

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Memo No. 168

Date: May 04, 2023

To: Budget Finance, and Innovation Committee

From: Matthew W. Szabo, City Administrative Officer



Subject: **GENERAL CITY PURPOSES – EXPENDITURE PLAN FOR INSIDE SAFE**

RECOMMENDATIONS

Note and file this Memorandum.

DISCUSSION

During its consideration of the Mayor's 2023-24 Proposed Budget, the Budget, Finance and Innovation Committee requested that the Mayor's Office report on the expenditure plan for the \$250 million for Homelessness Emergency (Inside Safe) Account in the General City Purposes (GCP) Budget, metrics to be tracked, and how encampments will be prioritized. The response from the Mayor's Office is attached.

The Mayor's Office provides the Inside Safe expenditure plan, which details proposed spending for interim housing, service provider support services, rental subsidies, permanent housing, and motel acquisitions. The Mayor's Office also details the process for encampment selection, which includes collaboration with Council and consideration of several factors along with Council priorities and associated metrics to be tracked for the different components of Inside Safe.

FISCAL IMPACT STATEMENT

This Memorandum is for informational purposes only. The recommendation to note and file this item will have no fiscal impact.

FINANCIAL POLICY COMPLIANCE

The recommendation in this report complies with the City's Financial Policies.

MWS:JLJ:02230106

Question No. 281

Attachment

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: May 3, 2023

To: Budget, Finance and Innovation Committee

From: Mercedes Márquez, Chief of Housing & Homelessness Solutions,
Office of Mayor Karen Bass

Subject: **2023-24 BUDGET MEMO QUESTION NO. 281 - Report on the expenditure plan for the \$250,000,000 for the Homelessness Emergency (Inside Safe) Account in the General City Purposes Budget.**

The Mayor's Office of Housing and Homeless Solutions' Inside Safe budget is a comprehensive plan with integrated strategies to take the Inside Safe pilot to scale and institutionalize a coherent and effective encampment to permanent housing pipeline. Emergency funding levels are required to fill gaps in our homelessness crisis response system. The Mayor's team will strengthen strategic partnerships with City Council offices, LAHSA, LA County and service providers to leverage existing system strengths, such as street engagement and outreach, while also addressing system weaknesses, such as the scarcity of interim housing, the lack of a citywide RV strategy, a porous throughput system, and need for increased production of permanent affordable housing.

Each element of this budget is vital to the success of another. For example, the purchase of motels for interim housing throughout the city is connected to service provision. As each encampment resolution effort brings unhoused people indoors, the City needs to have both stable interim housing resources and year-long service provider contracts to ensure individual case management and daily food programs. As LAHSA re-trains their outreach teams to ensure HMIS data entry and accuracy, promote document readiness, and augment housing navigation services, the Mayor's office needs to continue working with LAHSA and service providers to track placements and client needs, so as to best target and utilize County services. While continuing to invoke executive authority to fast track the production of affordable housing, Housing and Homeless Solutions staff also work with Council Offices and engage communities during Inside Safe operations, coordinating city department services and ensuring repopulation management.

FY 2023/2024 cost projections are based on the following goals:

1. Pursue several strategies to both bring people inside rapidly and reduce the long-term costs of the Inside Safe program through (1) moving from costly nightly leases to longer-term leases that can reduce nightly costs by approximately 20%; (2) working with partners in the Hotel Association of Los Angeles and Asian American Hotel Owners Association to identify hotel partners that meet our funding and physical parameters; (3) purchasing 8-10 motels throughout the City to control an inventory of 200+ non-congregate interim housing units; and (4) completing the proposed acquisition of the Mayfair Hotel which will add 294 units of interim housing.
2. Move thousands of people along the pipeline of encampment to permanent housing.
3. Provide move-in housing subsidies (i.e.: security deposits, utility set ups, landlord incentives) and move-in support for each Inside Safe client as they transition to permanent housing.
4. 2-year Time-Limited subsidies for 400 people, helping to move residents from interim housing (both Inside Safe motels and Tiny Home Villages) into permanent housing.

Below are the key program elements of Inside Safe.

