Housing Opportunities for Persons with AIDS (HOPWA) (City)<sup>2</sup></b>	HOPWA provides dedicated resources to develop and maintain affordable housing options, as well as supportive services for individuals with HIV/AIDS and their families. The funds are anticipated entitlements for PY '16-'17; these funds are not inclusive of program income and program savings.	\$14.3 million (PY '16-'17)
<b>Emergency Solutions Grant (ESG) (City)<sup>3</sup></b>	The ESG program provides outreach, shelter, rapid rehousing, homelessness prevention and related services to persons experiencing homelessness, or for persons in danger of becoming homeless. The funds are anticipated entitlements for PY '16-'17; these funds are not inclusive of program income and program savings.	\$5.4 million (PY '16-'17)
<b>HOME (City)<sup>4</sup></b>	Federal allocation that helps create or sustain affordable housing for low-income households. These funds are available for renters, homeowners, and affordable and special-needs housing developers (includes homeless set-aside units). The funds are anticipated entitlements for PY '16-'17; these funds are not inclusive of program income and program savings.	\$1.3 million (PY '16-'17)
<b>Supportive Housing Loan Fund (SHLF) and New Generation Fund (NGF) (City)<sup>5</sup></b>	HCID utilizes SHLF and NGF for acquisition and predevelopment of affordable housing and PSH projects. HCID committed \$5 million (2007) in AHTF monies to fund SHLF and \$10 million (2008) to fund NGF. These loan agreements are in partnership with the Community for Supportive Housing (CSH) and New Generation Fund, LLC (NGF LLC). These funds are revolving short-term loan funds designed to leverage limited funds to develop and/or rehabilitate housing units. SHLF also operates under a Loan Loss Agreement, where CSH covers the first \$500,000 in losses from SHLF loans, and HCID is required to cover the next \$5 million.	\$106 million (Combined as of October 2015 in senior lending pool)

<sup>1</sup> CF 15-1041

<sup>2</sup> CF 15-1041

<sup>3</sup> CF 15-1041

<sup>4</sup> CF 15-1041

<sup>5</sup> HCID and CF 14-1628

<b>Affordable Housing Trust Fund (AHTF) (City)</b>	Since 2003, the fund has helped provide permanent financing for affordable housing, and has thus far built 174 projects with 10,666 units for very-low and low income households. Primarily funded through the City's HOME funds, HOPWA grants, McKinney-Vento savings, program income, and the City's General Fund. Households that make up to 60% of the AMI are eligible for AHTF housing.	\$11.1 million (FY '15-'16)
<b>Affordable Housing Trust Fund (County)<sup>6</sup></b>	As indicated by a recent report from the LA County Homeless Initiative, the Board of Supervisors has allocated approximately \$100 million for affordable housing since October 2012. These funds are offered through the annual Notice of Funding Availability (NOFA). Fifty percent of these funds must be used to house Special Needs populations which include homeless families and individuals. Over \$44 million has been allocated. Another \$55 million remains and is expected to last until FY 2016-17.	\$55 million (FY '16-'17)
<b>City/Community Programs (CCP) - Homeless and Housing Program Fund (HHPF) (County)<sup>7</sup></b>	The Homeless Prevention Initiative (County) provided funds for services to individuals who are currently homeless or at-risk of becoming homeless. Permanent housing, transitional and emergency shelter, case management, and supportive services are provided with the housing.	\$80 million (one-time fund) (2006) <sup>8</sup>
<b>Supportive Housing for Homeless Families Fund/Rental Assistance &amp; Supportive Services (County)<sup>9</sup></b>	First 5 LA designated the Community Development Commission to provide PSH and support services for families that: 1) are homeless or at-risk of homelessness; 2) have interacted with the child welfare system; and 3) have children aged prenatal to 5 years.	\$23 million (2013); \$10 million additional allocation (2014)
<b>Chafee Program Funds (County)<sup>10</sup></b>	DCFS receives an annual allocation from the federal government for TAYs aged 16-21. 30% of allocation is used for Independent Living Programs and housing assistance. The funds are used for rental subsidies, monetary and service support in the areas of education, employment, and mental health.	\$12.6 million (annual allocation)
<b>Flexible Housing Subsidy Pool (County)<sup>11</sup></b>	FHSP secures rental subsidies for homeless clients from nonprofit owned supportive housing, affordable housing, master lease buildings, scattered site housing, and private market housing. Brilliant Corners administers the program and provides case management and wrap-around services that promotes transition to permanent housing and housing stability.	\$18 million (Additional \$4 million for next FY)

