UNITED STATES DISTRICT COURT CENTRAL DISTRICT OF CALIFORNIA

#:24544

Document 882

<u>CIVIL MINUTES – GENERAL</u>

Case No. 2:20-cv-02291-DOC-KES

Date: March 31, 2025

Title: LA Alliance for Human Rights et al. v. City of Los Angeles et al.

PRESENT: THE HONORABLE DAVID O. CARTER, U.S. DISTRICT JUDGE

> Karlen Dubon Not Present Courtroom Clerk Court Reporter

ATTORNEYS PRESENT FOR PLAINTIFF: None Present

ATTORNEYS PRESENT FOR DEFENDANT: None Present

PROCEEDINGS (IN CHAMBERS): AMENDED ORDER RE DOCUMENTS REFERENCED BY THE COURT AT **MARCH 27, 2025 HEARING**

During the March 27, 2025 hearing in this matter, the Court discussed and cited the following documents as attached here:

- Exhibit A: 2007 HUD Inspector General Audit
- Exhibit B: 2019 LA City Controller Report
- Exhibit C: 2021 Committee for Greater Los Angeles Report
- Exhibit D: 2022 HUD Inspector General Audit
- Exhibit E: 2024 LA County Auditor-Controller Report
- Exhibit F: 2024 LA City Controller Audit
- Exhibit G: 2025 A&M Assessment
- Exhibit H: LAHSA-Dr. Va Lecia Adams Kellum's Response to A&M Assessment

See docket attachments for full documents.

The Clerk shall serve this minute order on the parties.

MINUTES FORM 11

Initials of Deputy Clerk: kdu

Exhibit A



Issue Date
June 8, 2007

Audit Report Number 2007-LA-1013

TO: William Vasquez, Director, Los Angeles Office of Community Planning and

Development, 9DD

Joan S. Holla

FROM: Joan S. Hobbs, Regional Inspector General for Audit, Region IX, 9DGA

SUBJECT: The Los Angeles Homeless Services Authority, Los Angeles, California, Did

Not Perform On-Site Fiscal Monitoring of Its Project Sponsors

HIGHLIGHTS

What We Audited and Why

We audited the Los Angeles Homeless Services Authority (Authority) in light of publicity, which alleged mismanagement and misuse of U.S. Department of Housing and Urban Development (HUD) funding. Our audit objectives were (1) to determine whether the Authority adequately monitored its project sponsors to ensure compliance with HUD regulations and (2) to determine whether the project sponsors administered their Supportive Housing Program grants in compliance with grant agreements and other HUD program requirements.

What We Found

The Authority did not perform on-site fiscal monitoring of its project sponsors during the past two years. It also did not properly perform its 100 percent source documentation desk review for at least two of its project sponsors to ensure that cash match funding was eligible and supported. Of the two project sponsors reviewed, one had applied ineligible expenses as cash match, while the other was unable to support its cash match due to a poor financial management system. We attributed these deficiencies to the Authority's lack of capacity to comply with HUD requirements while under the management of the

former executive director. As a result, the Authority failed to ensure that HUD grants were spent in accordance with requirements and that the effectiveness of the grant activities was fully maximized as intended by HUD.

What We Recommend

We recommend that HUD require the Authority to comply with HUD's requirements regarding on-site fiscal monitoring of its project sponsors, reexamine its desk review procedures to ensure that reviews are performed to adequately monitor its project sponsors' cash match, reevaluate its current risk analysis matrix to better identify the more problematic project sponsors, and establish and implement written monitoring procedures.

Auditee's Response

We provided our discussion draft report to the Authority on May 23, 2007, and held an exit conference on May 29, 2007. The Authority agreed with our report findings.

The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix A of this report.

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BACKGROUND AND OBJECTIVES

The Supportive Housing Program is authorized under Title IV of the McKinney-Vento Homeless Assistance Act (*United States Code* 11381-11389). The program is designed to promote the development of supportive housing and services, including innovative approaches to assist homeless persons in the transition from homelessness, and to promote the provision of supportive housing for homeless persons to enable them to live as independently as possible. Eligible activities include transitional housing, permanent housing for homeless persons with disabilities, innovative housing that meets the intermediate and long-term needs of homeless persons, and supportive services for homeless persons not provided in conjunction with supportive housing.

The Los Angeles Homeless Services Authority (Authority) was established in 1993 by a joint powers agreement between the City and County of Los Angeles (City/County) to coordinate services for homeless people in the area. As a pass-through entity, the Authority's primary function is to administer and manage the distribution of federal funds it receives from the U.S. Department of Housing and Urban Development's (HUD) Supportive Housing Program, the City Housing Department, and the County Community Development Commission's distribution of Community Development Block Grant and Emergency Shelter Grant funds.

According to the Authority's own tracking system, there were 137 active grants totaling \$40.6 million for the Supportive Housing Program as of January 2007. The majority of the grants were subcontracted out to 60 community nonprofit agencies called project sponsors. In addition to these grants, for the fiscal year 2006-2007, the City Housing Department awarded the Authority an estimated \$9.2 million in Community Development Block Grant and \$3.1 million in Emergency Shelter Grant funds, while the County Community Development Commission awarded approximately \$285,000 in Community Development Block Grant and \$1.3 million in Emergency Shelter Grant funds.

In July 2005, the City and County conducted a joint assessment of the Authority as a result of complaints from the Authority's project sponsors reporting significant delays in receiving payments for services. In addition, City and County departments noted delays in contract execution and problems with the Authority's grant claiming process. The purpose of the assessment was to provide an overview of the Authority's current fiscal problems and make specific recommendations to correct them. The joint assessment reported four findings with seven recommendations, which the Authority's new management adequately addressed; corrective action is expected to be completed by June 30, 2007.

When we started our audit in January 2007, one of our initial objectives was to determine whether the allegations in recent newspaper articles regarding the mismanagement, misuse, and commingling of federal funds were accurate. Specifically, the article stated that the Authority used \$1.7 million in federal funds to bail out other programs by making improper transfers from federal funds to pay emergency bills when the proper funds were not accessible. Based on our testing, we concluded that the Authority did not commingle or use HUD funds to pay for non-project-related expenses. Project sponsor funds were adequately segregated in the Authority's

books and records and were paid directly to the project sponsor that made the initial drawdown request. Further, during the City, County, and the Authority reconciliation of all project funds, the County auditor in charge of the assignment informed us that all funds, including HUD Supportive Housing Program grants, were accounted for and no misuse took place. Based on our testing, we confirmed that this issue was resolved and focused the remainder of our audit on our two other objectives, which were (1) to determine whether the Authority adequately monitored its project sponsors to ensure compliance with HUD regulations and (2) to determine whether the project sponsors administered their Supportive Housing Program grants in compliance with grant agreements and other HUD program requirements.

RESULTS OF AUDIT

Finding 1: The Authority Did Not Perform On-Site Fiscal Monitoring of Its Supportive Housing Program Project Sponsors during the Past Two Years

The Authority did not perform on-site fiscal monitoring of its project sponsors during the past two years. It also did not properly perform its 100 percent source documentation desk review of at least two of its project sponsors' cash match funding to ensure that it was eligible and supported. Of the two project sponsors reviewed, one had applied ineligible expenses as cash match, while the other was unable to support its cash match due to a poor financial management system. We attributed these deficiencies to the Authority's lack of capacity to comply with HUD requirements while under the management of the former executive director. As a result, the Authority failed to ensure that HUD grants were spent in accordance with requirements and that the effectiveness of the grant activities was fully maximized as intended by HUD.

The Authority Did Not Perform On-Site Fiscal Monitoring of its Project Sponsors as Required

Contrary to 24 CFR [Code of Federal Regulations] 85.40(a) (see appendix B), the Authority did not perform on-site fiscal monitoring of its project sponsors during the past two years. Based on a sample, we selected the first two of the Authority's project sponsors that were awarded the most HUD Supportive Housing Program grant funds, A Community of Friends and Homes for Life Foundation (Foundation), and determined that they claimed ineligible and unsupported expenses as cash match, respectively.

Ineligible Cash Match

Office of Management and Budget Circular A-110, subpart C, section 23(a)(6), states that all contributions shall be accepted as part of the recipient's matching when such contributions are provided for in the approved budget when required by the federal awarding agency.

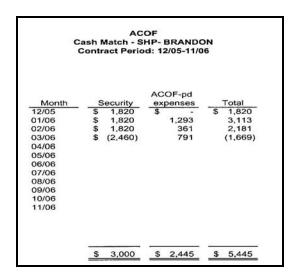
A Community of Friends operates 12 supportive services/operations and four construction/rehabilitation HUD Supportive Housing Program projects totaling \$5.3 million. Our on-site review disclosed that A Community of Friends inappropriately applied expenses that were not listed in its technical submissions as eligible Supportive Housing Program-supportive services activities and not directly associated with the grant as cash match. We reviewed the invoices of three grants to verify that the cash match

requirements were met and identified material deficiencies with A Community of Friends' cash match application and documentation for all three grants. Illustrated below are specific examples for each project:

- □ CA16B300012 (Brandon Apartments) A Community of Friends claimed the expenses for the purchase and installation of security cameras for Brandon Apartments (\$15,555) and Figueroa Court (\$3,990) as cash match for the Brandon Apartments project. Neither security cameras nor their installation are listed as eligible Supportive Housing Program-supportive service items on both Brandon Apartments' and Figueroa Court's technical submissions; therefore, those expenses are ineligible for cash match.
- CA16B400002 (California Hotel) A Community of Friends applied \$460 of \$1,150 in mileage and cell phone allowances as cash match to the California Hotel project. The expense report for the mileage and cell phone allowance did not indicate that charges were project related. The technical submission did not list mileage or personal cell phone allowances as approved supportive service expenses. For costs to be eligible as match, they must be approved supportive service items that benefit the California Hotel project.
- □ CA16B500003 (Figueroa Court) A Community of Friends applied a portion of the salary made by a residential services coordinator to the Figueroa Court project as cash match. For the period March 1 through October 31, 2006, the coordinator for outreach earned a salary of \$27,388, of which \$3,042 (or 11.1 percent) was applied as cash match to the November 2006 drawdown for Figueroa Court. However, the timesheets showed no allocation of this employee's work toward the Figueroa Court project. Instead, it showed that his time was allocated to other projects, including Las Palomas, another A Community of Friends project receiving Supportive Housing Program funding.

We are conducting a separate audit of A Community of Friends to determine the extent of the cash match deficiencies. If the Authority had conducted on-site fiscal monitoring as required, it may have detected the problem, and taken corrective actions.

We also noted that the Authority's desk review practices were inadequate to detect a problem with the cash match. The director of finance and accounting at A Community of Friends informed us that the cash match detail documentation for the entire grant year was not requested as part of the drawdown request package until January 30, 2007, shortly after we began our audit of the Authority. A Community of Friends typically submitted only a summary document to show that it met its cash match (as shown below) but never any supporting documentation to further explain the line items of the match. During its desk review, it is evident that the Authority only verified that the 25 percent match was met and did not explore in further detail whether the expenses were eligible under the technical submission, indicating a deficiency in its review process.



<u>Unsupported Cash Match</u>

24, CFR [Code of Federal Regulations] 85.20(b)(2) requires grantees and subgrantees to maintain records that are verifiable and adequately identify the source and application of funds for financially assisted activities. Office of Management and Budget Circular A-110, subpart C, requires all cash match contributions to be verifiable from the recipient's records.

The Foundation operates seven supportive services and two construction/rehabilitation HUD Supportive Housing Program grants totaling \$2.5 million. We could not track or determine the source of the cash match claimed due to the Foundation's outdated financial accounting system, use of a single checking account which commingled all grant funds and rental income received, and the lack of a reasonable allocation base to distribute expenses among multisource-funded grants. When we spoke with the accounting and asset manager, who prepares the voucher requests submitted to the Authority for review along with the supporting documentation, he could not provide us with a more detailed source of the claimed cash match funds; therefore, those funds are unsupported. We do not know the extent of the unsupported cash match; however, it appears to be a systemic problem shared among all of the Foundation's Supportive Housing Program grants. We will conduct a separate review of the Foundation to determine the extent of the deficiencies.

Because the Authority did not carry out its responsibility of performing an on-site fiscal monitoring review of the Foundation, it was not aware of the state of the Foundation's financial accounting system, operation under a single checking account, and lack of an allocation base. Further, the accounting and asset manager informed us that the Authority did not request detailed sources of cash match until after we began our audit, similar to the situation at A Community of Friends. He also stated that the Authority requested that information for only one of the grants (CA16B400051, Athena project), and it is probable that the remaining six grants are not being reviewed with the same scrutiny as the Athena project grant (CA16B400051). Before the Authority requested

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additional information submitted by the Foundation for the Athena project, the Foundation would only submit a spreadsheet (shown below) without any detailed information to verify its source of funds. Clearly, the Authority did not properly fulfill its desk review responsibilities relating to cash match.

	RRENT	CASH % MATCH		SALARY MATCH		CA + F % MAT			SUI MATO	Э	•	W/C			HEAL			TOTAL	
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š	6,469	2.5%		162		N/A			N/A			N/A			N/A				
Š	4,025	4.9%		197		1407	17		INA	0	s	IWA	22		14/7	8	ı		l .
č	3,141	0.0%			•	N/A		•	N/A	v	•	N/A		*	N/A				1
*	0,141	0.070	•	155		iva			INA			IVA			N/A	١			
\$	3,833	4.1%	\$	157	\$		6	\$		0	\$		17	s		7			
\$	6,067	41.0%	\$	2,487		N/A			N/A			N/A			N/A				
\$	552	57.0%	\$	315	5		27	\$		5	5		35		N/A				
\$	759	72.0%	5	546	\$		46	5		6	5		60		N/A				l'i
\$	2,710	10.0%	\$	271		N/A		59	N/A		35	N/A			N/A				
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\$	2,760	62.0%		1,711			145			5	š		188			102			
			\$	7,141	\$		336	\$		23	\$		443	ş		230	\$	8,173	
\$	2,466	91.80%		2,264	-	N/A	-	-	N/A	-		N/A		-	N/A				
\$	2,520	92.00%	\$	2,318		N/A			N/A			N/A			N/A				\$ 15,079 Total Cash Match for the Mo
\$	2,466	92.30%	5	2,276		N/A			N/A			N/A			N/A				
\$	2,352	2.00%		47		N/A			N/A			N/A			N/A				\vee
			s	6,905	5			5			5			\$			s	6,905	1

We also noted that in an audit of another Authority project sponsor, the Institute of Urban Research and Development (Institute) (audit report number 2006-LA-1015) issued in July 2006, we found, among other deficiencies, that the Institute could not document that it provided \$181,020 in required cash match funds. Consequently, we recommended that the Authority ensure that it had adequate monitoring procedures in place to monitor its grant activities to identify problems in a more timely manner.

With the exception of not conducting on-site program monitoring in 2005, the Authority typically monitored each project sponsor every year. However, it failed to perform onsite fiscal monitoring of its project sponsors during the past two years (2005 and 2006) and based on our review, it did not properly conduct its 100 percent desk review of cash match claimed by project sponsors. The chief operating officer informed us that monitoring was planned for the end of March 2007, but we had not been able to confirm that information at the time of this report. The chief operating officer attributed the Authority's failure to perform fiscal on-site monitoring to the lack of stable leadership within the finance department and lack of experienced staff to carry out the monitoring of its project sponsors. Although those are contributing factors, it is clear that the Authority, under the management of the former executive director, ignored and lacked the capacity to comply with HUD requirements by not taking the initiative to properly remedy the situation when first presented in the audit of the Institute.

Inadequate Risk Analysis Matrix

The Authority did not have written monitoring (desk and on-site) procedures. However, it designed a risk analysis matrix to provide an objective assessment to identify the

project sponsors most likely at risk for noncompliance with contractual and federal regulations. The assigned risk rating allows the fiscal staff to prioritize those projects most in need of formal monitoring. The rating is based on the assessment of five elements: agency capacity, record retention, submission of fiscal documentation, past monitoring, and recent problems. Scoring a "high" or "medium" will result in an annual monitoring of the project sponsor, while a "low" score will be monitored less frequently, perhaps every two years. For fiscal year 2006-2007, only 5 of 60 project sponsors scored a "high" level. A Community of Friends and the Foundation scored a "low." However, based on the results of our on-site review, A Community of Friends and the Foundation should have scored at least a "medium" given the gravity of the cash match issue identified. The disparity can be attributed to the design of the Authority's risk analysis matrix, which did not detect problem indicators for cash match by individual grants. Rather, the risk is calculated by taking the average of all grants received by project sponsor. By not including cash match criteria on the matrix, the risk assessment matrix did not appropriately capture all risk elements related to aging compliance, resulting in an inaccurate risk assignment.

Conclusion

The Authority did not perform on-site fiscal monitoring of its project sponsors during the past two years. It also did not adequately perform its desk review of at least two of its project sponsors' cash match supporting documentation. These violations occurred because the Authority, under the management of the former executive director, did not comply with HUD requirements. Consequently, the Authority failed to ensure that HUD grants were spent in accordance with requirements and that the effectiveness of the grant activities was fully maximized as intended by HUD.

Recommendations

We recommend that the director of the Los Angeles Office of Community Planning and Development require the Authority to

- 1A. Comply with HUD's policies and procedures regarding on-site fiscal monitoring of its project sponsors.
- 1B. Reexamine its desk review procedures to ensure that the reviews are performed to adequately monitor its project sponsors' cash match.
- 1C. Revise its risk analysis matrix to better measure and evaluate the project sponsors it needs to more frequently monitor to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and provisions of contracts or grant agreements.
- 1D. Establish and implement written monitoring procedures to ensure that grant funds are used in accordance with HUD requirements.

SCOPE AND METHODOLOGY

We performed our audit work from January through April 2007 at the Authority and two of its project sponsors (A Community of Friends and the Foundation), all located in the Los Angeles, California, area. Our audit generally covered the period December 2004 through January 2007. We expanded our scope when necessary.

To accomplish our audit objectives, we

- Reviewed applicable HUD regulations and Office of Management and Budget Circulars.
- Reviewed HUD's Los Angeles Office of Community Planning and Development grant files associated with Supportive Housing Program grants received by the Authority and interviewed appropriate personnel.
- Selected and reviewed two Supportive Housing Program sponsors due to the high dollar amounts of the grants associated with the Authority's program and noted a large number of cash match deficiencies with these sponsors during our review. The total authorized amount awarded to A Community of Friends was \$4.6 million and to the Foundation was \$2.5 million. The Authority had \$40.6 million in active grants as of our audit.
- Obtained an understanding of the Authority's procedures, including its controls to ensure that it properly administers its Supportive Housing Program. We obtained an understanding of A Community of Friends' and the Foundation's operations and internal controls.
- Interviewed Authority, A Community of Friends, and Foundation management and staff to acquire an understanding of the Authority and its relationship with its project sponsors, along with the procedures that are currently in place.
- Performed site reviews of two of the Authority's project sponsors to determine whether they were adequately monitored and understood the requirements of the grant agreement and other regulations and, most importantly, whether they followed those requirements.
- Reviewed project sponsors' payroll data, cost eligibility, and cash match accounts.
- Reviewed a sample of A Community of Friends' client files to verify homeless eligibility and determine the nature and extent of supportive services provided.
- Reviewed the City and County joint assessment to determine whether it identified any findings or concerns that pertain to the scope of our survey work.

We performed our review in accordance with generally accepted government auditing standards.

INTERNAL CONTROLS

ID #:24558

Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

Document 882-1

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined the following internal controls were relevant to our audit objectives:

- Policies and procedures that management has implemented to ensure accurate, current, and complete disclosure of financial results.
- Policies and procedures that management has implemented to reasonably ensure that its Supportive Housing Program grants are carried out in accordance with applicable laws and regulations.

We assessed the relevant controls identified above.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weaknesses

Based on our review, we believe the following item is a significant weakness:

• The Authority did not have sufficient controls in place to ensure that its Supportive Housing Program grants were monitored in accordance with applicable laws and regulations (finding 1).

APPENDIXES

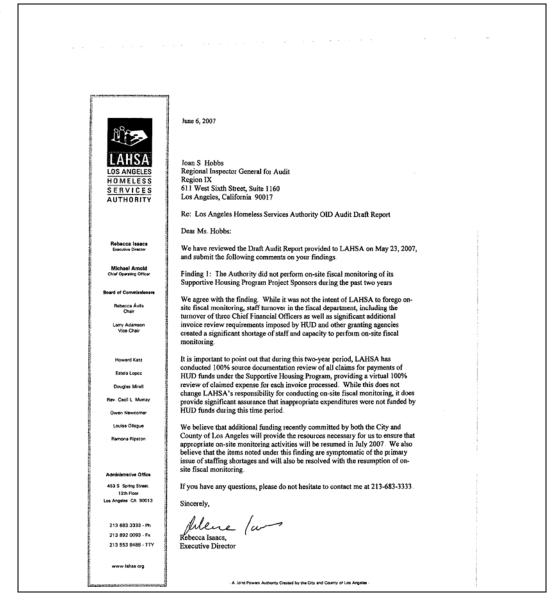
Appendix A

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments

Comment 1



Appendix B

CRITERIA

- A. 24 CFR [Code of Federal Regulations] 85.40(a) states that grantees are responsible for managing the day-to-day operations of grant and subgrant activities. Grantees must monitor grant- and subgrant-supported activities to assure compliance with applicable federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function, or activity.
- B. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations, subpart D, section 400(d), states: "A pass-through entity shall perform the following for the federal awards it makes: ...(2) advise subrecipients of requirements imposed on them by the federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity; (3) Monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved."
- C. 24 CFR [Code of Federal Regulations] 85.20(a)(2) states that fiscal control and accounting procedures of the state, as well as its subgrantees and cost-type contractors, must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes. Paragraph (b)(2) states that the financial management system of grantees and subgrantees must meet the following standards: grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities.
- D. 24 CFR [Code of Federal Regulations] 85.24(b)(6) states that costs counting toward satisfying a cost sharing or matching requirement must be verifiable from the records of grantees and subgrantees.
- E. Office of Management and Budget Circular A-110, Uniform Administration Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations, subpart C, section 23(a), states that all contributions, including cash and third party in-kind, shall be accepted as part of the recipient's cost sharing or matching when such contributions meet all the following criteria:
 - (1) Are verifiable from the recipient's records;
 - (2) Are not included as contributions for any other federally assisted project or program;
 - (3) Are necessary and reasonable for proper and efficient accomplishment of project or program objectives;

- Document 882-1 ID #:24561
- (4) Are allowable under the applicable cost principles;
- (5) Are not paid by the federal government under another award, except where authorized by federal statute to be used for cost sharing or matching;
- (6) Are provided for in the approved budget when required by federal awarding agency; and
- (7) Conform to other provisions of this circular, as applicable.