Encampment Selection

The encampment selection process for Inside Safe operations involves a predetermined set of criteria and begins by meeting with Council office staff to discuss their priorities and previous efforts. Planning future efforts will also require intensive collaboration between the Mayor's office and City Council offices to create geographic strategies to leverage and maximize resources. Factors considered alongside Council office priorities include:

1. Service provider capacity
2. Public health and public safety concerns
3. Availability of interim housing
4. Proportion of City's Homeless population
5. Equitable distribution of resources Citywide
6. Presence of vehicles/vehicle dwellers

Our goal is to maintain a pipeline of ten potential Inside Safe operations at a time so that once the above factors, particularly interim housing and service provision, are fully

aligned, we can greenlight the operation, engage our full complement of partners, and set a date.

METRICS:

Q1:

- Mayor’s office and City Council offices collaborate to establish Inside Safe regional approaches. Conduct Inside Safe operations throughout the city.

Q2:

- Continue conducting Inside Safe operations, tracking the length of planning phases in different locations across the city, outreach partnership success rates, and the equitable distribution of operations across Council Districts and considering unhoused population numbers.

Q3:

- Ensure at least 10 Inside Safe operations are moving forward at any point in time with simultaneous outreach and assessment to new areas.

Q4:

- If not already in place, conducting at least one operation, if not more, weekly, housing at least 65-75 PEH and scaling these numbers up as improved pathways to permanent housing reopen existing interim housing beds.

Interim Housing Identification & Contracting

To create a new interim housing stock of hotel rooms, our team performed outreach in every Council District via phone, email, and in person visits. We identified large amounts of resources in some districts and virtually no availability in others. As we rely on identifying housing to initiate an encampment operation, this is one of the largest barriers to our continued operation citywide - one that we will address with the FY 2023/2024 budget using longer term leasing and motel acquisitions.

We worked with the City Attorney to create agreements for short term rentals and our current stock of motels includes 30 properties citywide. Hotel invoicing is reviewed and verified by the CAO.

METRICS:

Q1:

- Begin longer term leasing which lowers the nightly cost of motels.
- Work alongside Council offices and hotel associations to identify properties that meet our criteria for purchase.
- Identify or create a bed tracking system across interim stock.

Q2:

- Improved pathway to permanent housing allows greater repopulation of initial interim beds.
- Bed tracking system allows for immediate identification and targeted repopulation.

Q3:

- Governor's 500 THV are added to interim stock in areas needing increased interim stock.
- Improved integrated citywide stock allows increased operations to fill available beds.

Q4:

- Inside Safe is approaching targeted number of interim stock to ensure maximum scaling of operations

Outreach

Thirteen 2-person teams will direct Inside Safe operational outreach surrounding encampment selection (in coordination with Council offices), pre-operational logistics, service provider hand-off and support, and community engagement (again in coordination with Council offices). These teams, while not doing housing navigation themselves, will also ensure that participants are connected to housing fairs and the proper organizations and vouchers to facilitate access to permanent housing. Inside Safe Outreach Teams will also provide quality control across operations and serve as a liaison for both clients and hotel owners.

LAHSA teams will be re-trained and re-deployed to focus on ensuring accurate HMIS data entry, promoting document readiness for Inside Safe participants, augmenting housing navigation services and addressing severe weather shelter needs. Participant metrics include demographics (i.e: race, age, gender identity); program transfers and exits (including from permanent housing); permanent housing placements: duration of stay (per participant in both interim and permanent housing); service referrals (LA County); referrals rejected by participant; connections to time limited subsidies; and progress with housing navigation. Work from community engagement teams shows increased community support and a citywide support network for Inside Safe participants in interim and permanent housing.

METRICS:

Q1:

- Institutionalize monthly HMIS reports with increasingly improved data accuracy and accountability.
- Increased community engagement with encampment neighbors and community/businesses at large.

Q2:

- Continued improvement in data accuracy, with proven work flow amongst partners (LAHSA, Service Providers, County).
- Increased outreach to inform specialized population management services and needs.

Q3:

- Quality control interim housing programming in all Inside Safe locations.
- Launch a citywide movement that unites Angelenos around the necessity of a right to housing and services.

Q4:

- Assess effectiveness and progress to date
- Begin scaling operations to increase output

Specialized Needs & Services

Each encampment has its own confluence of specialized needs, including mental healthcare, substance abuse treatment, physical disabilities, pets, and public safety concerns. It is vital that the Mayor's Office of Housing & Homelessness Solutions has the tools to address these needs efficiently and directly when planning and executing an encampment operation. This includes the ability to tap into provider and County resources to ensure all participants are receiving a full assessment and complement of services.