<sup>6</sup> LA County, Homeless Initiative Policy Summit - Policy Brief: Subsidized Housing

<sup>7</sup> LA County, Homeless Initiative Policy Summit - Policy Brief: Subsidized Housing

<sup>8</sup> [http://www.lacdc.org/programs/homeless-and-housing-program-fund-\(hhpf\)](http://www.lacdc.org/programs/homeless-and-housing-program-fund-(hhpf))

<sup>9</sup> LA County, Homeless Initiative Policy Summit - Policy Brief: Subsidized Housing

<sup>10</sup> LA County, Homeless Initiative Policy Summit - Policy Brief: Subsidized Housing

<sup>11</sup> [http://file.lacounty.gov/dhs/cms1\\_218377.pdf](http://file.lacounty.gov/dhs/cms1_218377.pdf)

<b>MHSA Housing Trust Fund (County)<sup>12</sup></b>	This fund provides supportive services and operating costs to those living in permanent supportive housing with mental illnesses, substance abuse and co-occurring disorders.	\$10.5 million (one-time) (2006)
<b>MHSA Housing Program (County)<sup>13</sup></b>	The funds were transferred from the State DMH and were used to provide capital and operating funds for the development of new PSH units across the county for DHS patients and their families	\$115.6 million (one-time) (2008)
<b>Affordable Housing and Sustainable Communities (AHSC) (City via State)</b>	Commonly known as cap-and-trade funds, these funds are administered by the California Strategic Growth Council for land-use, housing, transportation, and land preservation projects to support developments that reduce greenhouse gas emissions (i.e. transit-oriented development projects and affordable housing). Funding allocated to the City will go toward financing six affordable housing developments.	\$15 million
<b>Veterans Housing and Homeless Prevention Program (VHHP) (City via State)</b>	State funding source approved via the passage of Proposition 41 in 2014. The funding is used for the development of new affordable housing for veterans and their families, with an emphasis on those who are homeless or have extremely low incomes. Affordable housing developers partner with veteran service providers to build affordable housing, which includes supportive housing that promotes housing stability and self-sufficiency.	\$15 million (2015); \$75 million (2nd round)
<b>Low Income Housing Tax Credits (LIHTC) (Federal/State)</b>	LIHTC generally allows for anywhere between 30 to 70% of the total development cost to be covered by Limited Partners, who purchase tax credits from the developer at a discounted price, enabling them to turn a profit when filing their taxes. The tax credits act as an incentive for investors as they are given a dollar-for-dollar credit against income taxes owed to the government for credit purchased.	\$30 million in 9% LIHTC set asides as of late 2015; \$100 million in 9% LIHTC LA City Geographic Apportionment as of late 2015

*\*Note: The funds listed above may be duplicative and are not meant to be inclusive of the entirety of funding sources available.*

### Opportunity for City Leverage

The City's housing development program is focused on providing gap financing to private and non-profit developers who construct multi-family housing projects that contain affordable housing. The City's contribution assists in leveraging other governmental and private sources. Currently, every

<sup>12</sup> LA County, Department of Mental Health, Housing Trust Fund

<sup>13</sup> LA County, Department of Mental Health, MHSA Housing Program

dollar of City financing leverages another six or seven dollars in governmental and private financing. Still, project timelines for affordable housing projects are often much longer than traditional market-rate housing projects. Gap financing helps more affordable housing projects come to fruition, but reducing time needed for real estate development through faster processes from project proposal through construction, ultimately reduces costs to a developer. This could reduce the need for gap financing.

We would note that as of October 23<sup>rd</sup>, 2015 the Mayor's Executive Directive 13 specifically calls for continued implementation of the City's development reform efforts to streamline case processing for all housing developments. It also calls for policies and procedures to prioritize case processing for all housing developments and expedited processing targets for qualified affordable housing developments among other actions. These actions are expected to ensure implementation of 100,000 new housing units by 2021.