Subpart C, section (21)(b), states that a grant recipient's financial management system shall provide for the following:

- Accurate, current, and complete disclosure of the financial results of each federally sponsored project or program in accordance with the reporting requirements set forth in section C.52. If a federal reporting agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient shall not be required to establish an accrual accounting system. These recipients may develop such accrual data for their reports on the basis of an analysis of the documentation on hand.
- Records that identify adequately the source and application of funds for federally sponsored activities. These records shall contain information pertaining to federal awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest.
- Effective control over and accountability for all funds, property, and other assets. Recipients shall adequately safeguard all such assets and assure that they are used solely for authorized purposes.
- Comparison of outlays with budget amounts for each award. Whenever appropriate, financial information should be related to performance and unit cost data.
- Written procedures to minimize the time elapsing between the transfer of funds to the recipient from the U.S Treasury and the issuance or redemption of checks, warrants, or payments by other means for program purposes by the recipient.
- Written procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable federal cost principles and the terms and conditions of the award.
- Accounting records including cost accounting records that are supported by source documentation.

Exhibit B



Document 882-2

ID #:24563

RON GALPERIN CONTROLLER

August 28, 2019

Honorable Eric Garcetti, Mayor Honorable Michael Feuer, City Attorney Honorable Members of the Los Angeles City Council

Re: Strategy on the Streets: Improving Los Angeles Homeless Services Authority's **Outreach Program**

There is no issue more pressing and no challenge more daunting than homelessness in Los Angeles today. Homelessness climbed 16 percent over last year in the City of Los Angeles and the greater area reported the highest number of unsheltered people in the United States. While those sleeping on our streets suffer most acutely, the crisis touches all Angelenos and comes at a great cost. This year's City budget allocated nearly a half-billion dollars to house and serve the most vulnerable in our communities.

The entity tasked with connecting the homeless to housing and services in the region is the Los Angeles Homeless Services Authority (LAHSA), a joint powers authority of the City and County of Los Angeles. Operating with a \$300 million annual budget provided by federal, State, County and City funds, one of LAHSA's core functions is street outreach to the homeless population, ensuring they receive resources, shelter and eventually permanent housing. The City and County have spent more than \$54 million funding outreach efforts over the past two years, with the City paying \$10.3 million to LAHSA out of its general fund.

On this critical front, LAHSA is falling short of its City goals. In 2018-2019, LAHSA failed to meet five City outreach targets — in some cases reporting four or six percent success and reaching only dozens of people in need. Currently, the goals themselves are ill-defined and do not align with the benchmarks established by the County, leading to an uncoordinated approach to outreach and data collection. In addition, at least two-thirds of LAHSA's City outreach is reactive, focusing on complaint-driven encampment cleanups.

LAHSA's insufficient street outreach performance is matched by its loose review and reporting procedures on these activities. All of this hinders the agency's ability to make data-driven decisions and impairs its ability to deploy resources in a way that will most effectively combat homelessness.

Smart strategy will improve outcomes

The accompanying report and recommendations outline ways to address LAHSA's achievement gaps, offering a more strategic approach to homeless outreach that will better serve Angelenos in need:

- Create "HomeSTAT," a statistically-driven performance management system to inform LAHSA's outreach goals. HomeSTAT would fundamentally reshape LAHSA's outreach program by using real-time data on homelessness to evaluate performance and make informed decisions about resource allocation.
- Work with City and County partners to define a unified set of clear and consistent goals, specific metrics and accurate reporting on outreach activities throughout the greater L.A. area.
- Focus on a proactive outreach strategy to reach a greater number of homeless people for the first time.
- Enhance LAHSA's **transparency and accountability** by geo-based mapping of street outreach activities.

If we hope to make real progress on homelessness, the City must look soberly at every action it takes and every program it funds to determine what is working and what is not. This report provides an opportunity to address an area where dramatic improvement is possible. I urge City leaders to adopt these recommendations and work closely with LAHSA on implementation. Doing so will ensure taxpayer dollars are spent more effectively to reduce homelessness and improve outcomes for the tens of thousands of people living on L.A.'s streets.

Respectfully submitted,

RON GALPERIN L.A. Controller

Strategy on the Streets:





RON GALPERIN
LA CONTROLLER

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Perhaps no challenge in Los Angeles today is more troublesome and more critical than the magnitude of the homeless crisis. The 2019 point-in-time count estimated that the number of people experiencing homelessness grew to 56,000 in the Los Angeles Continuum of Care (CoC) of which 42,500 people were considered unsheltered at the time of the count. This represented the largest number of unsheltered people in any of the nation's major CoCs and the City of Los Angeles (City), itself, was home to most of the unsheltered cases. Overall, the City experienced a 16% rise from the prior year's count to 36,000 individuals.

The Los Angeles Homeless Services Authority (LAHSA) is a joint powers authority of the City and County of Los Angeles; and is governed by a 10-member commission that is appointed by the City Council/Mayor and County Board of Supervisors. LAHSA, today, manages an approximate annual budget of \$300 million in federal, State, County, and City funds for programs that provide shelter, permanent housing, and services to people experiencing homelessness.

A critical service LAHSA provides is street outreach (outreach). Outreach is the process by which a representative of a homeless services agency contacts people experiencing homelessness in our public spaces in order to help connect them to resources, shelters, and eventually permanent housing—sometimes with supportive services. Over the last two fiscal years, the City allocated a combined \$10 million for outreach services, while the County provided the largest amount, totaling \$44 million.²

Our Office sought to determine how well LAHSA performed City outreach, and we offer recommendations for much needed improvements to its performance and reporting. This review focused on City funded outreach for two fiscal years as approved in a contract between the Housing and Community Investment Department and LAHSA.

In fiscal year (FY) 2017-18, LAHSA failed to meet seven of nine citywide outreach goals, which the agency attributed to data quality issues associated with a new system. As a result, our Office also reviewed LAHSA's outreach performance in FY 2018-19—for the period when its data challenges should have been resolved—and the results did not improve.

LAHSA failed to meet the following five citywide outreach goals in fiscal year (FY) 2018-19:

1. Individuals who were placed into a shelter or bridge housing.

Goal: 20%, LAHSA reported 14%.

² Fiscal years 2017-18 and 2018-19.



1

¹ Throughout this report, Greater Los Angeles Area or region is consistent with LAHSA's defined jurisdiction for continuum of care and refers to all cities in the County--except Pasadena, Glendale, and Long Beach.

2. Individuals assessed who were placed in permanent housing.

Goal: 10%, LAHSA reported 4%.

Individuals who self-identified a substance abuse disorder and obtained treatment.

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Goal: 25%, LAHSA reported 6%.

4. Individuals who self-identified a mental health need and obtained treatment.

Goal: 25%, LAHSA reported 4%.

5. Program data is complete and accurate.

Goal: 95% of data. LAHSA chose not to report on this goal.

In light of these outcomes, we also sought to determine why LAHSA reported that there were 21,000 housing placements in 2018, and whether improvements have been achieved. We found that the 21,000 placements reflect:³

- Results for several agencies in the Greater Los Angeles area Including all people assisted within the Greater Los Angeles area (not just the City) by LAHSA, the U.S. Department of Veterans Affairs, the Housing Authority of Los Angeles (HACLA), and over 100 provider agencies.
- Repeated placements for the same individuals or families in a year Repeated housing placements for the same person or family falling in and out of homelessness during a year are included in the figure.4

⁴ LAHSA de-duplicates individuals or families falling in and out of homelessness during the same month and will count such instances once. However, subsequent placements occurring in other months are counted again towards annual totals.



³ LAHSA Press Release Dated June 4, 2019 "Greater Los Angeles Homeless Count Shows 12% Rise In Homelessness": https://www.lahsa.org/news?article=558-greater-los-angeles-homeless-count-shows-12-rise-in- homelessness>

Recommendations

This report includes eight recommendations to address LAHSA's achievement gaps and provide improved homeless services to the people of Los Angeles. Key recommendations include:

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Employ a Data Driven Approach to Homelessness

LAHSA indicated that its outreach outcomes in fiscal year 2017-18 may be a reflection of incomplete and inaccurate information resulting during a period of time when the agency transitioned to a new Homeless Management Information System (HMIS) and its staff and contractors had not yet been trained to properly collect and record data. Although that was part of the problem, outcomes did not improve in fiscal year 2018-19 when the data issues should have been resolved. Moreover, LAHSA also lacked a holistic performance review process for its outreach activities in order to make data-driven decisions about the deployment of resources to address the region's rising homelessness crisis.

In the early 2000s, cities across America recognized the need for real-time data by adopting performance-management frameworks. For example, "CompSTAT," short for Computer Statistics, has enabled police departments to analyze and compare statistics in a timely manner to make decisions about resource deployments.

This approach also made its way into social services, including behavioral health, economic security, and homelessness to gather more accurate and timely data while also seeking to rapidly deploy resources and provide follow up assessments.

We recommend that City and LAHSA adopt a performance-based process for outreach and homelessness services. Through a "HomeSTAT" like approach—LAHSA and any City department involved in monitoring outreach will need to use accurate data to evaluate performance, and make informed decisions to effectively respond to the City's homelessness crisis.

Reassess and Clarify the Goals of Outreach

In 2018, 80% of nearly 15,600 shelter beds estimated for a point in time in the Greater Los Angeles region were filled by someone experiencing homelessness. With the lack of shelter beds and permanent housing at this time, LAHSA's housing first goal should be supported with short-term solutions to immediately help people experiencing homelessness, until permanent housing is made available. LAHSA, the City, and County partners should work to identify short-



term immediate resources (restrooms, showers, storage facilities, waste services) to address needed improvements to the street living conditions for unsheltered individuals.

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Unclear Metrics, Results, and Terminology

Achieving clarity starts with outreach metrics and targets, which are based on percentages of people to be served rather than absolute numbers that can be easily understood and measured.

As noted in the example metric and target:

"LAHSA's City contract specified that 25% of individuals **engaged** who identify with a substance abuse disorder would be connected to appropriate treatment options by outreach workers."

This metric supplies no indication about what the 25% target represents. LAHSA's outreach in FY 2018-19 yielded the following results for the example metric:

- 1. LAHSA contacted 6,634 individuals experiencing homelessness.
- 2. 4,199 individuals contacted were engaged in the City; engaged meaning they were assessed or provided a housing plan.
- 3. 668 of the 4,199 individuals engaged disclosed a substance abuse disorder.
- 4. 39 of the 668 (6%) obtained treatment as a result of an outreach referral.

Even if LAHSA had met its 25% target, only 167 of 668 individuals would have received substance abuse treatment.

Given the enormity of our homelessness crisis and public perceptions that there are plenty of individuals that need urgent assistance for substance abuse disorders, this metric and target yielded minimal results. Emphasis should be placed on goals to provide more:

- hygiene kits to stem the spread of typhus and hepatitis A.
- access to toilets and mobile showers, like those deployed by Lava Mae or through the City's Mobile Pit Stop Program, should be expanded throughout the City to promote better living conditions.
- **temporary shelter beds** while permanent housing is developed.



Improved metrics should:

- Use terminology that is understandable (avoiding technical terms).
- Specify a target based on the total number of people expected to receive assistance through outreach (avoiding percentage-based targets).

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- Distinctly measure one activity: For example, the agency could establish one metric for the number of assessments, another for referrals, and a separate metric for successful referrals resulting in service. Each should have its corresponding target.
- Measure substantive outcomes, such as the number of individuals that maintained housing after being touched by outreach, or individuals that achieved sobriety, etc.

These are just some examples, but metrics should be modified to align with those established in the County and those in the City's Comprehensive Homeless Strategy, where it makes sense, to provide a consolidated view of outreach across the entire Greater Los Angeles area. This would bring consistency to our measures and provide a common way to evaluate observed trends, so that outreach can be adapted to meet the needs of people experiencing homelessness.

LAHSA, the Housing and Community Investment Department (HCID) and the City Administrative Officer (CAO) must work with all relevant City entities and County partners to establish clear and consistent goals, specific metrics and targets, and appropriate reporting for outreach activities throughout the Greater Los Angeles area.

Engage in Proactive Versus Reactive Outreach

LAHSA estimated that approximately 67% of its time is dedicated to outreach reacting to City encampment cleanups, working side by side with the Bureau of Sanitation. In many cases, they are required to talk with people that are already working with homeless service providers.

Leading research suggests that outreach achieves its greatest impact when organizations proactively seek people experiencing homelessness according to a strategy or plan, instead of responding to service calls. Through proactive outreach, LAHSA would have more autonomy to find people that are experiencing homelessness for the first time, or visit encampments where there are people that have yet to accept services.

To address these issues, we recommend the City rethink its outreach policies and more sufficiently find a balance between a proactive and reactive outreach strategy.



Hold LAHSA Accountable for Performance

LAHSA performed outreach without much oversight, as the City's contract administrator, HCID, noted that it accepted LAHSA's recommended outreach goals/targets without scrutiny. HCID representatives noted that, at the time of this review, its role was limited to monitoring expenditure of City funds; not LAHSA's overall performance towards contracted outreach goals.

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During this review, HCID made some changes by executing a new contract with LAHSA for fiscal year 2019-20 that requires LAHSA to provide more information in its reports to HCID on the total number of people that were served through outreach. The contract also requires LAHSA to submit narrative explanations for any significant deviation in targets, deemed to be 20% or more.

Our Office notes that although some improved reporting requirements have been included in the new contract, LAHSA's outreach goals and related targets are still based on percentages of individuals engaged rather than total number of people served. We believe that transparency should be provided both at the start of the contract year, and also during reporting, by providing exact targets that are measurable. Moreover, accountability will still need to be improved, as the new contract's compliance provisions are focused on deficiencies in reporting, rather than LAHSA's overall performance towards its outreach goals and targets.

To address these issues, the Housing and Community Investment Department (HCID) and the City Administrative Officer (CAO) must monitor LAHSA's outreach performance and work with the agency to address any mid-year shortfalls, including holding LAHSA accountable for not meeting expected performance targets.



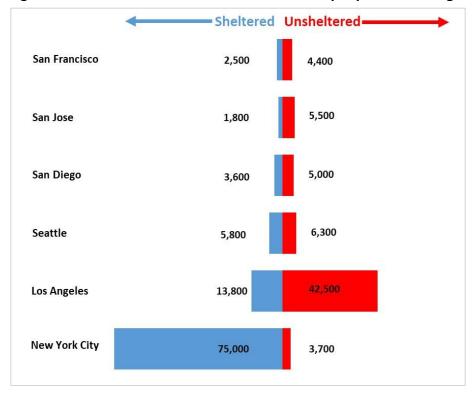


Facts about People Experiencing Homelessness

Population Estimates

The Los Angeles Homeless Services Authority (LAHSA) estimated that 56,000 people experienced homelessness in 2019 during its point-in-time (PIT) count in the Los Angeles Continuum of Care (CoC)—36,000 of which resided within the City of Los Angeles (City).^{5,6}

Figure 1: Numbers of sheltered and unsheltered people for the largest CoCs.



Note: This chart presents the results of the Los Angeles 2019 point-in-time count. All other CoC's are presented in 2018 figures because they had not yet released their figures at the time of this review.

The Los Angeles CoC's population of people experiencing homelessness was second only to the New York City CoC, which reported roughly 79,000 people in its most recent 2018 count. Nonetheless, the New York City CoC reported lower numbers of unsheltered people, while the Los Angeles CoC reported the highest number of unsheltered people among the largest CoCs in the United States.

⁶ The Continuum of Care (CoC) has dual a meaning in homeless service delivery: It is both a service delivery system of care and a regional or local planning body that coordinates housing and services funding for homeless families and individuals. The CoC is located in most of LA County, excluding the cities of Glendale, Pasadena and Long Beach. LAHSA coordinates and manages public funds dedicated to homeless in the Los Angeles CoC.



⁵ The 2019 Annual Homeless Count.

Unlike the Los Angeles CoC, New York City's "right to shelter" mandate guarantees any qualifying person with temporary shelter every night. ⁷ The lack of such a mandate in Los Angeles is felt in many ways, including the proliferation of encampments, public health and safety issues, and the potential death of people living on the streets of Los Angeles.

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Deaths of People Experiencing Homelessness

The Los Angeles Times reported that deaths of people experiencing homelessness in Los Angeles County increased to 918 in 2018—76% from 2014—outpacing the percentage growth of the total homeless population.⁸ In New York City, the number of deaths totaled 290.⁹ While the contributing factors for these deaths varied, more people are living in the streets with serious physical and behavioral issues that could put their health and safety at risk. LAHSA reported that nearly 1 in 4 individuals acknowledged a serious mental illness and that about 1 in 7 disclosed a substance use disorder in 2019.

Majority of People Experiencing Homeless are African American or Latinos

LAHSA's 2019 PIT count also showed that African Americans (19,000) and Latino (20,504) people represented nearly 70% of the CoC's population experiencing homelessness. However, African Americans overrepresented 33% of the homeless population, yet comprised just 9% of the County's general population (2018 US Census estimates).

Annualized Homelessness Numbers

A 2017 report by the Los Angeles County's Chief Executive Office (CEO) projected that the annualized number of people experiencing homelessness could be as high as 122,000, which accounted for people that fall in and out of homelessness during a time period. 10 In contrast, the point-in-time count factors in people that were homeless on the night of the count.

¹⁰ The CEO's estimate more than doubled LAHSA's PIT figures because it used a broader definition of people experiencing homelessness than is required of LAHSA by HUD. The CEO identified unique persons in the administrative data sources of six County departments, and LAHSA.



⁷ City of New York, Department of Homeless Services' website:

https://www1.nyc.gov/site/dhs/shelter/shelter.page

⁸ Los Angeles Times: "L.A. County's homeless population is growing — but not as fast as they're dying" https://www.latimes.com/local/california/la-me-ln-homeless-people-death-unsheltered-substance-abuse- 20190422-story.html>

^{9 &}lt;https://www.politico.com/states/f/?id=00000168-4ec8-daaf-a9fc-def8fbd40001>

Housing and Services for People Experiencing Homelessness

The City and County have undertaken two major efforts to fund more housing and supportive services:

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- Proposition HHH (HHH) In November 2016, City voters approved HHH to authorize the City to issue \$1.2 billion in general obligation bonds "...to provide safe, clean, affordable housing for the homeless and for those in danger of becoming homeless...." At the time, proponents suggested that 10,000 permanent supportive housing units could be constructed, along with storage facilities, shelters, and showers.
- Measure H In March 2017, County voters approved Measure H to authorize the County to impose a guarter-cent (0.25%) special transactions and use tax for ten years, with the expectation that a projected \$355 million would be generated annually to fund supportive services for people experiencing homelessness.

A 2017 RAND Corporation study reinforced the value of these kinds of initiatives and found that public service costs for various County services, including medical and mental health, drastically declined by 60% in the first year after people experiencing homelessness received housing which included supportive services. 11

Housing Inventory Counts

In 2018, LAHSA reported that the Los Angeles CoC had nearly 21,000 permanent housing units (with and without supportive services) and about 15,600 beds in emergency shelters, transitional housing facilities, and safe havens. 12

Permanent Housing

To date, no permanent housing facility has been fully constructed and opened for use with the funds approved by voters under the 2016 proposition known as HHH. HHH projects are still being planned, conceptualized, or in construction.

¹² 2019 figures were not available at the time of this review.



¹¹ Hunter, Sarah B., Melody Harvey, Brian Briscombe, and Matthew Cefalu, Evaluation of Housing for Health Permanent Supportive Housing Program. Santa Monica, CA: RAND Corporation, 2017. https://www.rand.org/pubs/research reports/RR1694.html>

Based on the City's August 2019 estimates, 79 HHH-funded projects will yield 5,373 units at a total cost of \$807 million. An additional 31 non-HHH funded projects are projected to provide 2,045 units at a total cost of \$116 million.

The City estimates that 7,000 supportive housing units will be constructed over a ten-year period with HHH funds and an additional 3,000 with non-HHH funds.

Additional Funding for Homelessness and Housing

- In fiscal year 2018-19, the City appropriated \$372 million for homelessness related initiatives as part of the "Homeless Budget." Including \$92 million from the general fund and \$275 million from HHH funds for housing and service facilities construction.
- On July 9, 2019, the City announced it would receive \$124 million in state funding for homelessness services and housing. Nearly half of the funds are planned to be used for shelters and interim housing.

Resources for Mental Health and Substance Use Disorders

The County has appropriated additional money for mental health, substance abuse disorder treatment, and various other social programs to meet the needs of people experiencing homelessness. In fiscal year 2018-19, the County appropriated \$409 million in Measure H funds and an additional \$75 million in general funds for homelessness related programs, services, and administration, including mental health and substance abuse services.

The Los Angeles Homeless Services Agency (LAHSA)

History and Governance

The City and County of Los Angeles created LAHSA in 1993 as a Joint Powers Authority, an independent unit of local government, specifically to plan, coordinate, and manage the region's resources for homeless programs. The agency is governed by a 10-member commission that is appointed by the City Council/Mayor and County Board of Supervisors. The City and County are each authorized to select five members.



Services

As the lead agency for homelessness in Los Angeles, LAHSA manages an approximate budget of \$300 million annually in federal, State, County and City funding to provide services to people experiencing homelessness.¹³

LAHSA is charged with carrying out several HUD priorities and mandates, including, but not limited to:

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- Implementing a Coordinated Entry System (CES), which is a strategic approach to managing and integrating public funds for people who are at-risk of or are experiencing homelessness.
- Administering data collection and performance measurement through its Homeless Management Information System (HMIS).
- Reporting on annual point-in-time homelessness and housing inventory counts.