In a recent DTLA operation, we brought over 70 people indoors, but faced a number of challenges along the way including housing resistant individuals, mental health and/or substance use challenges, criminal activity, excessive amounts of personal belongings, and State/City jurisdictional property lines. While we had partners from multiple nonprofit providers and County DMH and DHS departments, the array of needs did not allow us to get everyone into housing. Many PEH in the area require a higher level of care, but were not necessarily DMH HOME team eligible. A number of PEH refused housing because they did not feel they could relinquish tents or excess belongings, even for storage, with some claiming the tents don't belong to them - a possible

indication of gang activity or human trafficking. We continue to work on repopulation management strategies in coordination with LAHSA and the County.

Another example is the encampment currently located along San Vicente in CD5. While there have been some individuals living in that area over an extended period, many with substance use and mental health disorders, recent media activity and local advocates have driven more PEH to the location seeking immediate housing. While we have been able to access substance use care beds for a very small number of encampment residents, we do not have other available interim housing resources in the area and yet the encampment is growing in a way that is not sustainable given its location along a major transportation artery. We are currently in a position that we would not be in if we were fully funded with dedicated housing resources citywide - a major goal of the \$250 million Inside Safe budget proposal.

RV Strategy

In 2022, RVs were 15.4% of the total homeless count or 22.8% of unsheltered count. An estimated 6,484 people were living in 3,964 RVs in the City of Los Angeles. In order to serve this population, we've examined a number of issues around RV resolution including RV dwellers who do not always consider themselves unhoused and may not want to move to interim housing, LAPD/DOT towing capacity for RVs, identifying areas for short term and/or long term storage, RVs that are not owned by the people dwelling in them, RVs that are owned by criminal elements, and RVs that are not safe or able to move, as well as the City's cost and ability to demolish RVs.

At the direction of the City Council, the CAO's team has developed an approach and budget for a citywide RV strategy modeled after the successful CD7 pilot program. The CAO's report to council on the RV Program offered two potential sites for RV Storage, both requiring leasing of sites. In support of, and in coordination with this effort, the Mayor's Office has worked with departments and partner agencies, including LADOT, LA Metro and Caltrans, to expand the list of potential RV Storage sites and, importantly, to identify sites that can be leased at no cost or minimal cost. The City's BOE is currently assessing 12 sites for potential layouts and identifying costs needed to develop and operate the sites as RV Storage. The CAO team will integrate the best suited sites and related costs into the Citywide strategy. This work is also referenced in CAO Budget Memo number 31.

METRICS

Q1:

- All participants have received a full 5X5 County assessment and are connected with needed services.

- Expanded early outreach allows improved identification of potential obstacles before an operation.
- Increased County partnership allows for a broader range of service accessibility.

Q2:

- County partners and service providers perform full 5X5 County assessments during the outreach portion of Inside Safe operations to ensure expedited access to services. Provided funding from opioid and tobacco settlements leads to better access to substance use disorder beds.
- Expanded availability of interim stock removes a major barrier to continuous citywide operation.

Q3:

- As Inside Safe scales up, we meet demand for substance use disorder beds between City resources and County services.
- Early engagement allows improved removal of criminal influence before outreach teams begin offering housing which leads to improved acceptance and retention.

Q4:

- Inside Safe operations can happen simultaneously with no loss of access to resources and services.

Motel Acquisition

The Mayor's Office will lead efforts to secure both longer term occupancy agreements with motels to reduce the costs of Inside Safe, as well as launch an acquisition strategy to further reduce costs and create a permanent infrastructure for interim housing to end unsheltered homelessness. The Mayor's team is positioned to lead this Citywide effort in coordination City Council districts and the departments involved.

For both the longer term occupancy agreements and acquisition strategy, the team will develop a geographic targeting strategy that considers: citywide reach; areas with the most chronic homelessness; and areas that lack interim housing facilities. This geographic strategy will be vetted with each Council Office, and the Mayor's staff has, and will continue to, follow leads on motel sites that are provided by Council Offices. The Mayor's Office can also use its Citywide focus to best leverage partnerships with the Hotel Association of Los Angeles (HALA) and Asian American Hotel Owners Association (AAHOA) to identify hotel partners that meet our funding and geographic parameters.