*Per Unit Cost for Permanent Supportive Housing*

Table 4 - Per Unit Cost for Permanent Supportive Housing

Agency	Type of Unit	Avg Per Unit Cost for PSH
LAHSA	Studio, 1BR	\$350,761
LAHSA	2BR	\$413,921
HCID	Across All Units	\$401,921

Source: LAHSA, HCID

Costs on a per-unit basis for developments serving the needs of the homeless via PSH are noted in Table 4 above. This is the brick and mortar cost to build currently in the City of Los Angeles. LAHSA and HCID cite nearly identical costs, though the size/occupancy of unit is grouped together in HCID's data versus LAHSA's. These figures cite capital costs for development, not ongoing costs of supportive services. Further analysis of cost will be provided in the Comprehensive Homeless Strategy, including how cost of land plays in to overall per unit development costs. It should be noted that a tenant-based strategy of leasing avoids these capital costs.

*Recent History Addressing Affordable Housing*

In June 2000 the City Council and Mayor established the Affordable Housing Trust Fund (AHTF) to address the ongoing housing crisis facing the City. The AHTF provides construction and permanent financing for the development and preservation of affordable rental housing for very low and low-income households. Households eligible for AHTF housing include those making up to 60 percent of the AMI.

Until California's redevelopment agencies were dissolved in 2011, the AHTF held a significant amount of funding earmarked for the development of affordable housing. Federal reductions in HOME funds and the full commitment of federal Neighborhood Stabilization Program funding have not helped matters and have facilitated the considerable shortage of affordable housing currently facing the City. As it stands, HCID's AHTF is comprised of funding from HOME Entitlements, HOPWA grants, McKinney Act Savings, CDBG program income (from fees, interests, and re-investing), an allocation from the City's general fund, and a recent \$10 million allocation from the Mayor. Although

the AHTF only provides a portion of the funding for affordable housing projects in the City, it does in some way finance virtually every affordable housing development in Los Angeles. This “gap funding” that it provides plays an important role in ensuring that affordable housing is both developed and preserved across the City.

The remaining funding necessary for the development of affordable housing comes from a multitude of sources, including federal and state low income housing tax credit programs, federal funds, state funds, county funds, conventional loans, operating subsidies, and bond financing.

Examples of specific programs under these different funding sources include the Veterans Housing and Homeless Prevention Program (VHHP), a State program approved via the passage of Proposition 41 in 2014. In Los Angeles, \$15 million has been allocated for the development of new affordable housing for veterans and their families, with an emphasis on those who are homeless or have extremely low income. Under VHHP, affordable housing developers partner with veterans service providers to build affordable housing dwellings, including supportive housing, in order to assist homeless and low income veterans achieve housing stability and improve self-sufficiency.

The Affordable Housing and Sustainable Communities (AHSC) program represents another funding avenue under these sources. Administered by the California Strategic Growth Council, the AHSC uses State cap-and-trade auction revenues to fund land-use, housing, transportation, and land preservation projects to support infill and compact development that reduces greenhouse gas emissions. At its core, the program is focused on transit-oriented development projects and affordable housing, both of which are City priorities. In the most recent funding round, the AHSC had \$130 million worth of the State’s Cap and Trade auction revenues to allocate to projects across California. Unfortunately, the AHSC set a \$15 million cap for all municipalities applying for funding in the first round, so large cities such as Los Angeles that might have a more pressing need for development did not receive any proportional advantage in funding potential. The City received the \$15 million maximum from the AHSC in the most recent funding round and this allocation will go toward financing six different affordable housing developments within the City.

The next round of AHSC funding will increase from \$130 million to \$400 million, and the jurisdictional cap will be removed. Such changes may improve the City’s ability to leverage more funding from this source and fund additional projects in the affordable housing pipeline.