LAHSA coordinates efforts within the CES framework, which divides the Los Angeles region into eight Service Planning Areas (SPAs), with a representative lead agency specializing in:

- Single Adults any person over the age of 18.
- Families any household with an adult and a dependent minor under the age of 18, or a pregnant adult.
- Transition Age Youth (TAY) an unaccompanied or emancipated minor, or individuals between the ages of 18 and 24 as defined by LAHSA. Although different housing and mental health services may define TAY as individuals between the ages of 16 – 25.

LAHSA coordinates funding into the CES through these lead agencies, which are responsible for the implementation of programs and using HMIS to track data and services.

¹³ The Continuum of Care (CoC) has dual a meaning in homeless service delivery: It is both a service delivery system of care and a regional or local planning body that coordinates housing and services funding for homeless families and individuals. The CoC is located in most of LA County, excluding the cities of Glendale, Pasadena and Long Beach. LAHSA coordinates and manages public funds dedicated to homeless in the Los Angeles CoC.



Figure 2: Coordinated Entry System Agencies



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Among all of these duties, LAHSA also coordinates and performs outreach services to connect people experiencing homelessness to the appropriate organizations within each SPA.

Street Outreach (Outreach)

Outreach History

In 2016, the County Board of Supervisors approved an action plan with four dozen strategies to prevent and combat homelessness. A key component of that action plan was the "E6 strategy" for outreach. The E6 strategy directed LAHSA to work with all County agencies and communitybased organizations (CBOs) to establish a coordinated countywide network for existing outreach efforts, which it did through the CES as previously discussed.

Outreach Objectives

Outreach is defined as a process by which a representative of a homeless services organization or public agency makes contact with individuals where they live, to help them navigate and leverage the resources available to them. Outreach uses a bottom-up approach based on trust to meet the needs of people where they are and how they want help. By empowering the people experiencing homelessness with choice, outreach organizations aim to have long-lasting results.



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Outreach Funding

Funding for homelessness outreach initiatives is multi-sourced, derived from both the City and County, through their general funds, and the County's Measure H. Total funding for two years amounted to \$54 million, as follows:

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- From the City's general fund, LAHSA's outreach totaled approximately:
 - i. \$3.5 million in fiscal year (FY) 2017-18.
 - ii. \$6.8 million in FY 2018-19.
- The County's general fund and Measure H, outreach included:
 - i. \$13 million in FY 2017-18 for LAHSA, County Department of Health Services, and several community-based organizations, and pass through funds for other CoCs.
 - ii. \$31 million in FY 2018-19 for a combination of LAHSA generalists, contractors, and multidisciplinary teams specialized in psychiatry, psychology, and medicine.

Outreach Teams

Nearly 800 outreach workers operate within the Greater Los Angeles area; 141 working as employees for LAHSA and 20 as the agency's contractors employed by community-based organizations (CBOs). The 800 outreach workers represent five groups:

- 1. LAHSA staff commonly known as Homeless Engagement Teams (HET), Homeless Outreach and Proactive Engagement (HOPE) teams, or as Emergency Response Teams.
- 2. LAHSA contractors known as Coordinated Entry System teams (CES).
- 3. County Department of Health Services' (DHS) contractors also known as multidisciplinary teams (MDTs).
- 4. County Department of Mental Health (DMH) clinical staff.
- 5. City, County, and Community (C3) Teams.

Community-based and faith-based organizations may also perform outreach uncoordinated with LAHSA or other public agencies. Their work will likely not be tracked or reported by LAHSA.

LAHSA's Outreach Staff

LAHSA deploys two-member teams to perform general outreach. The team members are assigned to one of eight SPAs in the CoC. In FY 2017-18, LAHSA employed a maximum of 70 outreach workers and had a staff turnover rate of 33% throughout the year.



As part of the recruitment process, LAHSA requires outreach workers to have two years of experience in social services to qualify. Once hired, LAHSA provides additional training in the following areas:

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- Case management skills
- Harm reduction for service providers
- Health and safety
- Hepatitis education and prevention
- HIV: the basics and beyond and info on other sexually transmitted infections
- Cultural diversity
- Dealing with difficult people
- Mental health among the homeless
- Substance abuse education and prevention
- Tuberculosis prevention and education

LAHSA's Contracted Outreach Workers (Coordinated Entry System Teams)

In both FY 2017-18 and 18-19, LAHSA supplemented its general outreach efforts with approximately 20 fulltime contractors. 14 These contractors represent community-based organizations with knowledge about the areas they serve.

Los Angeles County DHS Contracted Multidisciplinary Teams (MDTs)

County DHS contracts outreach work with organizations that specialize in substance abuse disorders, medicine, and mental health. DHS contractors, known as MDTs, work throughout the greater Los Angeles area. MDTs are typically composed of 4-to-5 people with the specialties above, and one person serving as a peer advocate because of their own experience being homeless or understanding of other people's homelessness.

Los Angeles County DMH Clinical Staff

County DMH staff engage people experiencing homelessness residing in public spaces. They offer psychiatric services and help people connect or stay connected to social services. Fieldbased outreach can help mitigate the risk that clients will disenroll from intensive services (known as Full-Service Partnerships), which are associated with up to a 30% reduction in client homelessness.

¹⁴ The number of contractors refers to fulltime equivalents.



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The County's Homeless Initiative quarterly report dated February 2019 noted that 500 street-based clients were referred to DMH's "Homeless Full Service Partnerships" by other outreach teams.

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City, County, Community Outreach Teams or (C3 Teams)

Multi-agency and multi-disciplinary outreach teams perform dedicated outreach in Skid Row and Venice. C3 Teams coordinate outreach among County DHS and DMH, LAHSA, and CBOs like the Americorps, the People Concern, or the United Way.

This approach reduces administrative hurdles by bringing all necessary resources to the field.

Principles of Outreach

No matter which publicly-funded organization makes contact with a person experiencing homelessness, they attempt to adhere to these principles:

- 1. A housing-first approach to quickly prioritize people for permanent housing
- 2. **Person-centered** practices that give clients the right to make choices
- 3. Harm reduction strategies to promote safety and solutions
- 4. Low barriers for people to access and use resources

Following these principles, outreach workers never force anyone to accept services, unless as allowed by California laws guiding involuntary detention for people with serious mental disorders (commonly known as "5150" for the State Welfare and Institutions Code) over people deemed to be "gravely disabled," or a risk to themselves or others.

Outreach workers favor building rapport with an individual over time to be in a position to assess the individual's condition and needs. Depending on the condition and/or willingness of the potential client to accept services, it usually takes months or years for outreach workers to be provided consent to administer an assessment.

Overall, outreach workers aim to:

- establish a trusting relationship with people experiencing homelessness.
- provide concrete goods and services, such as toiletries, clothing, or transportation.
- address clinical, social service and other supportive service needs.
- connect them to some type of housing (interim and/or permanent housing).



Objectives of the Review

We sought to assess the effectiveness of street outreach throughout the Los Angeles Continuum of Care – with an emphasis on the City's contract with LAHSA. We assessed outreach activities reported by LAHSA and its contractors during fiscal years 2017-18 and 2018-19.

To assess the effectiveness of street outreach, we first sought to understand the outreach process. Next, we reviewed LAHSA's performance reports for accuracy and reliability. We then compared LAHSA's performance to the City's contract requirements and goals. Finally, we sought to identify possible barriers to the effective provision of LAHSA's outreach.

The report is divided into four sections that detail our observations:

- The outreach process
- Data and reporting accuracy
- Street outreach performance outcomes
- Barriers to successful outcomes



I. The Outreach Process



Whether provided by LAHSA or a contractor, the outreach process generally follows these major steps for individuals and families: (1) making contact (2) assessing risk in order to prioritize services (known as engaging individuals) (3) referring and placing an individual or family into housing.

The process is not always sequential and can deviate depending on numerous variables, including a person's willingness to engage with outreach workers or their overall score on an assessment tool. While permanently housing individuals is LAHSA's ultimate goal, the agency's outreach workers may end up transferring a client to other organizations to help that individual navigate public resources until they receive housing.

This section describes LAHSA's major outreach steps and defines key terms to provide more clarity before discussing performance in the ensuing sections.

Making contact

LAHSA outreach workers or contractors traverse all public spaces to make contact with individuals (single adults or transition-age youths) or families that are experiencing homelessness. The initial contact may have been initiated by referral through the City's 3-1-1 system, LAHSA's Homeless Outreach Portal (LA-HOP), elected offices, or planned as part of an encampment cleanup led by the Bureau of Sanitation.¹⁵

Regardless of what spurred the contact, outreach workers attempt to connect people to services but ultimately may end up having several follow-up contacts or meetings to build rapport with the people they encounter. Outreach workers may also provide immediate assistance during any contact, including water, basic hygiene items, snacks, or vouchers for food or transportation.

The exchange can result in more trust-building, and if done persistently, outreach efforts can transform into an engagement over time. It is not uncommon for people experiencing homelessness to say "no" to services at first, which the outreach worker interprets to mean "not yet."

¹⁵ LA-HOP is a LAHSA portal that allows the public to request homeless outreach services.



If the outreach worker can obtain enough information, the person can be entered into the Homeless Management Information System (HMIS) and assigned a unique identification number, so follow-up meetings are facilitated without duplication.

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Engaging the Individual or Family through an Assessment

Once the "not yet" has turned into a "yes," the outreach worker conducts an assessment using one of the triage tools widely accepted for adults, transition-age youth (TAY), or families. The tool is commonly known as the Coordinated Entry System (CES) survey or by its official name the "Vulnerability Index Service Prioritization, and Decision Tool" (VI-SPDAT) for adults and families and conforms to HUD requirements. A variation is also available for TAY.

The tool includes questions about a person or family's housing history, daily functions, and wellness. At the end of the assessment, the outreach worker derives an acuity score from determining what course of action to take and what services/housing to offer the person or family. The higher the score, the more likely the person or family will be referred to as permanent supportive housing.

At this stage, the person or family is considered "engaged," which means they were assessed or provided a housing case plan.

Referring and Placing the Individual or Family into Housing

Once a client has consented to accept a referral to temporary or permanent housing, the outreach worker will rely on both their formal or informal contacts to find the appropriate housing option.

As the person or family moves into new housing, the outreach worker can note the following resolutions within HMIS, such as:

- exiting client from the engagement phase to crisis/bridge housing,
- exiting to permanent housing or rapid rehousing, or
- exiting unsuccessfully when a client cannot be found/located for additional services or placement after 90 days.

While the ultimate goal is to get clients placed into permanent housing, outreach workers also work on interim goals, as identified in the assessment; which may include placement in a rehabilitation facility or temporary "bridge" housing.



LAHSA relies on both formal and informal contacts for information about shelters, service providers, permanent housing availability, etc. Shelter space can be initially identified through a bed availability application (app), but outreach workers must contact the shelter in order to verify accuracy of the information and reserve a bed for the client.

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The following chart provides an overview of the regional coordination efforts, starting with outreach.

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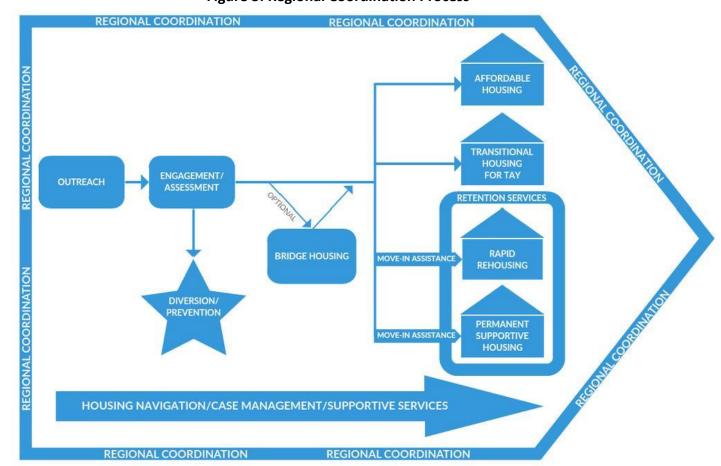


Figure 3: Regional Coordination Process

Key Outreach Activity Terminology from the Start of the Outreach Process

The following terminology is critical to understanding how an outreach worker helps a client progress from an initial contact through an eventual housing placement and exit.

Figure 4: Key Terms in the Outreach Process

Contact - Initial or follow-up interactions with participants or clients.

Engagement - The point at which an individual has consented to accept services, resulting in assessment, or the provision of housing case plan.

Referral - A confirmed appointment to a resource whether or not the participant actually went to the appointment.

Connected - A confirmed appointment to a resource (social security admin, DMV, LA County, etc.) that a participant actually attended.

Linked - A participant that is connected to one of four specific resources/services:

- 1) Housing Search and Placement
- 2) Family Solutions Center
- 3) Rapid Rehousing
- 4) Housing for Health

Placed - A participant that has actually moved into housing, including interim or permanent housing. For reporting purposes, LAHSA notes how many participants were "placed" during a reporting period, but a participant can theoretically experience homelessness again. The length of stay does not affect the reported placements.



Exited – When a participant has met the program goals, and/or will no longer be served by a program. This includes when the participant has been placed in permanent housing or other supportive services, dies, or when a



II. Metrics, Data, and Reporting



The City's contract with LAHSA requires that the agency provide quarterly reports to the Housing and Community Investment Department (HCID) on all of its contracted responsibilities, including its outreach activities and successes towards its performance targets. For LAHSA's reports to be meaningful, its metrics and expected results need to be clear. HMIS data needs to be accurate and complete, and the results need to be consistent across the entire CoC.

Unclear Metrics And Results

City outreach metrics and targets are unclear because they are based on percentages of people to be served, rather than absolute numbers that can be easily understood and measured. The terminology LAHSA uses also complicates our understanding of what LAHSA is measuring, and it unintentionally reduces the results by splitting the population into smaller groups, which yield fewer reported results.

The following provides an example of one of the metrics LAHSA uses and its related target.

LAHSA's City contract specified that 25% of individuals <u>engaged</u> who identify with a substance abuse disorder would be <u>connected</u> to appropriate treatment options by outreach workers.

This metric does not indicate what the 25% target represents. Additionally, the maximum number of individuals who could receive substance abuse treatment shrinks to smaller proportions because only individuals who meet the following criteria count:

- 1. **Engaged Individuals** people that consented to an assessment of their needs to identify available resources or housing plan.
- 2. **Self-disclosed substance abuse** Individuals that acknowledged a substance abuse disorder.
- 3. **Connected to service** Individuals that obtained substance abuse treatment after a referral by outreach workers, in other words, individuals referred to services.

Due to these criteria, LAHSA's outreach in FY 2018-19 yielded the following results for the example metric:

- 1. 4,199 individuals experiencing homelessness were engaged in the City.
- 2. 668 of the 4,199 individuals disclosed a substance abuse disorder.
- 3. 39 of the 668 (6%) obtained treatment, as a result of an outreach referral.



treatment.

Had LAHSA met its target, only 167 individuals would have received substance abuse

Overall, eight of nine City outreach metrics lacked specificity about the expected results because of the percentages of subpopulations—except one metric for the number of unique individuals to be contacted, which established a clear target of 6,500 individuals. Notwithstanding, none of the metrics related to substantive outcomes, such as an individual's ability to sustain services, or gain and maintain housing.

To significantly improve upon established metrics, LAHSA should:

- Use terminology that is understandable (avoiding technical terms).
- Specify a target based on the total number of people expected to receive assistance through outreach (avoiding percentage-based targets).
- Distinctly measure one activity:
 - For example, the agency could establish one metric for the number of assessments, another for referrals, and a separate metric for successful referrals resulting in service. Each should have its corresponding target.
- Measure substantive outcomes, such as the number of individuals that maintained housing after being touched by outreach, or individuals that achieved sobriety, etc.

These are some examples, but metrics should be clear and provide quality information about outcomes.

Data Quality and Reporting Inconsistencies for City Outreach

During this review, LAHSA provided the Controller's Office with four separate reports for the same outreach activities performed during the same time frame in fiscal year 2017-18. Each report corrected prior results and showed different outcomes that raise questions about the agency's ability to measure performance and whether it is accurately reporting results to its stakeholders.



Resource

LAHSA's revised reports to the Controller's Office for outreach activities in fiscal year 2017-18 changed as follows:

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rigure 3. City runded Report	s Flovided to	the Controll	er 3 Office	
City Contract Goal	Report # 1	Report # 2	Report # 3	Report # 4
Individuals contacted and provided direct	100%	100%	86%	15%
services	100%	100%	80%	13/6
Individuals connected to mental health	8%	8%	3%	0%
treatment	670	0/0	3/0	0%
Individuals placed into Crisis or Bridge	64%	64%	32%	19%
Housing	04%	0476	32/0	1970
Individuals placed into Permanent Housing	1%	1%	1%	7%
l n	170	170	170	/ 70

Figure 5: City Funded Reports Provided to the Controller's Office

The City and County should request and review critical demographic information collected by LAHSA about the subpopulations experiencing homelessness, which could be useful when making decisions about outreach resources for chronically homeless people or individuals experiencing homelessness for the first time.

High-quality data is essential to providing an accurate picture of homelessness throughout the CoC and to be able to determine whether interventions are having a positive effect on the region's overall crisis. Quality data is important for strategic planning and direction and goal setting. Not only does this make logical sense, but HUD promotes a data quality management program for all CoC agencies that receive federal funds. 16 Through such a program, LAHSA's underlying HMIS information should be complete (covering all programs and beds irrespective of funding source), accurate, timely, and consistent—as should its reports.

Useful Outreach Data about Homeless Populations

Although LAHSA tracks information about first-time and existing clients, its outreach reports to City and County do not distinguish between these populations because neither the City or County require the information as part of ongoing outreach reporting. Providing such information could assist stakeholders in making informed decisions about outreach goals and

¹⁶ HUD Data Quality Brief < https://files.hudexchange.info/resources/documents/coc-data-quality-brief.pdf>



resources for people considered chronically homeless or those that have unexpectedly become homeless. 17,18

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These distinctions are critical because people who are chronically homeless may require more ongoing outreach as a result of disabling conditions, such as a serious mental illness, substance use disorders, etc., making it difficult for them to accept services as quickly as others. 19 Repeated outreach to the same people could inadvertently inflate LAHSA's reported contacts while showing little progress in other performance areas (such as connecting people to housing, mental health services, etc.)

To add more clarity to its reporting, LAHSA should separate results for:

- First-time outreach enrollees with no prior episode of homelessness
- Outreach enrollees without a homeless episode in the last three years
- Current outreach enrollees that are already working with outreach teams
- Demographics such as seniors, veterans, youth, and members of the LGBT community experiencing homelessness

Recommendations for Metrics, Data, and Reporting:

- 1. LAHSA, the Housing and Community Investment Department (HCID) and the City Administrative Officer (CAO) should work with all relevant City entities and County partners to establish clear and consistent goals, specific metrics, and appropriate reporting for outreach activities throughout the Greater Los Angeles area.
- 2. LAHSA must significantly improve data capturing, staff training, and reporting to ensure information is complete, accurate, and reliable.

¹⁹ National alliance to end Homelessness < https://endhomelessness.org/homelessness-in-america/who- experiences-homelessness/chronically-homeless>



occasions totals at least 12 months.

¹⁷ Chronically Homeless Status for Rapid Rehousing Participants. Los Angeles: CA: LAHSA, 2017.

https://www.lahsa.org/documents?id=1755-chronically-homeless-status-for-rapid-re-housing-participants.pdf ¹⁸ HUD's definition "...a person is chronically homeless if they have a disability and have been homeless residing in a place not meant for human habitation, a safe haven, or in an emergency shelter either continuously for at least 12 months, or on at least four separate occasions in the last three years, where the cumulative total of the four

III. Street Outreach Performance

Outcomes



LAHSA's outreach produced the following outcomes in the Greater Los Angeles Continuum of Care (CoC) in fiscal year 2018-19. Of 56,000 people experiencing homelessness for a point in time in 2019, LAHSA's outreach workers and its contractors²⁰:

- Made 17,929 contacts
- 8,658 unique individuals were engaged, in other words, provided an assessment or housing plan through outreach
- 1,164 unique individuals placed into crisis shelters or bridge housing as a result of outreach
- 375 unique individuals placements into permanent housing

In the City, LAHSA did not meet seven of nine contracted outreach goals for fiscal year 2017-18, and five of eight in fiscal year 2018-19. Even the results for the goals it did meet are minor when comparing the outcomes to the City's overall homeless population.

During this review, it also became apparent that LAHSA produces separate reports and establishes different outreach goals for the City and County. The agency does not have a single set of consolidated goals for the CoC to show whether its outreach activities are effective.

The detailed observations are in the ensuing subsections.

City Outreach Contract Goals, Targets, and Results

The following figure demonstrates LAHSA's actual City outreach activities in fiscal year 2018-19. LAHSA met City contract targets in the two cases highlighted in green, but this cannot overshadow that only 167 people moved into permanent housing. Even when comparing the largest outcome (about 6,634 individual contacts) achieved for the period of this review to the approximate 36,000 people that experienced homelessness in the City for a point in time in 2019, the outcomes are minor.²¹

²¹ LAHSA's 2019 point-in-time count. < https://www.lahsa.org/documents?id=3421-2019-greater-los-angeles-homeless-count-city-of-los-angeles.pdf



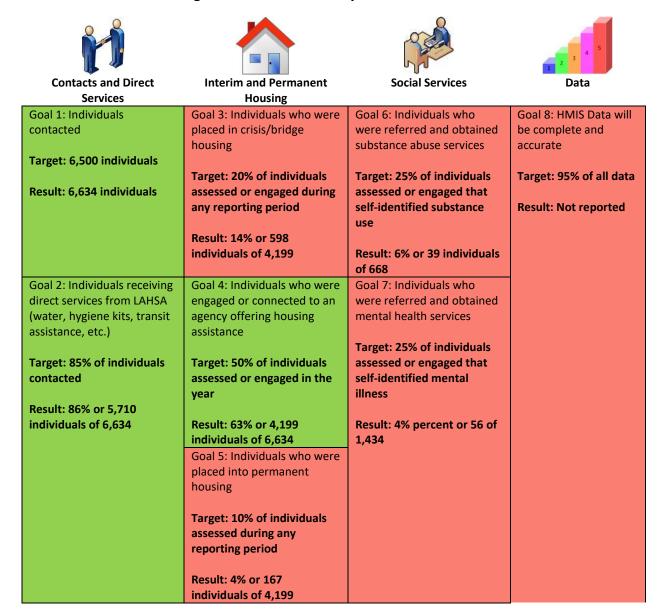
²⁰ 2019 point-in-time count.