The motel occupancy agreements will track with the regional Inside Safe efforts that are carefully planned and coordinated with each Council District. For the \$47M in motel acquisitions, the Mayor's Office will work to identify other funding sources that can be leveraged, including potentially Project Homekey 3 (PHK3). The Project Homekey 3 strategy must be determined before the beginning of FY23 and brought to City Council for adoption before the July 7th recess.

Whether or not PHK3 is used to leverage the motel acquisition budget, the Mayor's team will develop a citywide asset and property management strategy to ensure that properties acquired are well-operated and maintained.

The \$47M proposed for acquisition anticipates 8-9 motels and approximately 220 rooms. All acquisitions will require oversight, review and approval through the City's standard acquisition process, which includes the Municipal Facilities Committee (MFC), the Government Operations Committee, the Budget and Finance Committee and ultimately City Council approval, thus ensuring Council oversight throughout the process. Timelines for these acquisitions will vary depending on the market, the willingness of the sellers and the results of due diligence, with the goal of completing the acquisitions within the fiscal year.

METRICS:

Q1:

- Develop the geographic targeting criteria for motel occupancy and acquisitions and vet with City Council offices.
- Work with Inside Safe team to identify current nightly motels for long term occupancy agreements; reach out to all targeted motels. Secure long term occupancy with all interested and compatible motels currently in the program.
- Support LAHD and HACLA in submission of the Project Homekey 3 application, due by July 28th.
- Develop a citywide asset and property management strategy and budget to ensure that properties acquired are well-operated and maintained and that adequate funding is available for ongoing operation.

Q2:

- Using the geographic criteria developed for motel targeting, and aligned with the next round of encampment resolution efforts, secure additional long term occupancy agreements in each zone.
- Using the geographic criteria developed for motel targeting as well as the contacts developed across the City, begin negotiations for motel acquisitions.

Q3:

- Using the geographic criteria developed for motel targeting, and aligned with the next round of encampment resolution efforts, secure additional long term occupancy agreements in each zone.
- Implement the State-delivered 500 Tiny Home sites on identified publicly-owned land.
- Using the geographic criteria developed for motel targeting as well as the contacts developed across the City, continue negotiations for motel acquisitions.

Q4:

- Inside Safe motel leasing will be shifted to long term occupancy agreements except in instances where no occupancy agreements can be secured in a targeted zone.
- All acquisitions for the \$47 will be identified and in process; those that are negotiated will be presented to MFC and Council Committees.

Inside Safe		
Interim Housing		Comments
Motel Nightly Rentals	\$92,000,000	\$150 per night estimate due to reaching capacity of 2-star motel inventory
Operating Expenses	\$18,000,000	Includes insurance, damage mitigation, incidentals, furnishings
<i>subtotal</i>	<i>\$110,000,000</i>	
Service Provider Support Services		
Street Engagement	\$6,000,000	Staff costs: long-term, on-going/pre-operation outreach efforts to build relationships with PEH prior to coming indoors
Case Management	\$16,000,000	Staff costs: includes individual case management in motels as well as housing navigators
Indirect	\$16,000,000	Overhead to include support staff, facility costs (rent, utilities)
Resident Monitors	\$10,000,000	Each motel has resident monitor to support PEH and liase with motel staff
Food	\$13,000,000	\$21 per person, per day (meal delivery services, grocery store gift cards)
Storage	\$1,000,000	Includes storage rental for PEH surrendered belongings
<i>subtotal</i>	<i>\$62,000,000</i>	
Permanent Stay		
Move-In Support	\$13,000,000	Includes landlord incentive, security deposit, furnishing, utility deposit, and other move-in costs
Rental Assistance	\$18,000,000	400 24-month Time-limited subsidies (\$1,833 per month), transitioning from motels to PSH pipeline
<i>subtotal</i>	<i>\$31,000,000</i>	
Acquisition		
Motel Acquisition	\$47,000,000	Per the Asian American Hotel Owners Association, the City should expect to pay \$195K - \$220K per room for the kinds of smaller motels we will target. Assuming that prices will range across the City and wrapping in some anticipated repairs/rehab, we estimate \$210K per door. At this estimate, \$47M can purchase an estimated 223 rooms. At approximately 25 rooms per motel, this is 8-9 properties. With this commitment, the City can seek to leverage other funding. One immediate example is Project Homekey 3 funds.
Total	\$250,000,000	