The HCID also makes use of two loan funds as a way of supporting acquisition and pre-development for affordable and permanent supportive housing projects within the City. Known as the Supportive Housing Loan Fund (SHLF) and the New Generation Fund (NGF), the two were established in October 2007 and May 2008, respectively. The loan funds were executed in partnership with two leading organizations in affordable housing—the Corporation for Supportive Housing (CSH) and Enterprise Community Partners’ New Generation Fund LLC (NGF LLC). The HCID initially contributed \$5 million to the SHLF and \$10 million to the NGF; both contributions function as credit enhancements to cover potential loan losses. In all, SHLF has contributed \$65 million worth of financing to 35 projects since its inception while NGF has loaned out an amount worth approximately \$66 million to 13 projects since its launch. The two loan funds have allowed many projects to transition from acquisition and pre-development phases within the AHTF pipeline to the construction phase. As of late 2014, the SHLF had helped to fund 10 projects within the HCID’s AHTF pipeline for a total of 1,749 affordable housing units over a period of 7 years; the NGF had funded 13 projects and supported a total of 1,200 housing units toward the pipeline over a period of 6 years. The SHLF has financed supportive housing at a rate of 169 units per year over its lifetime while NGF has helped

finance the development or preservation of 400 affordable units on a yearly basis. A maximum senior lender pool of \$106 million is available for the two funds combined, with \$35 million in SHLF and \$71 million in NGF.

In order to help fully fund affordable housing projects within the City, the HCID maintains a pipeline for the AHTF. Developers apply for admittance into the City's pipeline as a way of obtaining local funding comprised mainly of funds from the AHTF. This pipeline serves the purpose of leveraging existing funding sources in a coordinated application for Low Income Housing Tax Credits (LIHTC) awarded by the State's tax credit allocation committee (CTCAC). As a way of providing context for how the development and finance process works for affordable housing within the City of Los Angeles, a brief timetable is included below.

Initial Feasibility	Predevelopment	Construction	Lease-up and Operation	Total*
6-18 months	6 months	12-18 months	Ongoing	24-42 months/2-3.5 years
Includes selection of site location, decision on population that will be served, purchase and sale agreement, community support, assembly of development team and preliminary development budget	Comprises applications for financing, approval for entitlements and building permits, bidding and contracts, and closing of all construction financing.	After notice to proceed, site grading gets underway, followed by construction of improvements, securing of certificates of occupancy and filing for notices of completion	Includes initial lease-up, permanent loan conversion, occupancy monitoring and asset management.	

\*The time it takes to complete the development process varies depending on whether the project applies for 4 or 9 percent LIHTC. Four percent LIHTC allow for a quicker development time because there are six allocation rounds per year and a shorter period for closing of all financial resources; however, they do not account for as much of the total development cost (roughly 30 percent). Nine percent LIHTC take longer because there are only two funding rounds per year and longer closing times; however, they account for roughly 70 percent of the total development cost.

***Current HACLA Spending on Homelessness in Los Angeles:***

The Housing Authority of the City of Los Angeles (HACLA) has also been integral to serving the needs of the homeless through the financing of projects. Table 4 below includes cost breakdowns from HACLA on homeless housing currently provided. The Table also includes the source of funds. The programs listed in the right hand column of the table are further defined in Attachment B.

Table 5 – HACLA Spending On Housing Assistance and Homeless Initiatives

Housing Assistance Program	Allocation	HAP	Admin Fee	HUD Revenue
Homeless	4,111	\$42,818,760	\$4,174,346	\$46,993,106
Tenant Based Supportive Housing	800	\$8,332,524	\$812,327	\$9,144,852
Homeless Veterans Initiative	500	\$5,207,828	\$507,704	\$5,715,532
Permanent Supportive Housing PBV	2,533	\$26,382,856	\$2,572,031	\$28,954,886
HUD-VASH	3,669	\$34,576,462	\$3,725,535	\$38,301,998
Shelter Plus Care	3,932	\$36,959,544	\$2,721,740	\$39,681,284
Moderate Rehabilitation SRO	1,107	\$7,456,839	\$1,736,947	\$9,193,786
<b>Homeless Initiatives TOTAL</b>	<b>16,652</b>	<b>\$161,734,813</b>	<b>\$16,250,631</b>	<b>\$177,985,444</b>

Source: HACLA

## 6. Potential Funding Sources For Homeless Housing in the Short to Medium Term

When considering the immediate needs facing the City's homeless population, approximately 13,000 beds or units of housing must be made available across a population needing a wide variety of care. As the City moves toward a more coordinated approach to homelessness, City Council and the Mayor must take several major factors into account when prioritizing funds, resources, interagency and inter-jurisdictional collaboration. One of the most critical factors is time.