STREET OUTREACH PERFORMANCE OUTCOMES

Figure 7: Outreach for City Contracted Goals²²

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It is important to note that the City's contract administrator—the Housing and Community Investment Department (HCID)—accepted LAHSA's goals, targets, and performance reports without much guidance or oversight. HCID representatives noted that their role is limited to

²² The figures are the most favorable outcomes based on funding by the City and County for outreach performed exclusively within City limits. Outreach results were worse when considering just City-funded activities.



monitoring LAHSA's expenditures of City funds and accepts the outreach goals and work recommended by LAHSA.

During this review, HCID made some changes by executing a new contract with LAHSA for fiscal year 2019-20 that requires LAHSA to provide more information in its reports to HCID on the total number of people that were served through outreach. The contract also requires LAHSA to submit narrative explanations for any significant deviation in targets, deemed to be 20% or more.

Although some improved reporting requirements have been added to the new contract, LAHSA's outreach goals and related targets are still based on percentages of people to be served rather than total numbers of people. Enhanced transparency should be provided both at the start of the contract year, by providing exact targets for outreach, and also during reporting. Moreover, the contract's compliance provisions appear to be focused on reporting deficiencies, rather than LAHSA's performance towards its outreach goals and targets.

Consolidated CoC Outreach Goals Are Needed

Consolidated outreach goals for the CoC do not exist, which contributes to public ambiguity about LAHSA's outreach work and how well the agency is performing. Existing City goals and County metrics are mostly dissimilar and cannot be combined to assess LAHSA's performance without distorting the count of individuals served through outreach.

The County's E6 outreach metrics do not have associated performance targets like the City's goals noted in the prior figure. However, the County provides information on the outputs for:

- Number of individuals initiated contact
- Number of individuals newly engaged during the reporting period
- Number of individuals engaged during the reporting period (includes individuals contacted in prior periods)
- Number of individuals who received services or successfully attained referrals
- Number of individuals who placed in crisis or bridge housing
- Number of individuals who linked to a permanent housing resource
- Number of individuals placed in permanent housing

Through a special request for consolidated outreach data in the CoC, LAHSA revealed that its activities were more widespread than previously known. While the agency initially reported that its City-funded outreach workers made 4,500 contacts in fiscal year 2017-18, a subsequent



special report showed that 7,700 contacts were made in the City when the funding source was not factored into the report.

Funding should not obscure the City and County's collective efforts to perform outreach to the region's homeless population. Much more clarity about the effectiveness of outreach could be provided through consolidated CoC goals and performance targets.

As noted in the prior section, HCID has taken some steps to clarify its goals in its new contract with LAHSA for fiscal year 2019-20, and will improve reporting, but the contract still uses percentage based targets that do not provide sufficient transparency or accountability for the total numbers of people expected to be served through outreach.

Better Deployment of Outreach Resources Needed Through a Performance-Based "HomeSTAT" Approach

LAHSA lacks a rigorous performance review process for its outreach activities. Moreover, datadriven decisions about the deployment of resources are not made because the information is neither timely nor accurate.

In the early 2000s, the Los Angeles Police Department (LAPD) was one of several policing agencies that adopted a performance-management (PM) framework. "CompSTAT," short for Computer Statistics, enabled LAPD to make informed decisions about resources based on real-time data.

CompSTAT consists of these four tenets:

- 1. Accurate and timely data
- 2. Effective tactics and plans
- 3. Rapid deployment of resources
- 4. Relentless follow-up assessments

In the City, Homeless Strategy Committee (HSC) provides incredible leadership and oversees the implementation of the Comprehensive Homeless Strategy. In 2019, HSC added outreach to its oversight functions and will review quarterly reports for key outreach metrics related to the number of shelter or permanent housing placements; and any other metrics deemed necessary. Some of the metrics generally align with the goals in the City-LAHSA contract for



STREET OUTREACH PERFORMANCE OUTCOMES

outreach, but the HSC quarterly reports will not go into the same details or the performance targets.

Although HSC will be providing more oversight, LAHSA will still have the responsibility to use performance data to ensure its managing its resources in a way that is efficient and effective—preferably consistent with a CompSTAT like approach. Through ongoing monitoring of real-time data, LAHSA will be better equipped to deploy its resources and connect people to shelters or service providers.

Recommendations for Street Outreach Performance Outcomes

- 3. The Housing and Community Investment Department (HCID) and City Administrative Officer (CAO) should:
 - a. Take an active role in monitoring LAHSA's outreach performance by collaboratively setting goals and targets (based on absolute numbers of people to be served), and assisting the agency to address mid-year outreach shortfalls, including holding LAHSA accountable for not meeting expected performance targets.
 - b. Work with County partners to establish goals and appropriate reporting for outreach activities in the Continuum of Care (CoC).
- 4. The City and the Los Angeles Homeless Services Agency (LAHSA) should adopt a performance management framework for outreach. Through a "HomeSTAT" like process, LAHSA and any City department involved in monitoring outreach will need to use accurate and timely data to make informed decisions about resources and the availability of shelter beds.



IV. Barriers to Successful Outcomes



While the City's contract with LAHSA contains specific outreach goals and targets, some argue that the only true measure of success is the aspirational goal to end homelessness. Others suggest that success happens one handshake and one outreach interaction at a time. What is true, is that with the influx of funding for homelessness services, the public expects greater results from the agencies tasked with outreach or the provision of services.

The following section provides the factors that could have affected LAHSA's performance and discusses:

- Reactive Outreach
- LAHSA's lack of roots in communities where outreach is performed
- Insufficient housing and services
- Varied experiences that might prevent people from being housed

This information is based on our analysis and information conveyed to the Controller's Office by LAHSA administrators, County representatives, DHS' contracted outreach workers, researchers, and community-based organizations (CBOs), but most importantly, the people that are or have experienced homelessness.

Proactive Versus Reactive Outreach

LAHSA performs mandatory reactive outreach tied to encampment cleanups, instead of proactive outreach that is deemed by the U.S. Interagency Council on Homelessness to be an effective best practice. Reactive outreach can result in duplicative visits to sites and individuals that have already been engaging with homeless service providers. This type of outreach diverts resources away from areas and people who are not in contact with service providers or those that are the most acute and require more focused attention.

Although the City does not specifically refer to the services it requests from LAHSA as reactive, they are in nature and focus. Reactive outreach is driven by:

- encampment cleanups initiated by constituent requests or planned by the City through the Bureau of Sanitation
- referrals for services from elected offices
- requests from the Los Angeles Police Department (e.g., disturbance calls related to homeless individuals with mental illness)



Alternatively, through proactive outreach, LAHSA would have much more autonomy to strategically "hot-spot" encampments based on size, location, or multiple reported incidents.

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The agency could focus on people with a more expeditious path to available housing, people with high acuity health concerns, people in imminent danger, and high utilizers of emergency rooms.

Insufficient Housing and Services

LAHSA and other service providers continue to express that there is a shortage of housing options and resources. Listed are key observations about housing and services that affect people experiencing homelessness.

 Total population experiencing homelessness exceeds the supply of shelter and permanent housing beds.

In 2018, LAHSA's housing inventory count (HIC) report noted that there were about 15,600 shelter beds. Comparatively, there were about 42,500 unsheltered people experiencing homelessness for a point-in-time in 2019.

About 80% of shelter beds in the CoC were occupied by a person or family experiencing homelessness during the 2018 point-in-time count as noted in the following table.

Facility Type	Individuals Occupying Beds	Bed Count	Occupancy Rate
Emergency Shelter	8,819	11,088	80%
Transitional Housing	3,522	4,393	80%
Safe Havens	44	98	44%
Total	12,385	15,579	80%

Figure 8: 2018 Shelter Bed Inventory in the CoC²³

HUD's definition of shelter beds includes beds in emergency shelters, transitional housing, and safe havens. All three facility types are similar because they provide temporary shelter, but transitional housing and safe havens add supportive services.

As the table indicates, shelters beds are in short supply compared to the capacity needed to temporarily house the estimated 42,500 unsheltered people counted in a

²³ 2019 totals were not available at the time of this review.



point in time in 2019. Funder requirements can further restrict the supply of beds based on specific criteria.

A non-exhaustive list of funder-imposed shelter restrictions includes whether an individual is:

ID #:24598

- An adult man
- An adult woman
- A child
- A survivor of domestic violence
- Part of a family with or without kids
- Transition age youth between the ages of 18 and 24
- Experiencing severe mental health conditions and/or substance abuse disorders

With limited shelters beds, there are insufficient destinations for outreach workers to send unsheltered people temporarily. Complicating the City's situation is the lack of permanent housing. To date, no permanent housing facility has been fully constructed and opened for use as a result of HHH funds.

More Hygiene Kits and Mobile Showers Needed

As noted by several media accounts, there are significant concerns about typhus and hepatitis A outbreaks among populations experiencing homelessness.

More hygiene kits should be provided during the outreach stage to stem further contagion. Toilets and mobile showers like those provided by Lava Mae, and through the City's Mobile Pit Stop program, should be expanded citywide.

Some people experiencing homelessness noted that adult shelters in skid row have long lines. While rules vary among these shelters, people are typically limited to stays of 7 to 30 days. Occupants have to exit the shelter and reapply, or even go back to the street when their time has expired.

In another example, the management of the Covenant House and the Los Angeles LGBT Center noted that there are 60-day waiting lists for young people wanting to enter their shelters. Youths are generally limited to stays between 30-90 days,



depending on the funding source and classification of the bed, such as whether the bed is for mental health, bridge housing, or crisis housing.

ID #:24599

Limited Resources for people experiencing mental health illness or substance use disorder. An estimated 8,785 of the City's homeless population over the age of 18 selfidentified a serious mental illness, and 4,888 identified a substance use disorder in 2019.²⁴ These statistics are not mutually exclusive as a person may have self-identified co-occurring mental illness and a substance use disorder. LAHSA's reported figures more than likely underestimate the total number of people affected by both issues since each person must volunteer their conditions to the surveyors performing the annual point-intime count.

People experiencing mental health and/or substance use disorders require specialized supportive services along with housing, but are not likely to find an available slot due to high utilization.

According to LAHSA, the County recently added 1,600 homeless full-service partnership slots, which will help people with severe disorders. However, more post-detox residential resources are needed to help people who have already sought help for substance abuse disorders from cycling back into the streets and potentially using again.

- Privately funded shelter beds may not be known to some outreach workers. LAHSA requires all of its contracted service providers to use HMIS to report shelter bed vacancies, but it has no control over privately funded, faith-based or nonprofit organizations. Private organizations can perform outreach, and provide shelter and services, much like publicly-funded organizations, but they have no incentive to coordinate efforts in the CES. Some religious organizations expressed concerns over being "forced" to perform government functions. This reluctance makes it necessary for outreach workers to rely on informal networks and knowledge to connect people experiencing homelessness with available private resources.
- **Information about City housing programs could be shared with the County.** Starting in 2018, the LA County-led the effort to make Assembly Bill 210 (AB 210) law. The law allows counties to establish homeless adult and family multidisciplinary teams to facilitate the expedited identification, assessment, and linkage of homeless individuals

²⁴ LAHSA 2019 point-in-time Homeless Count.



and families to housing and supportive services. The law also allows public agencies to share private client information to facilitate the provision of and linkage to services.

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ID #:24600

Since the enactment of the law, the County has been developing participating agency agreements that will apply information sharing standards between agencies. City departments had not yet signed on, but the City's Homeless Coordinator and County Homeless Initiative Director indicated that an opportunity exists to include the Housing and Community Investment Department (HCID) to share City housing information. More analysis is necessary to determine whether other public agencies should be invited to these ongoing information-sharing efforts.

- Funding for Rapid Rehousing programs may be delayed and may prevent a person from being housed. An outreach team indicated that a housing referral for a client was pending because fiscal year funding for rental assistance had been exhausted. Although the client and his spouse had combined social security income of \$2,000 a month and subsequently told they needed to wait until July of the new fiscal year, to secure down payment assistance for housing. In the meantime, the client and his spouse were at risk of losing their shelter beds before funding could be secured for Rapid Rehousing since they had already used an extension to stay longer than the time authorized by shelter management.
- Landlords may not accept housing vouchers, opting for more traditional renters. While vouchers, like Section 8, can meet the needs of those who cannot afford housing in Los Angeles' competitive rental market, the program only works if landlords are willing to accept the subsidies.²⁵

With rental vacancies hovering around 4%, landlords may not be incentivized to accept vouchers.²⁶ Landlords are also not mandated by California law to accept the vouchers, making it difficult for people to obtain housing even when approved.²⁷

²⁷ LAHSA: Report and Recommendations of the Ad Hoc Committee on Black People Experiencing Homelessness.



²⁵ Center on Budget and Policy Priorities: "Prohibiting Discrimination Against Renters Using Housing Vouchers Improves Results." < https://www.cbpp.org/research/housing/prohibiting-discrimination-against-renters-usinghousing-vouchers-improves-results>

²⁶ The Housing and Community Investment Department and the American Community Survey for 2017.

A recent City Council motion (Council File: #18-0462) cites discrimination, low vacancy rates, and the high cost of housing as a reason why only 53% of Section 8 voucher holders are successful in finding housing.²⁸

Varied Experiences that Might Prevent People from Being Housed

Outreach is typically only the first step to connect an individual that is experiencing homelessness with available resources, but this process is not simple. It is driven by intrinsic human conditions and factors; unique stories and situations that make it difficult for an outreach worker to find a quick "fix."

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ID #:24601

An Executive of the Covenant House, a Los Angeles-based nonprofit offering housing and services to youths, noted that:

"...all [individuals] have experienced some type of trauma, and most have experienced a failure of society and/or the system..."

Under such circumstances, patience is a virtue. Repeated contacts build trust through occasional "hellos," hugs, and the exchange of necessities, such as food and/or water. Once an individual warms to an outreach worker and provides personal information, the outreach worker can assess and engage the client for qualifying services and/or housing. In Long Beach, it takes an average of about 17 contacts before someone accepts services.²⁹

Through this bottom-up approach, outreach workers listen and respond to each person's unique circumstances with the hope that the most resistant will eventually accept services or housing. The following provides an account of the various testimonials from our interviews and research explaining why people may not receive housing.

General Experiences and Challenges

 Strict Qualifications and Criminal Pasts - Certain federally-funded public housing programs impose restrictions to people convicted of arson, methamphetamine production, or a sex offense; and disqualification for prior public housing evictions for

²⁹ Press Telegram, May 14, 2019. < https://www.presstelegram.com/2019/05/14/outreach-workers-are-crucial-toconnecting-homeless-to-services-cal-state-long-beach-study-finds/>



²⁸ Council File: 18-0462.

- drug-related reasons, current illegal drug use, and alcohol abuse that interferes with the public housing community. (HUD and Contracted County MDT)
- Living Off the Grid Some people prefer a different lifestyle, particularly those living in vehicles, (USC Homelessness Symposium, Panelist), especially those who may be experiencing paranoia, or those who feel compelled to live "off the grid" (Individual from Vice article).

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- Choice Matters Unless a person is a threat to themselves or others, no one can force them into a facility or housing, even if they face severe mental illness or substance use disorders. (Contracted County MDT)
- Lost Hope Those classified as chronically homeless have usually lost hope for housing and may not put in the effort to make appointments or follow necessary steps to receive housing. (Contracted County MDT)
- Person Disappears or is Unavailable One outreach team had difficulty locating a person for whom they had secured housing, as he was at "his job," recycling cans and scrap metals. (Contracted County MDT)

Experiences with Shelters

- Inadequate oversight of Shelters- People experiencing homelessness have expressed concerns about the safety and quality of certain housing options, especially emergency or crisis shelters.
 - Women have concerns about shelters, including fear of rape and violence. (USC Homelessness Symposium, Panelist)
 - People have concerns about theft, favoritism, cleanliness, privacy, or demeaning treatment from shelter staff. (USC Homelessness Symposium, Panelist)
 - o Inadequate oversight of shelters; only LAHSA-funded shelters have an established grievance process, but even that requires initiating the grievance with the shelter. (USC Homelessness Symposium, Panelist, and LAHSA website)
- **Rules and Restrictions** Some people may not want to abide by the rules of the shelters. While most shelters have low barriers, there are still some concerns about having to



- check in to the shelter by a certain time or abiding by drug and alcohol restrictions. (Covenant House, LA Mission, Emmanuel Baptist Rescue Mission)
- Families and Partners Some people do not want to separate from their partner or family members and may only have one option based on gender restrictions and assessment scores.
- **Pets** Although LAHSA funded shelters are required to take pets, some people experiencing homelessness noted that they have fears of being separated from their pets with whom they have formed an emotional attachment or have for safety reasons.

Permanent Housing Barriers – With or Without Supportive "Wrap Around" Services

- Housing Location Some people may have concerns about housing locations and want
 to stay close to their community, or conversely being categorized, so housing is only
 offered in locations with similar racial/ethnic backgrounds. African American and Latino
 people make up the majority of people experiencing homelessness, but not enough
 housing options are available for Los Angeles' diverse population. (USC Homelessness
 Symposium, Panelist)
- **Limited Rental History** Those experiencing homelessness do not always meet landlords' expectations for permanent housing they may have poor or limited rental history, no personal identification documents, income deficiencies, or other characteristics making them less desirable applicants.
- Landlord Biases Landlords may have biases and subtly discriminate based on age, race, gender, religion, national origin, disability, income status, LGBTQ, or other unlawful reasons.
- Incorrect Assessments Housing programs incorrectly identified for the person
 experiencing homelessness. There is a stigma with certain answers that may influence a
 person to minimize one's condition. Incorrect assessments result in lower acuity scores,
 which may prevent them from being considered for permanent supportive housing.
 (County MDT)



Recommendations for Barriers to Successful Outcomes:

5. The Mayor, City Council, County Board of Supervisors, and Los Angeles Homeless Services Agency (LAHSA) should consider using all available resources to promote public health and safety until the completion of more permanent housing.

ID #:24604

- 6. City policymakers should support LAHSA's efforts to:
 - a. Establish a proactive outreach strategy and report back to City about the effectiveness for consideration of expanding the program citywide.

LAHSA should:

- b. Enhance transparency of its outreach by incorporating real-time, geo-based mapping of its activities in LA-HOP.
- 7. The Housing and Community Investment Department (HCID) should publicly post LAHSA's outreach reports on its website for outreach in the City and CoC every quarter.
- 8. In accordance with City's legislative position on AB 210, it would be beneficial for the City Administrative Officer (CAO) to identify City departments that should sign onto the County of Los Angeles' efforts to implement information-sharing protocols and the systems that would need to be accessed and shared.



Glossary



C3 Outreach Teams	City, County, Community outreach teams serve individuals living in Skid
	Row 5 days per week, offering to help people regain health and housing
	stability. They coordinate outreach among County DHS and DMH, LAHSA,
	and organizations like the Americorps, the People Concern, or the United
	Way.
Chronically Homeless	A person experiencing a disability that resides in a place that is not meant
	for human habitation or residing in a safe haven, or in an emergency
	shelter either continuously for at least 12 months, or on at least four
	separate occasions in the last three years, where the cumulative total of
	the four occasions totals at least 12 months. ³⁰
Connected	A referral to a resource (social security admin, DMV, LA County, etc.) that
	has been attained by the participant.
Contact	Initial or follow up interactions with participants or clients. The date of the
	first contact initiates the enrollment of the participant into the outreach
	program within the LAHSA database (HMIS).
Continuum of Care (CoC)	The Continuum of Care (CoC) has dual a meaning in homeless service
	delivery: It is both a service delivery system of care and a regional or local
	planning body that coordinates housing and services funding for homeless
	families and individuals. The CoC is located in most of LA County, excluding
	the cities of Glendale, Pasadena and Long Beach. LAHSA coordinates and
	manages public funds dedicated to the homeless in the Los Angeles CoC.
Coordinated Entry System	The Los Angeles County Coordinated Entry System (LA County CES)
(CES)	facilitates the strategic coordination and management of resources
	between all service providers and public agencies.
Direct Services	Goods or services (water, hygiene kits, etc.) provided to a participant by the
	outreach worker.
E6 Strategy	Refers to the Countywide Outreach System in the County of Los Angeles
	Homeless Initiative, which contains four dozen strategies to combat
	homelessness.
Engaged or engagement	The point at which an individual has consented to accept services and/or
	has agreed to the creation of a case plan. In HMIS, the individual is

³⁰ Combines HUD's definition for a "chronically homeless person" and "homeless". U. S. Department of Housing and Urban Development's Office of Community Planning and Development. Defining Chronic Homelessness: A Technical Guide for HUD Programs, September 2007.



Glossary



	considered engaged until they are "exited" to another program, including
	permanent housing. Engaged during the reporting period - During a quarterly or annual reporting period, the number of participants that were assessed or provided a housing case plan.
	Actively engaged - All participants that have been engaged since the beginning of the City/County E6 strategy (around 2016) and are still in the phase of engagement.
Enrollment	The point in which a client provides written consent to be signed up or enrolled in a program. Enrollment into the HMIS system occurs after initial contact and either preceding or concurrently with engagement.
Exited	When a participant has met the program goals, and/or will no longer receive services by the program. Including when the participant has been placed in permanent housing or other supportive services, dies, or when a participant has had no contact with the program in 90 days. The outreach worker will likely "exit" the client from the program, but retain their record in LAHSA databases.
Homeless Engagement Team (HET)	LAHSA staff that provide direct outreach to individuals experiencing homelessness. HET are assigned to specific areas within Los Angeles County and build personal relationships with their clients.
Homeless Outreach and Proactive Engagement (HOPE) Program	Led by LAPD, with assistance from Sanitation and LAHSA outreach workers, HOPE aims to connect homeless residents to resources while maintaining healthy and safe streets and sidewalks.
Homeless Management Information System (HMIS)	LAHSA's information technology system used to collect data on clients and the provision of housing and services to homeless individuals and families and persons at risk of homelessness. All-City and County funded organizations use HMIS and available for other organizations in the CoC to track homeless services.
Los Angeles County Department of Mental Health (DMH)	The largest county mental health department in the country, directly operates more than 80 programs and contracts with more than 700 providers, including non-governmental agencies and individual practitioners who provide a spectrum of mental health services to people of all ages to support hope, wellness and recovery
Los Angeles County Department of Health Services (DHS)	DHS provides healthcare to low-income residents, youth in the juvenile justice system, to inmates in County jails and to children in foster care. Through collaborations with community and university partners, DHS provides a system of 19 health care centers and four hospitals.



	DHS' also managers the Housing for Health division, which creates	
	permanent supportive housing opportunities for homeless patients in the	
	agency's system of care.	
Los Angeles Homeless	An online portal managed by LAHSA that allows the public to submit	
Outreach Portal (LA-HOP)	requests for outreach services to encampments.	
Linked	A participant connected to four specific resources/services	
	Housing Search and Placement	
	Family Solutions Center	
	Rapid Rehousing	
	Housing for Health	
Outreach	The first point of contact for people who are not served by traditional site-	
	based services to engage people experiencing homelessness into services	
	and housing. ³¹	
Placed	A participant that has moved into housing, length of time does not facto	
	into being considered "placed." A person can fall back into homelessness at	
	any point and later considered and placed if they are re-housed.	
Point-in-time Homeless	Annual counts mandated by the US Department of Housing and Urban	
and Housing Inventory	Development of the number of individuals experiencing homelessness and	
Counts	the number shelter beds in a CoC.	
Referred	A confirmed appointment to a resource whether or not the participant	
	attained it.	
Served and Attained	Of participants that were engaged, the number that was referred and	
Service	received a resource/service (received an ID, food stamps, etc.)	
Transition Age Youth (TAY)	LAHSA defines TAY as individuals between the ages of 18 – 24. Although	
	different housing and mental health services may define TAY as individuals	
	between the ages of 16 – 25.	
Vulnerability Index -	The VI-SPDAT (Families), VI-SPDAT (Individuals), and Next Step Tool (Youth)	
Service Prioritization	are pre-screening, or triage tools that are designed to quickly assess the	
Decision Assistance Tool	needs of homeless families/individuals/youth and match them with the	
(VI-SPDAT)	most appropriate support and housing interventions that are available.	

³¹Jeffrey Olivet, Jeffrey, Ellen Bassuk, Emily Elstad, Rachael Kenney and Lauren Jassil. "Outreach and Engagement in Homeless Services: A Review of the Literature" The Open Health Services and Policy Journal, 2010, 3, 53-70.



#	Recommendation	Responsible Entity
Section	II: Metrics, Data, and Reporting	
1	LAHSA, the Housing and Community Investment Department (HCID) and the City Administrative Officer (CAO) should work with all relevant City entities and County partners to establish clear and consistent goals, specific metrics, and appropriate reporting for outreach activities throughout the Greater Los Angeles area.	LAHSA, HCID, CAO
2	LAHSA must significantly improve data capturing, staff training, and reporting to ensure information is complete, accurate, and reliable.	LAHSA
Section	III: Street Outreach Performance	
3	The Housing and Community Investment Department (HCID) and City Administrative Officer (CAO) should: a. Take an active role in monitoring LAHSA's outreach performance by collaboratively setting goals and targets (based on absolute numbers of people to be served), and assisting the agency to address mid-year outreach shortfalls, including holding LAHSA accountable for not meeting expected performance targets. b. Work with County partners to establish goals and appropriate reporting for outreach activities in the Continuum of Care (CoC).	HCID, CAO



Summary of Recommendations



#	Recommendation	Responsible Entity
4	The City and the Los Angeles Homeless Services Agency (LAHSA) should adopt a performance management framework for outreach. Through a "HomeSTAT" like process, LAHSA and any City department involved in monitoring outreach will need to use accurate and timely data to make informed decisions about resources and the availability of shelter beds.	CAO, HCID, LAHSA
Section	IV: Barriers to Successful Outcomes	
5	The Mayor, City Council, County Board of Supervisors, and Los Angeles Homeless Services Agency (LAHSA) should consider using all available resources to promote public health and safety until the completion of more permanent housing.	Mayor, City Council, County Board of Supervisors, and LAHSA
6	 City policymakers should support LAHSA's efforts to: a. Establish a proactive outreach strategy and report back to City about the effectiveness for consideration of expanding the program citywide. LAHSA should: b. Enhance transparency of its outreach by incorporating realtime, geo-based mapping of its activities in LA-HOP. 	City Council and Mayor LAHSA
7	The Housing and Community Investment Department (HCID) should publicly post LAHSA's outreach reports on its website for outreach in the City and CoC every quarter.	HCID



Summary of Recommendations



#	Recommendation	Responsible Entity
	In accordance with City's legislative position on AB 210, it would be	
	beneficial for the City Administrative Officer (CAO) to identify City	
8	departments that should sign onto the County of Los Angeles'	CAO, HCID
	efforts to implement information-sharing protocols and the	
	systems that would need to be accessed and shared.	



We want to thank the organizations and sources that provided the City Controller's Office with invaluable information to make this report possible.

- 1. City of Los Angeles City Administrative Officer Homeless Coordinator
- 2. City of Los Angeles Homeless Help Desk
- 3. City of Los Angeles Unified Homeless Response Center
- 4. The Covenant House
- 5. County of Los Angeles Director of the Homeless Initiative
- 6. County of Los Angeles Department of Mental Health
- 7. County of Los Angeles Department of Health Services
- 8. Los Angeles Homeless Services Agency
- 9. Los Angeles LGBT Center
- 10. Los Angeles Times
- 11. National Alliance to End Homelessness
- 12. The People Concern
- 13. U.S. Department of Housing and Urban Development
- 14. U.S. Interagency Council on Homelessness
- 15. USC Annenberg School of Journalism
- 16. USC Sol Price School of Public Policy



Exhibit C





A plan for homelessness governance in Los Angeles



NO GOING BACK LA



LAND ACKNOWLEDGMENT

This initiative is an attempt to counter the legacy of deeply ingrained systemic racism resulting in a disproportionate impact of homelessness on communities of color, especially African Americans. We would be remiss in this effort if we failed to acknowledge that our very systems were built on foundations of stolen land and stolen labor.

This is especially the case in Downtown Los Angeles, which rests on the ancestral and unceded lands of the Tongva people (also known as Yaavitam). We acknowledge their elders, past, present, and future, for their cultural resilience. They are the original caretakers of this land on which the central governing institutions of the City and County of Los Angeles are constructed and where homelessness and inequity are so widespread.

Today, we see disproportionate rates of homelessness in our Native American Indian as well as Black communities.

We value these materials developed by the Los Angeles City-County Native American Indian Commission: https://lanaic.lacounty.gov/wp-content/uploads/2019/03/Healthy-LA-Native-Infographic.pdf

There is much work to be done.

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COVID-19 has revealed layers of underlying systemic inequities that have oppressed communities of color in Los Angeles County for generations. The September 2020 report produced by the Committee for Greater LA (CGLA), No Going Back: Together for an Equitable and Inclusive Los Angeles, shines a light on these disparities and begins to chart a course towards a more equitable LA County with wide-reaching and ambitious policy recommendations. As expansive as No Going Back LA is, a report in and of itself cannot hold leaders accountable, track progress towards mutually agreed-upon outcome goals, or foster the civic conversations needed to produce real systemic change. Focused and persistent collective attention is needed to successfully influence policy in order to create more equitable outcomes. This is the ongoing charge of the Committee for Greater LA and its signature initiative, No Going Back LA.

The Committee for Greater LA assembled a group of 15 civic leaders in April 2020, at the start of the COVID-19 pandemic to prioritize the recovery of LA County's most marginalized communities. The Committee worked in partnership with the UCLA Luskin School for Public Affairs and the USC Equity Research Institute to produce the *No Going Back* report.

The Committee is a cross-sectoral group of Angelenos who share a vision that our region's response to the COVID pandemic can advance systems change and dismantle the institutions and policies that have perpetuated institutional racism. No Going Back LA evolved from this report into an ongoing agenda for systems change powered by the Committee for Greater LA.

To date, the Committee has reached more than 1,000 community stakeholders in fields ranging from government, the nonprofit sector, education, academia, business and the private sector over the course of more than 50 stakeholder meetings and briefings. The Committee's current operating framework centered around Action Teams and a theory of change designed to deliver results that prioritize tangible outcomes in the lives of the most marginalized Angelenos. Our goal is sweeping systems change to ensure vulnerable and marginalized communities will be better off than they were before the crisis - there is #NoGoingBackLA.

The Committee for Greater LA (continued)

The Committee for Greater LA

Miguel Santana

CHAIR Committee for Greater LA PRESIDENT AND CEO Weingart Foundation

■ Fred Ali

Committee for Greater LA

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Jacqueline Waggoner

PRESIDENT Solutions Division, **Enterprise Community Partners**

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The Committee for Greater LA (continued)

Financial support for the Committee for Greater LA has been provided by the following institutions:

- Annenberg Foundation
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- The California Wellness Foundation
- Conrad N. Hilton Foundation
- The Getty Foundation
- The John Randolph and Dora Haynes Foundation
- The Smidt Foundation
- Weingart Foundation



May 19, 2021

#NotGivingUp

Dear Concerned Angelenos,

More than year ago, as the first waves of COVID-19 were hitting Los Angeles County, philanthropic leaders convened the Committee for Greater L.A. to ensure that, as our communities and institutions navigated this once in a millennium crisis, we would remain focused on the historic inequities that set the stage for unnecessary loss primarily borne by communities of color.

In September of 2020, the Committee for Greater L.A. released a report entitled *No Going Back LA: Together for an Equitable and Inclusive Los Angeles.* The report issued a searing analysis of the deeply entrenched layers of structural racism that the pandemic worsened. At the heart of this document are a broad range of policy recommendations, that if implemented, would begin to mitigate the historic inequities that for far too long have negatively impacted Angelenos living in our region's most marginalized communities.

From the beginning, the Committee intended for the report to be a catalyst for further action and a continued remaking of our systems. We promised that our collective work was not a report to be shelved but a mandate for action. In fact, our mantra is our purpose: No Going Back LA! This mandate calls on us to use this crisis as an opportunity for structural change on the most important challenges of the day.

This new report on homelessness is the first significant policy recommendation following the original landmark report. No policy issue is more pressing than the rapidly escalating crisis of people experiencing homelessness and our failure to create a comprehensive system to reverse its trajectory.

We engaged Dr. Raphael Sonenshein, Executive Director of the Pat Brown Institute at Cal State L.A., to take a critical and objective look at all the different systems that can lead to homelessness and impact unhoused Angelenos. While Dr. Sonenshein is not an expert in homelessness, he is a political scientist and a renowned authority on issues relating to Los Angeles governance, power, and collective action. Dr. Sonenshein had full independence to engage in his research. He carefully gathered the perspectives of many, including elected officials, service providers, national experts, and unhoused individuals. He also built upon the recommendations of the other reports on governance by the City of Los Angeles, Los Angeles Homeless Services Authority (LAHSA) and Los Angeles County.

Dr. Sonenshein concludes that no matter how many Angelenos are doing tireless work to help our region's most vulnerable, L.A.'s public sector entities still lack a shared set of quantifiable goals and a consensus on the mission and scale of the work specific to addressing the region's homeless population. His report recommends a recalibration of the governance structure resulting in a more coordinated and strategic approach among the State, County of Los Angeles, cities, and the service providers responsible for responding to the crisis. Central to his recommendation, Dr. Sonenshein recommends the creation of an executive board comprised of elected officials from the region—from the County, cities and State—and led by a CEO. This powerful board will be guided by influential and informed community stakeholders, experts, service providers, individuals who are unhoused or have been unhoused, and others.

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We recommend that the Board start on a path to at least a five-year run and be established as a nonprofit organization funded by philanthropy, state, and private revenue. The work of responding to the crisis is its primary task. However, to be more effective in the future, it should consider transitioning into a public agency with support from multiple governments. If needed, voter support could be sought to develop and bolster its authority.

In short, we want to actually fix the problem. We recommend a governing board with a to-do list. The first action must be to set a bold outcome-driven goal. We support a goal to solve unsheltered homelessness in the next five years and set clear accountability on housing goals so that we have permanent housing to meet the scale of the need associated with the mission.

The governing board should also address the following:

- Imbed the work to dismantle structural racism in every aspect of the safety-net and housing system.
- Build consensus on consolidating and removing the many oversight layers of LAHSA.
- Create accountability across mainstream systems from mental health and substance use treatment to incarceration.
- Establish a proactive results-oriented approach to current litigation.
- Prioritize and coordinate the spending of new state and federal resources to meet our big goals.
- Consider a Right to Housing framework.
- Develop a focused approach to encampments and best practices that balances the rights of the unhoused and housed.

This framework is intended to clarify and empower the core group of leaders who hold authority, set big outcome-driven goals, create accountability, and empower experts, practitioners and the unhoused to act in concert with one another to address this humanitarian crisis that has been building over generations.

To disrupt, dismantle and rebuild the systems that allow neighbors to fall into and languish in homelessness, we must set a common table to leverage change. Systems change work is tedious, hard and has no easy answers. It requires internalizing change throughout the system based on clear goals and by always placing people at the center. While we could make a pronouncement to have the state take over the crisis and have the federal government step in, we understand that nothing will really change until we make clear where the responsibility lies and create an environment for sustained change that allows experiments and rewards innovation.

We acknowledge that there will be skepticism to this recommendation. It is justified. We did not get to this crisis overnight. The road to this point is paved with broken promises and new initiatives that fill us with hope when adopted but fail to fully reach their objectives. The truth is that homelessness is not a statistic, and it will not be solved by a single proposition, revenue stream, vote, initiative, or leader. Our proposal alone will not end homelessness. It will require political courage and a shared commitment to come together under a coordinated plan based on outcomes and a clear definition of roles.

X



We respectfully submit this proposal to advance a more focused plan and effort. As members of the Committee for Greater L.A., we are not ready to give up and are committed to doing whatever it takes to end homelessness. It is worth fighting for. We invite you to join us, share your ideas and engage.

We would like to thank Raphe and his team for their thoughtful and insightful approach. We also thank Robin Engel and the team at Star Insights for keeping us organized and on task. Finally, we are deeply appreciative of the advice, insights and recommendations of the dozens of individuals who contributed to the final recommendations and for their steadfast commitment to ending homelessness in Los Angeles County.

Thank you for committing to stay in this fight,

Miguel Santana, Chair, Committee for Greater LA; President and CEO, Weingart Foundation

Fred Ali, Committee for Greater LA

Sarah Dusseault, Chair, Ad Hoc Committee on Governance, LAHSA Commission

Dr. Andrea Garcia, Board Chair, United American Indian Involvement

Andrea Iloulian, Senior Program Officer, Domestic Programs, Conrad N. Hilton Foundation

Michael Kelly, Executive Director, The Los Angeles Coalition for the Economy and Jobs

Vy Nguyen, Director of Special Projects and Communications, Weingart Foundation

Jacqueline Waggoner, President, Solutions Division, Enterprise Community Partners

We're Not Giving Up:

A Plan for Homelessness Governance in Los Angeles

Raphael J. Sonenshein, Ph.D.

EXECUTIVE DIRECTOR Pat Brown Institute for Public Affairs Cal State LA

Presented to the Committee for Greater LA May 2021

EXECUTIVE SUMMARY

We actually have too much leadership, all too often scattered and freelancing; too much data, not forged around outcomes; too much informal, unaligned coordination... but we most truly need alignment of money and institutions around a common mission with agreed-upon and impactful outcomes.

The ongoing homelessness crisis in Los Angeles has elevated calls for a better governance structure to address this devastating issue. Los Angeles combines an already fragmented system of general governance with a fragmented governance approach to homelessness. Any new governance structure must be customized around these distinctly Los Angeles features.

We often assume the problems in homelessness governance can be solved with more leadership, more data, restructured government institutions, more coordination, more city-county collaboration, and more money. This independent report commissioned by the Committee for Greater LA challenges these assumptions.

We actually have too much leadership, all too often scattered and freelancing; too much data, not forged around outcomes; too much informal, unaligned coordination. Formal city-county collaboration, as currently devised, is too inconsistent to carry the community's effort in the long term. We definitely need more money and should improve existing institutions, but we most truly need alignment of money and institutions around a common mission with agreed-upon and impactful outcomes.

The actual governance problem in Los Angeles is the absence of a center, a magnetic force that can draw our disparate best efforts to a common mission.

A centering structure customized for Los Angeles will focus the community and the stakeholders around a common mission, will develop and win consensus for shared outcomes, and will put elected leaders at the city and county levels in the central, but not exclusive role of leadership without creating a time-consuming process to create a new formal authority.

The centering entity will replace scattered and freelancing leadership, masses of uncoordinated data, inconsistent city-county collaboration with a focused, consensus-building approach that will foster alignment of institutions around common objectives. Rather than setting out to "fix" agencies, it will realign their work around a common mission and hold all participants accountable for helping to achieve the mission. In that process, much organizational fixing is likely to occur.

This new, independent entity known as the Center will be led by a CEO, governed by a board mostly of elected officials, from the county, the city and state, and overseen by a powerful board of key community stakeholders. As a "start up", the Center will begin as a nonprofit organization funded by local philanthropy. If necessary, it can transition to a public agency with support from multiple governments. If required, voter support will be sought through a ballot measure to develop and bolster the Center.

The Center's first task will be to build community consensus around a well-designed mission and outcomes plan. From there it will work nonstop to be the voice of the Los Angeles homelessness effort, keeping the community informed, and advocating for new policies to address not just the symptoms but the underlying policy causes of homelessness.

2

INTRODUCTION

Public frustration is deepening as, despite major improvements in helping people into housing, the crisis not only continues, but seems to get worse.

Los Angeles has been called "the homelessness capital of America." 1

Every day, we see people without housing, on the streets, in the parks, on the trains, often viewed as outcasts. And these are only the people who are visibly unsheltered. Even the great improvements that have been made in recent years have been swamped by the new inflow of people onto the streets.

Those who work to address homelessness, the unhoused and unsheltered people themselves, residents and business owners, are deeply frustrated. Many have lost confidence in our ability to effectively address this tragedy.

Public frustration is deepening as, despite major improvements in helping people into housing, the crisis not only continues, but seems to get worse.

Now more than ever, the crisis of people who are unhoused is a matter of life and death. A recent UCLA study found a large spike in Los Angeles County in COVID-19 deaths among unhoused and unsheltered people under the age of 65 relative to those who are housed.² Data from the LA Department of Public Health found a rise of deaths from a variety of causes among unhoused individuals in both 2019 and 2020.3

Homelessness is more than the visible problem of unhoused people living, and far too many dying, on the street. Homelessness is nested within another set of crises, often less visible but no less devastating:

■ Racial inequity due to decades of systemic racism and housing discrimination in particular has resulted in homelessness disproportionately affecting African Americans. While comprising less than 9% of the county's population, African Americans represent approximately 40% of the unhoused.4 The role of government policies in creating these conditions of inequity, particularly in housing, is a core underlying factor that must be reversed.⁵

¹ Joel John Roberts. 2014. Where is the Homeless Capital of America? Huff Post (May 2) analyzed and critiqued this widely accepted statement. www.huffpost.com/entry/ who-is-the-homeless-capit_b_4886379

² Kathryn M. Leifheit, Lelia H. Chaisson, Jesus Alejandro Medina, Rafik Wahbi, and Chelsea L. Shover. Elevated mortality among people experiencing homelessness with COVID-19. Posted March 8, 2021 https://www.medrxiv.org/content/10.1101/2021.03.05.21253019v1.full.pdf in advance of peer review due to the urgency of vaccination programs serving people experiencing homelessness (PEH).

³ Los Angeles County Department of Public Health. 2021 (January). Recent Trends in Mortality Rates and Causes of Death Among People Experiencing Homelessness in Los Angeles County. http:// $\underline{publichealth.lacounty.gov/chie/reports/Homeless Mortality 2020_CHIEBrief_Final.pdf}$

⁴ LAHSA Report of the Ad Hoc Committee on Black People Experiencing Homelessness 2018, p.9 https://www.lahsa.org/documents?id=2823-report-and-recommendations-of-the-ad-hoc-committee-on-black-people-experiencing-homelessness

⁵ See Richard Rothstein, 2017. The Color of Law: A Forgotten History of How Our Government Segregated America. Livelight. Also, Rothstein, The Black Lives Next Door, New York Times opinion article, August 14, 2020. https://www.nytimes.com/2020/08/14/opinion/sunday/blm-residential-segregation.html

Introduction (continued)

About Measures HHH and H

Measure HHH, passed by Los Angeles city voters in November 2016, authorized the city to borrow up to \$1.2 billion over 10 years to partially subsidize the development of up to 10,000 housing units for those experiencing homelessness. In March 2017 Los Angeles County voters passed Measure H to increase the sales tax by ¼ cent to provide supportive services for the unhoused and other services, with estimated funding of more than \$350 million yearly over 10 years. Both measures passed the imposing two-thirds majority vote requirement.