For some, homelessness is a very temporary condition and a few nights sleeping at a friend's place or in a car is a brief experience. For others, life on the street is a decades-long affair often accompanied by physical, mental, and psychological issues that homelessness only exacerbates. In between these two extremes are those living in homelessness that magnifies other social and economic issues in their lives. For them particularly, reducing the amount of time spent on the street is critical to the management of their overall mental, physical, psychological, professional and fiscal wellbeing, since shelter is a basic human need and housing creates stability on which a formerly homeless person can build a healthier life.

The forthcoming Comprehensive Homeless Strategy report the CAO and the CLA will be releasing in the coming months will focus on much more than just housing. Yet in researching the fiscal implications of medium to long-term homelessness, quick and immediate action to rapidly house the homeless via a Housing First model is crucial to address not only the needs of some of our most vulnerable Angelenos, but also the needs of fiscal responsibility to the taxpayer. As mentioned in the April CAO report on homelessness, money spent by the City on interactions with the homeless are often reactive to problems that have occurred in the community, rather than actively seeking to resolve issues related to homelessness,

In the short to medium term, efforts to more quickly rehouse the homeless across the continuum of care is preferred to allowing people to become and remain homeless on the streets. These efforts should engage the entire shelter and housing spectrum, from Emergency and Winter Shelters to RRH

and PSH. For RRH and PSH, options for leasing units from the private market through affordable housing vouchers more quickly meet the needs of LA's large homeless population. Homeless service providers in the region operate in both lease (tenant-based) environments and publically owned (project-based) environments.

As mentioned in section 1 above, the need for housing to address homelessness is highest for single individuals needing PSH that contains the mix of wraparound services that helps prevent formerly homeless individuals from returning to the streets. This often includes medical and psychological services and a caseworker to help residents manage their health via social services and financial benefits from the social system. Extended care is available and effective in both project-based and voucher-based PSH.

Leasing is not a silver-bullet strategy. There are obstacles in this system as well in a system with more traditional project-based affordable housing. In both models, and particularly in California, there are supply constraints. Voucher-based PSH is effective only insofar as a person or family is able to locate and successfully lease a qualified unit. The general shortage in affordable housing affects anyone looking for a home. A longer-term strategy, then, relies on both voucher-based support and project-based support. Yet we must keep the per-unit costs of roughly \$360,000 (Table 4) in mind when taking a project-based approach.

Obstacles to finding housing can be navigated more efficiently using homeless service providers to quickly navigate through potential supply in the private housing market. Short term options to quickly address our homelessness crisis seem to suggest funding a model based in leasing rather than building.

Clarification from the Mayor and Council is also required regarding new revenue sources. Mayor Garcetti has proposed raising new city revenue to address our housing crisis, most recently by announcing policy on Linkage Fees which could raise tens of millions to finance affordable housing. Below are additional options for raising new revenue. Direction from Council is needed.

Potential City-Based Sources of Funding to Support Housing For the Homeless:

Table 6  
Potential General Fund Revenue Sources

Revenue Source	Proposal	Estimated Impact	Comments	Additional Comments per estimate.
Sales Tax Increase	Increase sales tax by 0.25 %	\$132 million	Ballot measure was <b>defeated</b> in a March 2013 special election 55.2% to 44.8%	Low estimate provided by Beacon, adjusted for FY17 revenue growth. Sales tax rate at time of estimate was 8.75%. Unclear how Beacon accounted for property tax replacement.
Sales Tax Increase	Increase sales tax by 0.5%	\$263 million	Proposal not acted on by Council.	Low estimate provided by Beacon, adjusted for FY17 revenue growth. Sales tax rate at time of estimate was 8.75%. Unclear how Beacon accounted for property tax replacement.
Documentary Tax Increase	Double rate from \$4.5/\$1000 to \$9/\$1000	\$138 million	Proposal not acted on by Council.	Low Estimate provided by Beacon, adjusted for FY17 Revenue
Documentary Tax Change Rate Structure	Decrease/increase existing DOT from \$4.5/\$1000 to \$2.25/\$1000 through \$9/\$1000	\$100 million	Proposal considered, but faced significant opposition.	Low Estimate provided by Beacon, adjusted for FY17 Revenue
Property Tax Assessment	Various proposals to tax residential property, improved residential structures, or parcels	Up to \$64 million	Proposal not acted on by Council.	Each \$10 /parcel tax would generate \$7.8m. Each \$1 /100 sf tax levy on improved residential structures would generate \$17m. Each \$1/100 sf tax levy on residential property (including vacant property) would generate \$64M. Estimate from 2012-13 Revenue Day Report.
Parking Occupancy Tax Increase	Increase parking occupancy tax from 10% to 15%	\$51 million	Proposal not acted on by Council.	Low estimate provided by Beacon, adjusted for FY17 revenue growth. Sales tax rate at time of estimate was 8.75%.
Business Tax Delay/Halt Reduction	Delay implementation of year 2 and year 3 of adopted business tax reductions.	\$33 million	Year 1 implemented for upcoming tax year. Could repeal for an additional	\$15 million annual impact for each year of implementation, adjusted for FY17&FY18 revenue growth.
UUT Increase	Increase gas (currently 10%) or electric (currently 10%/12.5%) users tax.	Up to \$30 million		Each 1% in additional Electric Users Tax will generate about \$30M, while each 1% adjustment in the Gas Users tax would generate about \$6.8M. Estimates from 2012-13 Revenue Day Report. Unclear whether CUT can be raised under AB1717.
Billboard Tax	Assess a new 12% on off-site signs.	\$24 million	Proposal not acted on by Council.	Estimate from 2012-13 Revenue Day Report.

**Potential General Fund Revenue Sources (Continued)**

Revenue Source	Proposal	Estimated Impact	Comments	Additional Comments per estimate.
TOT Enhancement	Negotiate collection agreements with Airbnb and other short-term rental intermediaries.	Unknown	Proposal facing opposition from community and housing affordability advocates.	Finance unable to quantify amount revenue generated by this untaxed/unregulated market. Estimate based on reported Airbnb figures.
Oil Production Tax	Assess \$1.44/barrel tax.	\$4 million	Ballot measure was <b>defeated</b> in a March 2011 election 51.6% to 48.4%	
Billboard Revenue	Lease city property for the use of billboards.	Unknown		
Entertainment Tax	Assess a new tax on gross receipts on sporting events, concerts and other entertainment events.	Unknown		Estimate from 2012-13 Revenue Day Report.
Various cost recovery proposal for LAFD, LAPD	Standby fee for special events, charge for rescue services, tiered hazmat storage fees, market rate for academy training	Unknown		
Non-Profit Leasing	Shift cost of utilities, maintenance, etc to leasees.	Unknown		
Telecom technology proposals	Market City property as sites for the placement of telecom equipment.	Unknown		
Linkage Fee	Assess a Linkage Fee on Housing	\$37 to \$112 million	Proposed by Mayor Garcetti formally on 10/23/2015	Estimate from 2011 Study

Source: CAO

Additional detail on each potential revenue source can be found in Attachment C.

**7. Questions to Committee**

In order to guide the CAO and CLA in the creation and completion of their forthcoming Comprehensive Homeless Strategy report, some questions need guidance from City Council and the Mayor's Office:

- 1) Housing First appears to be the de facto stance of the City towards addressing the needs of the homeless. Will the City act to formally declare this as the guiding strategy?
- 2) Is the Committee and the Mayor open to new revenue sources borne out of the City's revenue department to address the needs of the homelessness?

- 3) Does the Committee have a preferred strategy for providing more units of homeless housing in regards to tenant-based vs. project-based?
- 4) Is the Committee committed to pursuing and streamlining faster zoning governance reform to enable by-right denser infill development for greater housing supply?
- 5) In lieu of exclusively funding affordable housing directly, is the Committee committed to funding internal departments tasked with shepherding affordable housing projects and providing goals on timelines for development as a means to bringing more housing online, faster and at lower cost?
- 6) What strategy does the Committee wish to employ regarding enhancing and ensuring full used of the CES?
- 7) What strategy does the Committee wish to adopt regarding potentially creating an annual housing gap analysis for the homeless?
- 8) Does the Committee seek to clarify how emergency shelters & Housing First can work together strategically to enhance the overall continuum of care for the homeless?