- A crisis of economic inequity, with an economy characterized by low-wage employment, often in industries vulnerable to COVID-19, low incomes and high rents creates profound vulnerability. Even a relatively strong economic recovery is unlikely to fundamentally alter these disparities without new government policies.
- A continuing lack of affordable housing and a legacy of federal, state and local policies hamper efforts to provide housing options for working class Angelenos in the face of rising rents and exploding housing costs.
- The historic gaps in the social safety net, for too long tolerated as a feature of American life, but now laid bare during an epidemic, have disproportionately affected communities of color and those facing economic calamity. As we emerge from the pandemic, we may find ourselves in an even worse situation as past rent becomes due and government supports decline.⁶
- A multisystem crisis, in which people exit other institutional systems and enter homelessness, makes this a multilayered challenge. Incarceration is one of these systems, and movements to seek alternatives to incarceration now overlap with efforts to address homelessness.⁷ The mental health system is another critical factor affecting both people entering and, if fortunate, exiting homelessness.

But we also face cascading political challenges:

- A political crisis within Los Angeles, as deep and growing divisions about how to address homelessness threaten to tear communities apart.
- A democracy crisis, and not just in Los Angeles, with democracy facing authoritarian challenges, posing the urgent question whether democratic institutions at all levels of government can solve the most glaring problems that we face.

In the past, voters have demonstrated a willingness to support major public expenditures to address homelessness, particularly in 2016 and 2017 with the passage of Measures HHH and H. We cannot assume that similar measures, or extensions of the existing ones, will continue to inspire public support. Progress toward addressing homelessness can and must demonstrate that these investments are well worth making.

At the same time, the homelessness challenge bears within it the seeds of renewal and opportunity. Considerable, at times astonishing progress has been made, even as water continues to pour over the side of the ship.

⁶ Blasi, Gary. UD Day: Impending Evictions and Homelessness in Los Angeles. UCLA Luskin Institute on Inequality and Democracy, 2020. https://escholarship.org/uc/item/2gz6c8cv

⁷ Los Angeles County Alternatives to Incarceration Work Group Final Report. Care First, Jails Last. https://ceo.lacounty.gov/wp-content/uploads/2020/10/1077045_AlternativestoIncarcerationWork-GroupFinalReport.pdf

Introduction (continued)



Los Angeles can and must find a way to systematically address homelessness and communicate that approach to key stakeholders and to the community. This is a moment, one that holds both maximum peril and maximum opportunity, and one that we dare not miss.

Even as there is deep frustration that the crisis is not only not abating, but seems to be getting worse, people of goodwill, dedicated organizations in all sectors including elected and appointed officials, philanthropy, the nonprofit arena, and business, and many in the unhoused communities themselves are working day and night to address it.

If we can harness public will, the efforts of those working within the homelessness services system, and major resources from federal and state government to fully address homelessness, these efforts will finally prevail.

For far too long, the complex challenge of homelessness has been seen not as a federal responsibility but as a task for cities and counties, and to a much lesser degree, the states. That may be changing, and just in the nick of time.

A new administration in Washington, DC is committing major resources to the rebuilding of America's states and localities and their safety nets in ways that may provide a short window to envision and implement successful programs to address our most pressing problems. The State of California is weighing in with proposed new funding to address homelessness, adding to the urgency of the region finding its most coherent and effective path forward to maximize these opportunities.

Los Angeles can and must find a way to systematically address homelessness and communicate that approach to key stakeholders and to the community. This is a moment, one that holds both maximum peril and maximum opportunity, and one that we dare not miss.

Governance Can Help

Governance is an important part of how democratic communities can address their most serious crises. The potential contribution of governance is often underappreciated and even misunderstood. While there is no single definition of governance, this one from the Institute on Governance will suffice for this report:

"Governance is how society or groups within it, organize to make decisions."8

Think of good governance as providing a structure within which people and organizations in and outside government can do their best work toward a common goal. Where there are compassion and the political will to address the problem, effective governance can ensure that these assets are harnessed toward a common objective. We can assess how progress is being made or falling short, and communicate this information (even when there is bad news to share) with stakeholders and the community.

⁸ https://iog.ca/about/

Introduction (continued)

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Frustrations both in the homelessness policy world and in the community at large are drawing people to ask: Is there a better way to make decisions on this vital issue? At one time, governance was synonymous with government, and governance simply meant how the formal powers of government are allocated and coordinated. Today, we place government both above and alongside the civic infrastructure, the nonprofit community, the private sector, and the grass roots. While government remains a principal, necessary, even central force in governance, it is linked to a broader civic infrastructure.

Governance can:

- Create a structure by which decisions can be made effectively and accountably.
- Increase the chances that the best policy ideas will emerge, be thoroughly analyzed, and if seen as likely to lead to success, be implemented and evaluated.
- Create and sustain a mission that the community can buy into and will be eager to help implement.
- Create a framework for shared data, information, goals, and best practices and promote a setting for shared learning and adaptation.
- Align authority and responsibility so that those with the power to make change are held responsible for what they can control and contribute to the overall mission.

Governance cannot:

- Solve all structural/organizational problems within governmental and non-governmental agencies, such as inefficiency, bureaucratic competition and inertia, and weaknesses in personnel.
- Offer or impose a completely new policy that will magically solve the problem.
- Surmount deep seated differences of politics and philosophy.

When it comes to the issue of homelessness, governance is having a moment in Los Angeles. Ideas and suggestions are swirling, creating an opportune time for pursuing the best possible structural reform. Frustrations both in the homelessness policy world and in the community at large are drawing people to ask: *Is there a better way to make decisions on this vital issue?*

⁸ https://iog.ca/about/

⁹ R.A.W. Rhodes. Governance and Public Administration. https://www.researchgate.net/profile/R-A-W-Rhodes/publication/246335680 Governance and Public Administration/links/5a11be7d458515cc5aa9c6a9/Governance-and-Public-Administration.pdf

Introduction (continued)

This study is different among current Los Angeles governance studies in its focus on the systemic aspects of governance.

Here are some recent studies and reports related to how we are organized to address homelessness:

- A study by the Ad Hoc Governance Committee of the Los Angeles Homeless Services Authority (LAHSA)10
- A set of recommendations from LA County staff to the Board of Supervisors¹¹
- A study by the LA City Council's Chief Legislative Analyst¹²
- A proposal from the San Gabriel Valley Council of Governments¹³
- Audits of LAHSA and Prop HHH by the LA City Controller¹⁴
- A set of reforms called for by U.S. District Court Judge David Carter for actions to be undertaken by the City and County15
- A plan developed by the United Way of Greater Los Angeles for a ballot measure to create a regional housing authority16

Where this study is different among current Los Angeles governance studies is its focus on the systemic aspects of governance.

The Project

This project grew out of the work of the Committee for Greater LA. The Committee's pathbreaking report No Going Back LA was released in September 2020.17 It addressed the multiple, overlapping equity crises facing Los Angeles in the midst of and in the wake of the COVID-19 pandemic, and offered 15 sets of transformational policies for LA's future.

The first set of policies the Committee identified for implementation were homelessness and housing. The Committee drew particular attention to problems of governance. The Committee's Ad Hoc Homelessness and Housing Action Team reached out to me and the Pat Brown Institute at Cal State LA where I am executive director. They asked me and the PBI team to undertake an independent study of the governance challenge regarding homelessness in Los Angeles.

¹⁰ Oliva, Ann. Los Angeles Homeless Services Authority: Report on Governance. https://www.lahsa. org/documents?id=5153-lahsa-report-on-governance

¹¹ County of Los Angeles Chief Executive Office. Revisiting the Los Angeles Homeless Services Authority's Structure and Function. 2021. http://file.lacounty.gov/SDSInter/bos/bc/1076881_RevisitingtheLAHomelessSvcsAuthority_sStructure_Function.pdf

¹² City of Los Angeles. Chief Legislative Analyst. 2021 (May). Los Angeles Homeless Services Authority Governance. Council file 20-0045. https://clkrep.lacity.org/onlinedocs/2020/20-0045_rpt_cla.pdf

¹³ San Gabriel Valley Council of Governments. United We Stand: Supporting a comprehensive, coordinated structure and strategy to meet the homelessness crisis in Los Angeles County. A White Paper, January 21, 2021. https://www.sgvcog.org/homelesswhitepaper

¹⁴ Galperin, Ron. Strategy on the Street: Improving Los Angeles Homeless Services Authority Outreach Program. 2019; Galperin, Ron. The High Cost of Homeless Housing: Review of Proposition HHH. 2019. https://lacontroller.org/audits-and-reports/strategy-on-the-streets/

¹⁵ LA Alliance for Human Rights, et al v. City of Los Angeles, et al. https://ca-times.brightspotcdn. com/47/f7/c117263f4f03b6be5f1b5bef207d/injuction.pdf

¹⁶ LACAHSA Los Angeles County Affordable Housing Solutions Agency. Fact Sheet https://drive.google. com/file/d/1t6e-ru61-KI3FtalVcz33YmOIo_J7eIs/view?usp=sharing

¹⁷ Committee for Greater LA. No Going Back. 2020. https://nogoingback.la/the-report-executive-summary/

Introduction (continued)

The goal was to identify the problems of governance and to recommend solutions to best improve the system.

I am not an expert in homelessness policy. Rather my expertise is in governance, particularly in the Los Angeles region.¹⁸ I was recruited to undertake this journey as a set of fresh eyes, focusing only on governance. The principles of good governance transcend a single policy issue and can hopefully be applied to guide this particularly complex one toward resolution.

The chair of the Action Team, Miguel Santana, was the leader of the Team. He facilitated the incorporation of the views of the Action Team members, assured my independent role, and was available at my initiative as a valued thought partner.

Fred Ali and the other members of the Action Team were sources of ideas, advice and inspiration. They joined in the excitement of trying to do something big and impactful. I am grateful for their encouragement and support.

The work of the Committee, of which this report is a part, was supported by a number of philanthropic donors listed on page vi. We are grateful for their belief in this overall effort.

This report has two major parts: The Governance Problem and The Governance **Solution.** In Part One, I walk through the governance problems that hamper the resolution of the homelessness crisis in Los Angeles. In Part Two, I propose a new plan to center the system so that governance can contribute to a solution. Part Two concludes with a specific plan to implement the new Center.

Our Team and Our Methods

The work began in January 2021. The Institute research team included three advanced MPA students at Cal State LA.¹⁹ The PBI staff acted as project managers, editors, visual specialists, and bibliographers. 20 The Committee's project team provided consistent and creative support.²¹

The research drew on a range of studies and reports. I explored various literatures, on governance in general, and the much smaller literature on governance of homelessness. In addition, books and newspaper and magazine

¹⁸ I served as executive director of the City of Los Angeles Appointed Charter Reform Commission, have advised other charter reforms in the region, and have written three books on the politics and governance of Los Angeles (bio at end of report).

¹⁹ Shantay Armstrong (governance, racial equity and lived experience), Ashley Oh (structures of homelessness governance), and Sarah Hauffen Salgado (models in other places).

²⁰ Project managers Tatiana Fernandez-Castro and Diana Albarran: visualization specialists Annie Thach and Glenn Wong; bibliographer, Vanessa Trissthain; editors Max Baumgarten, Nathan Chan, and Randi Aho; assistants Viviana Villafuerte and Monserrat Ramirez.

²¹ Robin Engel, Conor Guzmán, and Neel Galapati of Star Insights. I also thank Vy Nugyen of the Weingart Foundation.

Introduction (continued)

There were common themes: deep frustration with the obstacles to success, the lack of shared information, the absence of a common mission, the sense of wheels spinning in different and not often complementary directions; that everyone is in charge, and no one is in charge.

articles proved useful in identifying how jurisdictions inside and outside the United States have governed homelessness, and what lessons their experiences might hold for Los Angeles.

I had the opportunity to speak extensively with local and national experts, who were uniformly generous in sharing their experience and knowledge with me.²² Their wisdom informs this work. At the outset, I had conversations with several experts on homelessness policy. These conversations soon expanded to include more than 75 stakeholders from among scholars, elected and appointed officials, leaders of nonprofit organizations, and others (Appendix A). I explored their views of governance issues, and as my work evolved, I tested out preliminary hypotheses on them. I had the opportunity to speak individually with each of the members of the Action Team.

These conversations helped me as I challenged some of my own assumptions about the governance problem and its possible solution. Every conversation was different, and I sometimes had occasion to go back and clarify something I had read or encountered. I was particularly helped by conversations with the Lived Experience (LE) and Expertise communities of people who have experienced homelessness in Los Angeles.

We spoke on a confidential off-the-record basis. My partners talked thoughtfully and candidly about issues of governance regarding homelessness. They often directed me to more reports and studies and to other people who further deepened the research. I am particularly grateful for the insights of those who have conducted their own governance studies of homelessness in Los Angeles.

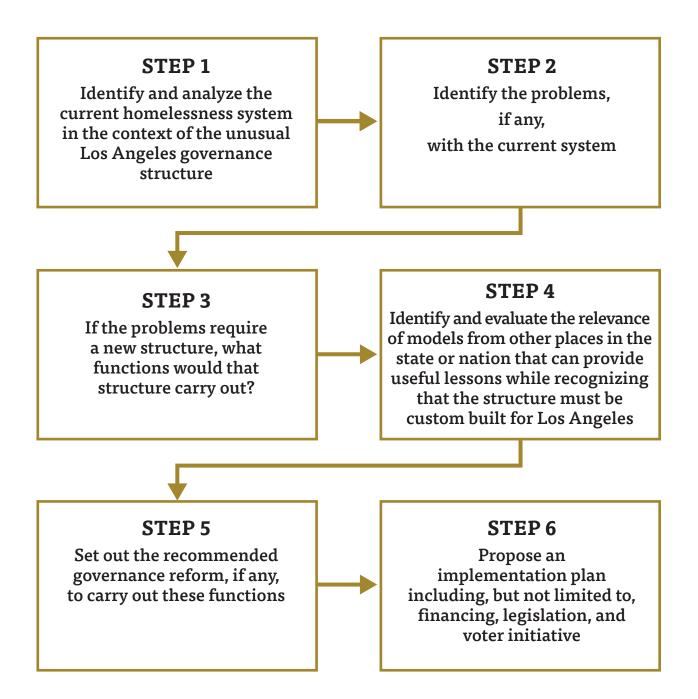
From very different sectors, there were common themes: deep frustration with the obstacles to success, the lack of shared information, the absence of a common mission and the sense of wheels spinning in different and often not complementary directions. I heard time and again that everyone is in charge, and no one is in charge.

While the conversations were immensely helpful, those with whom I spoke bear no responsibility for the analysis and recommendation within this report. For those decisions, I take full responsibility. I hope that the recommendation presented here will respond to the frustration I so often heard and that is widespread in the community. I also hope it will reward the hopes that have been invested in this journey of designing a better governance structure.

²² I especially acknowledge Carol Wilkins, who was the first expert I consulted and who became a continuing source of information and feedback throughout the project. I also frequently communicated with Dennis Culhane, Phillip Mangano, and Bill Pitkin.

Introduction (continued)

I have followed a stepwise process in exploring the problem of governance and in reaching a recommendation:



PART ONE The Homelessness Governance Problem

11

Any structure
for addressing
homelessness must
focus on what will
work for Los Angeles,
given its unique
government
challenges and
its specific
homelessness
governance issues.

The Los Angeles Governance Challenge

Any structure for addressing homelessness must focus on what will work for Los Angeles, given its unique governance challenges and its specific homelessness governance issues.

In a study of Continuums of Care (CoCs)²³ around the nation, Jennifer Mosley observed that the largest metropolitan areas have problems in addressing homelessness that are different from most other jurisdictions: "Large complex networks (for example, the CoCs serving Los Angeles or New York City) should be structured differently than small, less diverse networks (such as CoCs serving smaller, suburban counties)."²⁴

And as we will see below, even among the great cities of America, Los Angeles cannot be easily compared to New York City in addressing homelessness. Gotham City is a mayor-centered, joint city-county, hierarchical system, which is quite unlike the structure that operates in Los Angeles.²⁵

The obstacles Los Angeles faces to cross-sector governance (which is essential in addressing homelessness) dwarf those facing most other local government systems in the nation. Los Angeles has a host of local governments that are very different from each other structurally and are rarely incentivized to work together.²⁶ That common description actually understates the day-to-day challenges of local governance in the region when an issue requires collective action.

In many ways, this dispersed governing structure was intentional, planned by middle-class Progressive reformers a century ago. They were determined to prevent local governments in the West and Southwest from becoming like the great urban centers of the East and Midwest, where partisan political machines centralized power often through mobilizing the votes and support of growing immigrant communities.²⁷

The megalopolis of greater Los Angeles faces homelessness without the centralized authority and the political cultures supporting that structure that

^{23 &}quot;A Continuum of Care (CoC) is a regional or local planning body that coordinates housing and services funding for homeless families and individuals." It is required by the U.S. Department of Urban Development (HUD) for the receipt of certain federal funds. Source: National Alliance to End Homelessness. https://endhomelessness.org/resource/what-is-a-continuum-of-care/

²⁴ Jennifer E. Mosley. 2021. Cross-Sector Collaboration to Improve Homeless Services: Addressing Capacity, Innovation, and Equity Challenges. *ANNALS*, AAPSS, 2021 (January), p. 250.

²⁵ New York City may be the only city in the nation in which the city charter grants all residual powers (those not formally allocated to any office) to the mayor and not the city council or to no particular office as in Los Angeles.

²⁶ Raphael J. Sonenshein and the League of Women Voters of Los Angeles. Los Angeles: Structure of a City Government, 2006.

²⁷ Amy Bridges and Richard Kronick. Writing the Rules to Win the Game: The Middle-Class Regimes of Municipal Reformers. *Urban Affairs Review* 34 (5) May 1999: 690-706.

The Homeless Governance Problem (continued) can be found in New York City and Chicago, the very cities whose systems were the targets of Progressives.

These differences and obstacles can be set aside momentarily in a wildfire emergency, or around a great event such as a celebration, or durably on a single policy like transportation and even air pollution. Yet, beyond an initial press conference touting a new era of cooperation, collaboration is far harder to achieve with an issue as persistent, complex, and multi-faceted as homelessness.

Size and Misalignment

Size alone makes governance in Los Angeles County a challenge. With more than ten million residents, Los Angeles is the largest county in the nation and by itself would be the tenth-largest state, ahead of Michigan. The City of Los Angeles, with more than four million residents, is the nation's second-largest city.

A *single* Los Angeles County supervisorial district, each holding more than two million people, would be the fifth-largest city in the nation, behind only New York City, Los Angeles, Chicago, and Houston, and considerably larger than Phoenix.

The Homeless Governance Problem (continued)



Los Angeles Almanac. www.laalmanac.com/geography/ge30ba.php. Reproduced with permission.

The map above vividly shows the array of local governments within the county. The gray areas, largely to the north, are unincorporated county territory, governed directly by the Board of Supervisors. The space in white is the somewhat jagged-looking City of Los Angeles. The multicolored structures represent the 87 other incorporated cities, the great majority of which can be found in the southern and eastern corners of the county.

If the two leading bodies, the city and county, had similar governing structures, it might be a bit easier to work together. It can be difficult to align the mayor-council system of the City of Los Angeles with the five elected county supervisors who share both executive and legislative authority and have no single chief executive.

Most, though not all, of the 87 other cities, operate on the council-manager system, some with elected mayors and others with rotating mayors from within the council. In those cities, day to day direction is often in the hands of a city manager appointed and removed by the city council.

The Homeless Governance Problem (continued)

When it comes to executives, we have an elected mayor in LA city and a number of other larger cities; a five-member county board that shares executive authority; and the bulk of cities with an appointed executive, the city manager, with or without an empowered mayor.

Homelessness policy faces the further challenge that both social services and land use are required to address homelessness. These critical functions are held in separate governments. Social services are largely provided by the county through departments of mental health, public health, social services, and child and welfare services.

Meanwhile, the 88 cities have control of their own land use. In the City of Los Angeles, this involves a large, opaque, and often resistant system for approving developments. If land use is dispersed among 88 municipalities, it is further fractured within the City of Los Angeles by the informal practice of deferring to individual city councilmembers for land use matters in their district.

Within the City of Los Angeles, the mayor has significant authority but is constrained by the most powerful city council in the nation.²⁸ The council members, only 15 in number, differ from councilors and alderwomen and aldermen in New York City and Chicago, with 51 and 50 members respectively, in systems dominated by the mayor.

Cross-sector collective action is not impossible in Los Angeles. We have experienced collaboration in areas characterized by a single mission and a strong role for the state government such as transportation and air pollution. The combination of issue complexity in homelessness and divergent governmental structures, though, frustrates reformers.

Aligning the accountability of these structures toward a common mission is hard work. It certainly requires more than the faith that all this unruly classroom of proud and experienced giants needs is an old-school teacher with a ruler and a firm hand.

²⁸ John Mollenkopf and Raphael J. Sonenshein, "New York City and Los Angeles" in David Halle and Andrew A. Beveridge, eds., New York and Los Angeles: The Uncertain Future, Oxford U. Press, 2013.

The Homeless **Governance Problem** (continued)

A disjointed system of governments, combined with a disjointed governance program for homelessness, creates a situation that makes systematic, cross-sectoral collaboration toward common ends a near impossibility.

The Los Angeles Homelessness Policy Structure

Grafted onto these existing governance structures—extremely difficult to pull together around common purposes—is a fragmented governance structure for homelessness policy. This structure has evolved for over nearly 30 years but has not been able to surmount the challenges that already exist for cross-sector collaboration in Los Angeles governance.

The combination of a disjointed system of governments interacting with a disjointed governance program for homelessness creates a situation that is making systematic cross-sectoral collaboration toward common ends a near impossibility.

A relatively small number of governments, departments, and agencies play a direct, central role in the governance of homelessness in LA County (Figure 1).

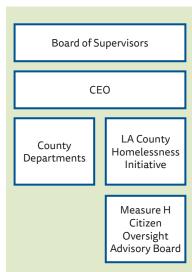
The key governments in homelessness policy are the County and City of Los Angeles. While housing is largely the province of the City, that is not all the City does. The City performs the daily, street-level governance of homelessness, which is where the rubber meets the road.

The city council's role is often as the "first political responder", meaning that residents who are unhappy contact their councilmembers first and foremost.

CITY OF LOS ANGELES



LAHSA Coordinated Entry System (CES) Policy Council LA County and LA City LAHSA Continuum of Care (CoC) Governing Board Board LAHSA Ad Hoc Lived LA Regional Ad Hoc Committee for Experiences Homelessness Black People Governance Advisory Advisory Experiencing Committee Council Board Homelessness



COUNTY OF LOS ANGELES

FIGURE 1: Current structure for governance of homelessness in Los Angeles County

In a further complication, Los Angeles City and County and a number of other cities have their own local Public Housing Authorities (PHAs) that administer all public housing and Section 8 voucher programs. PHAs are part of the local Continuum of Care (CoC) but also have a direct reporting relationship to the federal Housing and Urban Development Department.

The Homeless Governance Problem (continued)

A 2013 PBI survey found that by a more than 3-to-1 margin, city voters would regard a problem with city services as best addressed to the councilmember, not the mayor.29

Councilmembers are often buffeted by contradictory demands on homelessness from the most active residents of their districts, including business owners, social justice advocates, and neighborhood councils. While some want homeless encampments closed as soon as possible, others advocate for the right of people to live on the street. There are also those who believe that residents of these encampments should not be removed without having access to permanent housing.

Under the city charter, as amended in 1999, the mayor has executive authority over city departments. Most of them report to the mayor through general managers who are under the authority of mayor-appointed commissions. A key role is played by the City Administrative Officer (CAO), who supports the mayor (and to a lesser degree the council) in developing the city budget. CAOs have often been behind the scenes players in homelessness policy both within the city and in negotiations with the county.

On the county side, the five supervisors play varying roles in the homelessness issue, with some members more active than others. As a body that combines legislative and executive authority, the supervisors must reach a majority of three votes to set policy. The role of Board Chair rotates among the members.

Individual supervisors are assigned to be the lead for individual departments, and often assign deputies to help them carry out this large responsibility. The Board appoints and removes a Chief Executive Officer (CEO). Under current Board policy, the CEO is the formal reporting authority for department heads. But the ultimate power is in the hands of the supervisors.

Massive county departments, run by appointed executives who report to the Board of Supervisors through the CEO, are subject not only ultimately to each Supervisor, but also to federal and state agencies for how they spend their budgets.³⁰ While these departments play the main role in providing social services for people experiencing homelessness, homelessness is not their main task.

The passage of Measure HHH and H ushered in some changes to this governance system. HHH authorized the sale of bonds to be used for specific purposes (mostly capital expenditures for supportive housing) and for other

²⁹ Michael Finnegan, "Poll Shows Garcetti Gets High Marks at 100 Day Mark," Los Angeles Times, October 10 2013. https://www.latimes.com/local/lanow/la-me-ln-garcetti-poll-approval-20131006story.html Only 8% of voters reported they would contact the mayor, while 27% chose the city

³⁰ While city departments also receive considerable federal and state aid with strings attached, the county has historically had the larger share of its funding from outside agencies.

The Homeless Governance Problem (continued)

11

There is nothing keeping the City of Los Angeles, the 87 other cities, including three with their own Continuum of Care Boards, and LA County from operating separately from each other in addressing homelessness.

homeless facilities. H authorized revenues that can be used for a wider range of program costs (also including capital but mostly staffing, supportive services, and other ongoing annual costs). Control over HHH rests with the City of Los Angeles. Measure H is in the county's hands.

While the city and county have found ways to work together, there is still a perceived lack of mutual appreciation. For example, some city officials say that county leaders do not grasp the direct grassroot pressures on homelessness that they experience, while some county officials note that they have put an unrecognized level of funding and the work of social service departments into addressing homelessness.

Three cities have their own independent programs for homelessness, with their own Continuums of Care: Glendale, Long Beach, and Pasadena. They can qualify to directly receive funding from the U.S. Department of Housing and Development (HUD).

Pasadena and Long Beach are also among an even smaller number of cities in California that have their own public health departments.³¹

These core governance structures are independent of one another. There is nothing keeping the City of Los Angeles, the 87 other cities, including three with their own CoC, and the County from operating separately from each other in addressing homelessness.

LAHSA's Role

The only governance body that is shared by the City and County of Los Angeles in the homelessness arena is the Los Angeles Homeless Services Authority (LAHSA). LAHSA is a joint powers authority that was created in 1993 as a way to settle an ongoing lawsuit by the City against the County regarding provision of social services.

LAHSA's responsibilities have increased since its creation, especially since Measure H brought it new funding. It now has a large array of roles including serving as the lead agency for the Continuum of Care, coordinating and managing over \$800 million in federal, state, county, and local funds, and providing services to people experiencing homelessness. It also funds more than 100 nonprofit agencies providing services, including outreach. LAHSA plays a major role in connecting people experiencing homelessness with shelter, transitional and permanent housing.³²

³¹ Pomona, La Verne and Claremont have their own mental health system through Tri-City Mental Health Center, which plays a central role in implementing the homeless response system in the east San Gabriel Valley.

³² https://www.lahsa.org/about

The Homeless Governance Problem (continued)

11

The fact is that LAHSA was never designed, nor has it evolved into, the kind of entity that can knit together the fragmented threads of LA governance in homelessness policy.

LAHSA is governed both by an appointed commission and by the CoC committee that is required by HUD for the receipt of funding to local governments. LAHSA's commission has five city and five county appointed board members.

LAHSA also has various advisory committees, including the Lived Experience Advisory Board, the Ad Hoc Committee for Black People Experiencing Homelessness, the Ad Hoc Governance Committee and the Regional Homelessness Advisory Council (RHAC).³³

In 2015, the Board of Supervisors established its own Homeless Initiative, which rests within the CEO's office. The head of the Homeless Initiative reports to the Board through the CEO and since 2017 has made recommendations for the allocation of Measure H funding to county departments, to LAHSA, and to other entities (including cities).

LAHSA and county departments are designated as the lead agencies for particular target activities, for which they receive Measure H money. LAHSA is a major recipient of these Measure H funds; it receives roughly half of all allocations.

While LAHSA's role and funding have expanded, it cannot play the systemic role of coordinating the overall homelessness effort. And it often gets caught in the middle between the city and county.

Some county officials seem to think LAHSA is too city-oriented. Some LA City officials, especially councilmembers, express frustration that LAHSA cannot help them address homelessness in their own districts (even as we note that some demands are unrealistic and that LAHSA is unable to fulfill them).

The fact is that LAHSA was never designed nor has it evolved into the kind of entity that can knit together the fragmented threads of LA governance in homelessness policy.

When things go badly, LAHSA has often been the one that both sides blame. Yet, it does not have the authority (even with lots of money through Measure H) to be able to defend itself or resist political pressures from its parent governments to implement at times short-term programs and plans that are not part of a long-term planning process and that can change suddenly and without warning.

The report of LAHSA's Ad Hoc Committee on Governance found significant operational and administrative problems in LAHSA that need to be fixed along with a better governance structure of its own. But it concluded that LAHSA's future depends on a stronger regional system that can tie together the overall mission. According to the Ad Hoc Committee, such a regional force could help align LAHSA's work in a more effective direction.

³³ Ann Oliva's study of LAHSA, *op. cit.*, conducted for LAHSA's Ad Hoc Committee on Governance, provides invaluable history and analysis of LAHSA's past and present roles.

The Homeless Governance Problem (continued)

While city-county collaboration is valuable, we don't need another formal city-county collaboration.

The recommendation made in this report will hopefully fill that space in a manner that helps LAHSA achieve its full potential. It may also help LAHSA and other agencies to identify and fix organizational problems within LAHSA that could interfere with its potential role in achieving community-wide goals.

Analysis of the Governance Structure on Homelessness

The current governance structure for homelessness is not working as it should and is not on a path toward correction.

While there are numerous policy successes from various sectors of the system, the current structure does not provide a systematic approach. A better governance structure could offer a foundation to build on successes and to communicate how those fit into a broader strategy.

Beyond this broad conclusion, I was determined to dig deeper and to question my own assumptions about the nature of the governance problem in Los Angeles. A number of surprises emerged from my research that cast the problems of governance in a clearer light.

As a lay observer of the homelessness issue, I began this journey with several tentative assumptions about the governance problems in this system:

- A lack of collaboration between the City and County of Los Angeles
- A lack of leadership
- A lack of coordination
- A lack of data
- A lack of money
- A lack of organizational improvements in existing agencies

While there is merit in each these "lacks", I have concluded that they are insufficient to either describe the governance problem in its full scope, or to guide us to a better structural solution. Even if each and every one of these problems were to be fixed, we might not be much better off than we are now.

While city-county collaboration is valuable, we don't need another formal city-county collaboration

Many observers have focused on the lack of a formal structure that would tie the city and county together toward a common purpose. Occasionally, the state has played a role in surmounting city-county mutual isolation, such as the creation of the Metropolitan Transportation Authority in 1993. On other occasions, city-county bodies have been created on issues of common concern.³⁴

³⁴ Sonenshein and LWVLA, Structure..., Chapter 8.

The obstacles to city-county collaboration are not due to ill will or misrule...they are the results of ... structural differences between the two governments, amplified by their massive size, and by the multiple complexities of the homelessness issue.

Homelessness has not easily tied the City and County together. In 1993, the city and county themselves, under pressure from a city lawsuit against the county demanding more funding for services, formed a Joint Powers Authority known as LAHSA. Each side promised to provide resources to LAHSA, which was envisioned as a sort of coordinating body between the two. As noted above, LAHSA was neither designed nor supported to be such a coordinating body, nor was it a vehicle for shared city-county efforts.

At other times, philanthropy and other civic stakeholders, especially the Home for Good led by United Way of Greater Los Angeles, intervened to bring the city and county to the table.³⁵ This effort reached a high point in 2015 through 2017 around the development of and mobilization for two ballot measures that became known as Measure HHH (City of Los Angeles, 2016) and Measure H (Los Angeles County, 2017).

Both ballot measures passed with more than the required two-thirds majority, and new funds flowed into addressing homelessness. When the city and county issued compatible homelessness initiatives on the same day, long-term collaboration seemed assured.

While the new money fostered a major upsurge in housing now beginning to come on line and more services provided from the county, it did not create a new era of collaboration. Measure HHH was a city project and Measure H money flowed through the county's own homelessness initiative. There was little mutual accountability between city and county. The great spirit of 2015 through 2017 devolved back into the mutual isolation, occasional collaboration, and a common feeling of not being appreciated for contributions made.

These obstacles to city-county collaboration are not due to ill will or misrule. They are the results of a combination of the structural differences between the two governments amplified by their massive size, and by the multiple complexities of the homelessness issue.

Reinvesting in a new Joint Powers Authority around homelessness is likely to be time consuming and still bring only temporary improvements in the city-county relationship. The cost of that approach will be the loss of momentum, as the detailed negotiations of a common structure are worked out only to find the reality of a return to a very mixed relationship. Importantly, other stakeholders (smaller cities, COGs, and others) often find themselves excluded from power agreements between the City of Los Angeles and Los Angeles County.

³⁵ Inouye, Irene Hirano. Scaling Up: How Philanthropy Helped Unlock \$4.7 Billion to Tackle Homelessness in Los Angeles. 2021. University of Southern California. https://s3-us-west-1.amazonaws.com/ uwgla-cms-prod/media/filer_public/8a/cd/8acd5957-e187-42f3-aca2-f7b9b88d2bef/usc-case-study. pdf

A look under the hood of the governance car would likely reveal rubber bands, extra hoses, and clips going who knows where to keep the car running but no consistent system to set the direction of the vehicle.

The state of California is highly unlikely to intervene to force a better city-county relationship. Unlike in New York, where the state government has intervened in a major way in New York City governance, there is great reluctance in Sacramento to play such a dominating role in Los Angeles governance. The state is not going to ride to the governance rescue.

The city and county must be in a central, leading role in any new system of governance around a shared mission, whether or not they are allies or partners with each other on a day-to-day basis. We need a structure that will work effectively even when the city and county are not on the same page. While collaboration between the two governments is always a great asset, its temporary absence should not block progress.

While we have plenty of coordination, we lack systematic cross-sector collaboration.

A lack of coordination is not the fundamental problem. In fact, there is an extremely high degree of informal coordination among a host of participants in the homelessness policy system. Conversation after conversation revealed a surprisingly dense network of personal and professional interactions across boundaries, leading to solutions to particular, even isolated problems in homelessness.

Yet, this (over)reliance on informal coordination often generates new problems. We end up with a morass of intersecting relationships and agreements unconnected to an overall mission. What if the person with whom you are working to solve pieces of the problem retires or is reassigned? What if you leave?

While these "workarounds" often occur at the staff level, even the elected officials have their own connections with their peers and/or staff to help get things done. The problem is a lack of systematic collaboration around a common mission.

A look under the hood of the governance car would likely reveal rubber bands, extra hoses, and clips going who knows where to keep the car running but no consistent system to set the direction of the vehicle.

We have plenty of leadership, coming from all directions and going every which way; we lack a mission and a direction toward which leaders can contribute.

With the great public attention to homelessness, leaders in all sectors have incentives and pressures to present ideas or approaches that will solve the problem once and for all. In a systematic governance structure, this would be all to the good. But when the system is deeply fragmented, it creates instead a tendency toward freelancing.



The homelessness system suffers from data problems that interfere with getting to the next outcome-based level. We are not short of data. We are flooded with data. What we don't have is credible, shared data that are driven, above all, by outcomes.

Freelancing is not a bad thing in itself, if this creative intervention flows into a common mission toward shared goals. In fact, it is a worthy approach in a place like Los Angeles where there are many talented and creative people, and where institutions and people work best when encouraged to roam freely.

In the current circumstance, freelancing leads to jarring shifts of direction, multiple battle plans, mixed messages to and from stakeholders and to the wider community, and a general sense of chaos and uncertainty.

The homelessness system suffers from a series of data problems that interfere with getting to the next level, based on outcomes. We are not short of data. We are flooded with data. We don't have credible, shared data that are driven, above all, by outcomes.

We do not have a full picture of the size of the unhoused population. While this is a problem in many cities and counties across the country, the situation here is exacerbated by "data silos." Sources of data are kept in mutually-isolated agencies following their own valid rules and regulations, which are often required by federal and state law.

As a result, those in the field with whom I spoke expressed frustration with obtaining the information and data they need to make decisions and to address and solve problems.

The need to demonstrate success to funders, whether in government or in philanthropy, also pushes participants in the system to measure outputs, not outcomes. Governmental and private funders have to be brought into the conversation to help us enhance the measurement of broad outcomes system wide.

More data will not solve this problem, but instead will reinforce the problem as new data flow into the same institutional structures as before. We need a much more robust ability to convert data from all sources into a common enterprise that will generate movement toward outcomes with a common mission and strategy.

When we think about racial equity in addressing homelessness, the question of outcomes must be expanded beyond the numbers. To be fair, quantitative data has made and continues to make a great contribution in highlighting the vastly disproportionate impact of homelessness on African Americans, showing the differential impact of policies that reinforce racial inequity on communities of color. The numbers can tell us who is most vulnerable to becoming unhoused.

But there are outcomes for which the numbers are insufficient.

Historical analysis can give us context that quantitative data alone cannot. Data without context leave us vulnerable to missing the deeper institutional trenches that we need to confront in order to successfully address homelessness. The thorough analysis by a UCLA team of the history of homelessness

The Homeless Governance Problem (continued)



The unhoused are people, not numbers, and an outcome system only designed to produce results on a column of figures becomes another way to not really see people who are unhoused.

in Los Angeles should be required reading for today's policymakers.³⁶ Richard Rothstein has unraveled the historical roots of the government policies that systematically embedded racial inequity in housing.³⁷ In a similar vein, this historical approach is a strength of Judge David O. Carter's 110-page order released on 20 April 2021.38

Outcomes must be qualitative as well as quantitative. The unhoused are people, not numbers, and an outcome system only designed to produce results on a column of figures becomes another way to not really see people who are unhoused. People come to be unhoused from many different places and in many different ways. This is a large part of what makes homelessness policy so complex.

In my conversations with people within the Lived Expertise community, I heard a range of concerns that crossed questions of race and also how challenging it is for unhoused people to connect with places where decisions are made.³⁹ As we measure outcomes, incorporating these perspectives will be essential.

This is where the voices of people who are currently unhoused, as well as those who have been there before, can help shape policy and evaluate outcomes. And because of the overrepresentation of African Americans among unhoused people, effective outcomes will require new ways of addressing the experience of race and racism.

These approaches will also help to address the inequities facing other communities of color. The opportunity for people who are unhoused to convey their individual life situations, regardless of the necessary requirements for common ways to categorize them, calls on the skills of oral history and trusted conversation partners.40

We definitely and urgently do need more money to address homelessness. We don't have a way to align funding to achieve outcomes within an overall strategy that can encourage further investment in the Los Angeles effort.

Tens of thousands of people are unsheltered and they do not have enough income to pay rent. The overall system needs to have enough money to provide more buildings, staff, food, including shelter beds or rooms, housing subsidies,

³⁶ Sheeley, Kirsten Moore, Katz, Alisa Belinkoff, Klein, Andrew, Richards, Jessica, Verri, Fernanda Jahn, Vestal, Marques, Yaroslavsky, Zev, and Nelson, Kyle. The Making of a Crisis: A History of Homelessness in Los Angeles. 2021. https://luskincenter.history.ucla.edu/wp-content/uploads/ sites/66/2021/01/LCHP-The-Making-of-A-Crisis-Report.pdf

³⁷ Rothstein, op. cit.

³⁸ https://ca-times.brightspotcdn.com/47/f7/c117263f4f03b6be5f1b5bef207d/injuction.pdf

³⁹ I thank Bill Pitkin, consultant to the Weingart Foundation, for setting up and facilitating these productive conversations. The LAHSA study on Black People Experiencing Homelessness is a unique resource on these questions, and its appendix of interviews is invaluable.

⁴⁰ Kerr, Daniel. "We Know What the Problem Is": Using Oral History to Develop a Collaborative Analysis of Homelessness from the Bottom Up. The Oral History Review, 301, 27-45. Taylor & Francis, Ltd, 2003. http://www.jstor.org/stable/3675350

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Alignment towards outcomes is essential. If overlooked, a significant opportunity will be wasted.

and services. But each of these problems reflect a common characteristic: the absence of a centered system, one that pursues a unified mission with set goals that can be consistently evaluated.

Before HHH and H, those investments were at the scale of pilot projects for a few hundred people at a time. The added resources have helped the system grow to assist thousands more people each year. Yet, we need to assist tens of thousands of people.

Measures HHH and H demonstrated that money does make a tremendous difference in the system's ability to produce results. However, money can both support and impede cross-sector collaboration toward a common mission.

The availability of these revenues did create substantial collaboration between the city and county, which entered into an MOU to coordinate investments in housing capital (with HHH), operating subsidies (with housing authority vouchers), and county services (enabled in part by H). But the momentum around Measures HHH and H did not create the structure or cohesion for ongoing alignment. As a result, it increasingly seems that each recipient of new dollars goes its own way without shared strategies and accountability.

With the impending inflow of federal, state, and local funding for homelessness, money alone will neither create a strategy nor a plan with clear outcomes. Alignment toward outcomes is essential. If overlooked, a significant opportunity will be wasted.

Finally, there is considerable interest in fixing existing governing institutions, particularly LAHSA.

The various efforts to reform LAHSA, improve its governance and operations, and achieve its full potential are worthy of support. The main task now, however, is to address the need for a broad mission, based on outcomes, that can unify the community around these outcomes.

The best way to help LAHSA and other organizations to make their potential contribution to the overall effort is to create a centered mission and plan to which they can align their work and make necessary internal improvements to get there.

The lack of a centering mechanism or entity has contributed to the amassing of data without coherence, the scattering of leadership, the lack of a sense of how money is shaping outcomes, and informal coordinating workarounds. Anything short of creating a new, impactful center to the system will only mean more spinning of wheels and more frustration.

Regarding the need for a centering mechanism today, that space is now empty.

The Homeless Governance Problem (continued)

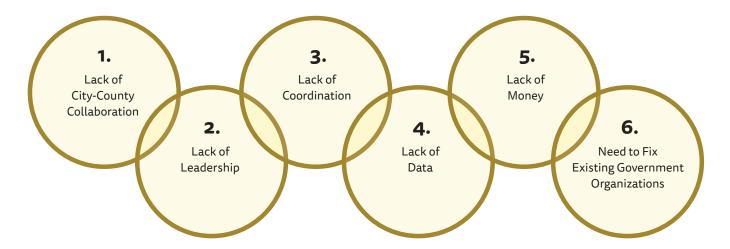


FIGURE 2: Assumptions about Governance Problems

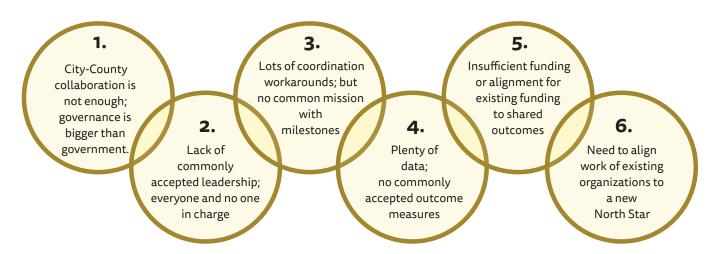


FIGURE 3: The actual Governance Problems



The Homeless Governance Problem (continued)

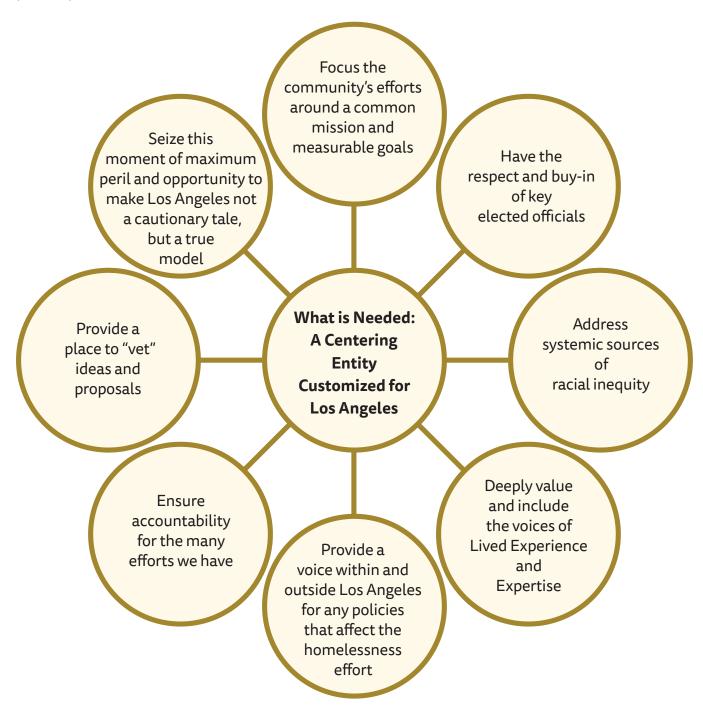


FIGURE 4: This is what a centering entity must do

PART TWO The Governance Solution

A New Centering Entity

Based on the problems identified in Part One of this report, I recommend the creation of a centering entity that will serve as the home base of the system to address homelessness in Los Angeles. The Center will develop consensus around a common mission and set of outcomes. No such centering entity exists in Los Angeles today.

This entity will be custom designed for Los Angeles, while borrowing ideas and experience from other cities and counties around the nation.

We in Los Angeles are not the only ones struggling with how to improve governance of homelessness. Nations, states, counties, and cities are looking into different ways to create and sustain "cross-sector collaborations" in addressing homelessness.

In 2019, the European Union conducted a survey of its 35 member and candidate states, and found that only Finland had experienced an actual decline in the unhoused population.⁴¹ A study of cross-sector homelessness collaborations in Scotland found a hodgepodge of local programs, with those that had common missions and measurement of progress toward goals achieving better outcomes in addressing homelessness.⁴²

In the United States, homelessness has largely been treated as a local issue, which has placed immense burdens on city and county governments. Some national leadership has been exercised, including the catalytic role of the U.S. Interagency Council on Homelessness. The Council has helped seed experimentation, and has developed a widely-adopted objective: to make homelessness, "rare, brief, and non-recurring."

The US Department of Housing and Urban Development has played a major role in local homelessness efforts by tying HUD funding to the creation of CoCs. A recent study has found mixed results from these governance structures required by HUD.⁴⁴

Given the importance of federal funding through HUD, the decision on whether to take a fresh look at how CoCs are regulated will be very impactful.

⁴¹ Baptista, I. and Marlier, E. (2019), "Fighting homelessness and housing exclusion in Europe: A study of national policies", European Social Policy Network (ESPN), Brussels: European Commission.

⁴² S. Boesveldt, N.F., Van Montfort, A.J.G.M., and Boutellier, J.C.J. *The Efficacy of Local Governance Arrangements in Relation to Homelessness. A Comparison of Copenhagen, Glasgow and Amsterdam.* 2017. https://link.springer.com/content/pdf/10.1007/s1115-017-0378-2.pdf

⁴³ Department of Health and Human Services, United States. Interagency Commission on Homelessness Annual Report 2020. https://www.montgomerycountymd.gov/Homelessness/Resources/Files/Documents/Annual%20Reports/2020-ICHAnnual%20Report.pdf

⁴⁴ Malloy, op.cit.

The Homeless Governance Solution (continued)

One of the closest models for Los Angeles is Seattle and King County in the state of Washington. With increasing property costs, Seattle and King bear some resemblance to the City of Los Angeles and Los Angeles County.

Finding a single model from around the nation is quite difficult because the existing governance structures are so different. For example:

- San Francisco, Denver, and New York City all have combined city-county governments. Their governance challenges are likely to be quite different than what Los Angeles faces.
- In Salt Lake City, the state of Utah plays the principal role.
- In Portland, Oregon a decades-long tradition of grassroots participation may account for the dense organizational representational model of its homelessness governance program.
- Washington, DC, where homeless encampments sit next to the Federal Reserve, is a federal territory without statehood whose governance depends in part on Congress.⁴⁵
- Montgomery County, Maryland, which has few cities of significant size, places the great share of its authority in the County.

While the largest cities, such as Los Angeles and New York City, require their own customized governance structures, the difference in political culture and governmental structures between the two largest cities are so staggering that they stand as opposite poles of urban governance.

One of the closest models for Los Angeles is Seattle and King County in the state of Washington. With increasing property costs, Seattle and King bear some resemblance to the City of Los Angeles and Los Angeles County. Seattle is now one of the leading locales for unhoused populations in the nation (generally listed third after New York City and Los Angeles).

At times, Seattle seems like a smaller-scale version of Los Angeles, with towering prosperity resting next to people who are unhoused. Not surprisingly, there has been a continuing interchange of experience between the Seattle region and Los Angeles. 46,47

This interaction is far more extensive than current conversations about homelessness governance between Los Angeles and New York City.⁴⁸

⁴⁵ Rachel Siegel, "Two blocks from the Federal Reserve, a growing encampment of the homeless grips the economy's most powerful person, The Washington Post, April 17 2021. https://www.washington-post.com/business/2021/04/17/homeless-tent-city-federal-reserve-jerome-powell/

⁴⁶ Ann Oliva, who conducted the governance study of LAHSA, also conducted research for Seattle. Furthermore, the Ballmer Group, headquartered in Seattle and with a strong presence in Los Angeles, has promoted dialogue between the two communities.

⁴⁷ See also https://www.latimes.com/california/story/2019-08-01/california-homeless-people-housing-national-model-conference *Los Angeles Times*, August 1, 2019 for mutual learning between Seattle and Los Angeles.

⁴⁸ Some years ago, the New York City experience with Housing First as a policy approach influenced Los Angeles to go in that direction.

The Homeless **Governance Solution** (continued)



We must first determine the functions that need to be carried out ... If we as a community can reach consensus on these functions. it will be easier to align the community's effort toward a common purpose.

For more than three years, Seattle has pursued a joint powers authority between city and county regarding homelessness. By 2021, the new joint powers authority that combined important city and county functions in housing and social services, was implemented and a CEO hired. The long path to this agreement is a reminder that such agreements are not easily or quickly designed, implemented and maintained.

Another relevant West Coast model is the 2021 creation of the Bay Area Regional Action Plan, which brings together mostly elected officials throughout nine counties in the Bay Area. Unlike the Seattle case, this is a voluntary compact to create a common strategy around homelessness and to draw commitments from governing bodies. The governor's office played a supportive role in facilitating the Action Plan.

In designing the centering entity proposed herein, I have borrowed aspects from these and other models around the nation, specifically those that focus on generating a shared mission, common goals, strong outcome measurements, and commitment by elected officials and their governments.

I have customized the entity to fit within the fragmented and dispersed system of horizontal power in Los Angeles, to maximize its impact and contribution by filling in the missing center of homelessness governance in Los Angeles.

Los Angeles is both too big and diverse in local governments to be thought of as a typical city and county, and also too different from such other mega-cities like New York City and Chicago to be like those vertically organized, power-based systems.

The structure of the entity should follow its function. I begin therefore with the functions that should be carried out by the proposed entity. If we as a community can reach consensus on these functions, then it will be easier to move to the next step, which is aligning the community's effort toward a common purpose.

The Homeless **Governance Solution** (continued)

The proposed functions of the centering entity

*To plan and lead a commitment to reduce by half street homelessness in Los Angeles County with access to permanent (and if necessary, supportive) housing within five years of the establishment of the entity.

To establish milestones for outcomes and ways to measure them that are transparent to stakeholders, the unhoused and unsheltered, and the public

To communicate regularly the results of these outcome measures to stakeholders, people experiencing homelessness, and the public

* This is an example of a broad goal that the Center could set as a target. Others are possible. Community conversation will help generate others, and support the selection of a guiding mission.

These functions determine the type of entity to be recommended. It should be lean and impactful, able to roam freely over the scope of the homelessness crisis, to be able to address prevention as well as re-housing and to not be subject to the direct control of other agencies in the region.

The Homeless Governance Solution (continued)

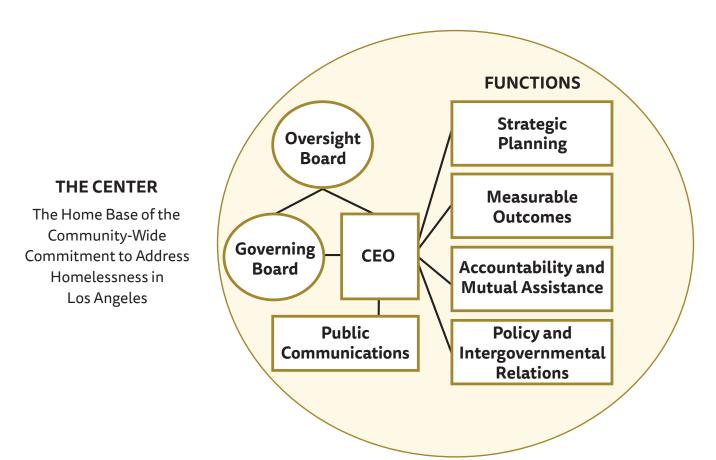


FIGURE 5: The proposed structure of the entity, tentatively labeled "The Center" (a final name for the Center should be determined through community conversation)

The Homeless **Governance Solution** (continued)

Composition of The Governing Board

- The Governing Board (n=7) Hires and removes the CEO
- Ex officio Co-Chairs:
 - Mayor of the City of Los Angeles Chair of the LA County Board of Supervisors
- Chair of the Oversight Board
- CEO of the Center
- State representative Designated by the Governor
- Representatives of non-LA city governments

Composition of The Oversight Board

- The Oversight Board (n=15-21) Members nominated by the CEO and confirmed by the Governing Board
- Philanthropy, Business, Labor
- Public School System Leadership
- Lived Experience and Lived Expertise Including youth
- University and Government Researchers
- Leaders of civic, provider, and faith-based organizations

The Homeless **Governance Solution** (continued)

The structure of the Center is very simple and built around activities rather than about offices or divisions, in order to reduce unnecessary bureaucracy.

These activities will include:

- **Strategic planning.** The Center's duty is to develop, test, build consensus around and implement a five-year strategic plan that can win stakeholder support, with the possibility that it will have to be amended over that time period. This function includes providing a setting to "vet" ideas and proposals within a common framework and replacing the current practice of new ideas being thrown out for public review without any shared evaluation and discussion.
- Measurable outcomes. These outcomes are not only broad outcomes about the unhoused and unsheltered, but more specific outcomes regarding racism and racial inequity.
- Policy and intergovernmental relations. As the one place that should have its eyes on the whole system, the Center will be alert to all policies (even those that might seem tangential at first) that affect homelessness. The prevention sphere includes such policies as incarceration, child welfare, mental health, and income support. The Center will actively advocate for policy changes in these and other areas that affect homelessness. A strategy for defining and pursuing homelessness prevention is critical.
- Accountability and assistance. The Center will push and prod elected and appointed officials, nonprofit organizations, the private sector, philanthropy and others to help make the plan a success. At the same time, the Center will advocate for policy changes at the federal and state levels that can help these local officials and organizations contribute to the common mission.
- Public communication. The Center will become the most credible source of information to the public. This includes information even when the news is bad, and when the Center itself is falling short of its promised outcomes.49

⁴⁹ Culhane, Dennis P., David Eldridge, Robert Rosenheck and Carol Wilkins. "Making Homelessness Programs Accountable to Consumers, Funders and the Public" National Symposiums on Homelessness Research (1997) Available at: http://works.bepress.com/dennis_culhane/23/

The Homeless Governance Solution (continued)



The Center offers a different kind of power than the traditional, command-and-control, top-down model of single authority of government or a joint powers authority between a city and county government.

The CEO, and the Governing and Oversight Boards: A Different Kind of Power

This entity offers a different kind of power than the traditional, command-and-control, top-down model of single authority of government or a joint powers authority between a city and county government.

The unique nature of fragmented city and county governments in Los Angeles, the fractured nature of its homelessness governance system, and the long-lived, long-term and complex nature of homelessness, call for a unique centering structure.

The entity is built around a model of governance in which leaders of formal government institutions participate in a collective arrangement with civic society and the community. The entity brings together in a tightly-knit fashion those who can bring their own strengths of power and influence—whether formal government authority, philanthropic resources, community recognition and support, lived expertise, and research—to form a collective unit capable of truly centering the mission of addressing homelessness in Los Angeles.

The combination of a strong leadership structure and the consistent advocacy toward a common mission will help the Center evolve over time. Such a Center can exert significant influence on all sectors of the homelessness system, holding itself and others accountable for their contribution to the overall mission.

In turn, this can help foster systemic change not only overall, but within each jurisdiction in the homelessness policy system. The Center can provide a place to bring proposals for organizational change within the system, including LAHSA, and foster proposals that can be implemented.

The Center's leadership system involves an empowered CEO, who reports directly to a small Governing Board. The larger Oversight Board will be designed to be far more than an advisory committee. It will include key stakeholders who have reach into the community and who have demonstrated that membership on this body will be one of their principal civic duties. Subject matter experts and practitioners will ground recommendations from the Oversight Board based on best practices and problem solving.

The Oversight Board contains some of the features of the "collective impact" model that has enjoyed considerable success in unifying community efforts on difficult issues.⁵⁰ It links this model to the power of the governing board,

⁵⁰ The Ballmer Group has developed a collective impact model (Strive Together) around supporting educational attainment from cradle to career that has been adopted in numerous communities. https://www.strivetogether.org/what-we-do/our-approach/#sub-menu

Unleashing the Power of Participation

The Homeless Governance Solution (continued)

11

The Center's success will depend on the relationship and interplay among the CEO, the Governing Board, and the Oversight Board. There will be a great deal of power and influence at these three tables.

which embodies the central commitment of the government bodies that will ultimately craft and implement policies.

This represents an "inside-outside" combination of government and the civic community.

The Lived Experience role on this powerful Oversight Board will put people experiencing homelessness past and present at the literal center of the overall homelessness policy effort. One of those seats will be for youth, a People Experiencing Homelessness (PEH) constituency that has been increasingly active on the advocacy front.

The Governing Board will have only seven members. The two key elected officials on the board are the mayor of Los Angeles and the chair of the Los Angeles County Board of Supervisors. They are placed in *ex officio* roles as co-chairs. Each co-chair will have a designated alternate. In the case of the Los Angeles mayor, it will be the president of the Los Angeles City Council. The alternate for the chair of the Los Angeles County Board will be another supervisor.

With the agreement of the LA City Council and the County Board of Supervisors, these leaders will have the authority to implement change within their own governments. This design differs from a joint powers authority in that these leaders bring the practical commitment of their respective governments, but not as a result of a formal agreement. And it has the virtue of being able to start immediately, at the first meeting at which these two leaders join the effort.

Those cities with significant populations of people experiencing homelessness and that are ready to commit to play an active role in the Center will have representation of elected officials on the Governing Board, through a process yet to be determined.

The board includes an appointee of the Governor of California. While this role does not give the state any formal authority over the Center, it links the Center to the most important public office in California. As the example of the Bay Area Regional Action Plan indicates, the state may be more willing to assist in the development of a locally-designed governance structure than to try, in the New York model, to impose its authority on the local community.

The Center's success will depend on the relationship and interplay among the CEO, the Governing Board, and the Oversight Board. There will be a great deal of power and influence at these three tables.

The CEO of the Center and the Oversight Board are meant to be strong, impactful participants.

The Homeless **Governance Solution** (continued)

Remaking a century of Los Angeles governance to create a "unified power system" seems likely to drag out the homelessness crisis beyond all patience.

In order to ensure that role, they both have seats on the Governing Board. The Chair of the Oversight Board will serve on the Governing Board, with the Vice Chair as alternate member.

The CEO will provide consistent leadership so that the Center is on a steady pace to generate outcome data, research on best practices, and proposals for immediate and long-term action.

All the leaders in the Center must be able to disagree with and challenge each other, while maintaining an overall, visible unity of purpose around a common mission. The community and stakeholders will be watching to see if parochialism and blame-shifting dominate, or if these powerful players will instead elevate and promote the common mission.

The strength of the Center comes from its mission and its governance structure. Students of public administration increasingly understand that government is embedded in a larger network of governance, especially in situations where cross-sector collaboration is required. It must also operate within the political culture of the community.

As compared to the great urban governments in the East and Midwest, Los Angeles governance has always operated on a more horizontal than vertical principle. My conversations did indicate some interest in a new power system, whether an "LA Metro style" board of elected officials, a formal City-Council Joint Powers Agreement, or a body with authority to supersede local land use.

While these were compelling arguments, remaking a century of Los Angeles governance to create a "unified power system" seems likely to drag out the homelessness crisis beyond all patience. I ultimately decided not to follow this route and instead propose a new system.

In the current crisis, time and the limited likelihood of enduring collaboration emerging from the long road and power struggles that these changes would entail favored the lean and catalytic design recommended in this report. Even those who favored a more formal change in power structures agreed that the basic problem is still the lack of a center to the homelessness policy system and a common mission that can align leadership in the same direction. And there was wide agreement that we don't have time to lose.

Put another way, the proposed Center is a very L.A. solution.

The Homeless **Governance Solution**

(continued)

A Different Kind of Power

Even without creating a new structure of governmental power, the Center can accumulate and utilize considerable strength and influence in a way that adds value to the currently de-centered system of homelessness governance. It will be known as a place not to fix each and every structure in town, but to fix the core problem. The Center's strength derives from:

Becoming a place that (where)

- is a credible home for problem solving and for the assessment of competing proposals for policy efforts
- the stakeholders and the public craft a plan to deliver concrete results
- badgers and prods public and private agencies to deliver their contribution to the success of the plan
- outcomes are devised and measured
- assesses the impact of funding streams on outcomes

Becoming a(n)

- trusted partner for funding agencies, public and private, seeking to contribute to the overall effort
- credible source of information about the progress of the plan, trusted by the stakeholders, the media, the unhoused, and the wider community
- unified team of governing board, oversight board, and CEO bolstering each other's strength in the community



FIGURE 6: The sources of The Center's outcomes-oriented strengths

The Homeless **Governance Solution** (continued)

> If the following words are associated with The Center, it will have power to make a major contribution:

CREDIBLE	RESPECTED	LEGITIMATE
INFLUENTIAL	SYSTEM CHANGE-ORIENTED	RESPONSIVE
ACCOUNTABLE	FOCUSED ON OUTCOMES	TRANSPARENT

FIGURE 7: Aspirational word cloud for The Center

The Homeless Governance Solution (continued)

How the Center Can Hear the Voices of Lived Experience and Expertise

- Place Lived Experience and Expertise on powerful Oversight Board with appropriate professional support to become full contributing members
- Undertake aggressive program to gather data on perspectives and experiences of People Experiencing Homelessness and ensure that those voices are heard at all levels of the system
- Promote Center-staff interaction with the Lived Experience Community on a regular basis to obtain feedback that is listened to in the design and operation of programs

The distinctions among lived experience, lived expertise, and experts by experience will help guide this process. We use the following definitions:⁵¹

- **Lived Experience:** The experience(s) of people on whom a social issue, or combination of issues, has had a direct personal impact.
- Lived Expertise: Knowledge, insights, understanding and wisdom gathered through lived experience.
- Experts by Experience: Social change-makers who seek to use their lived experience to inform the work of social purpose organizations, to drive and lead social change, and/or to drive their social impact work.

How the Center Can Advance Racial Equity in Addressing Homelessness*

- Examine and apply recommendations of commissions and research on racial equity in homelessness
- Identify and implement plans to directly and in multiple ways hear the voices of PEH who are people of color
- Devise and implement outcomes measures for addressing racial inequity
- Apply outcome measures on racial equity in external evaluation of the Center
- Apply outcome measures on racial equity in the agencies working directly and indirectly in homelessness policy
 - * Includes, but is not limited to
- Ad Hoc Committee on Black People Experiencing Homelessness

https://www.lahsa.org/documents?id=2823-report-and-recommendations-of-the-ad-hoc-committee-on-black-people-experiencing-homelessness

- O Native American Homelessness
 - https://lanaic.lacounty.gov/commission/ad-hoc-committees/homelessness/
- O Latino/a Homelessness

https://latino.ucla.edu/wp-content/uploads/2019/01/Stemming-the-Rise-of-Latino-Homelessness-2-1.pdf

The Homeless **Governance Solution** (continued)

Given the urgency of the situation, the Center should launch as a nonprofit organization with philanthropic support.

Implementation

There are a number of ways in which the Center can be constructed and authorized. The most immediate way to get the Center up and running is to constitute it as a nonprofit organization. This model has the advantage of being lean and responsive, although steps would have to be taken to ensure public accountability and transparency.

The Center could evolve into a quasi-governmental agency. While this model ensures transparency in a formal sense, it has the downside that it places the Center within and perhaps under an existing government agency or level of government, and grounds the Center in policy-making bodies in the public sector. The independence of the Center, a key feature of its strength and credibility, must be preserved.

The Center could also be created and authorized by state law. Legislation would ensure its independence from local political and governmental agencies, although it would possibly enable state direction to occur unless the Center's independence is guaranteed.

Finally, the Center could be authorized by a vote of the people through a ballot measure. Voter support could ensure the independence of the Center although steps would have to be taken to not overprescribe duties as sometimes happens with ballot measures.

These various alternatives can also occur in some combination, or in sequence. Given the urgency of the situation, I recommend that the Center launch as a nonprofit organization with philanthropic support. This would also provide maximum flexibility for early design. External evaluations would assess the initial structure and provide appropriate recommendations for future organizational structures.

The Center needs to able to get its arms around homelessness in a flexible and adaptive way. It is ultimately a strategic institution, the purpose of which is to fill the empty center in Los Angeles and build out a broad strategic plan, tied to outcome data, and to be able to hold the various institutions of Los Angeles accountable for their contribution to completing it.

The Homeless **Governance Solution** (continued)

Legal Authorization Options for the Center

- Nonprofit organization with authority to receive public and private funds
- Becoming a quasi-public local agency
- New or existing state legislation authorizing and empowering the Center
- A ballot measure for voters to authorize and empower the Center

Financing

Startup funding is essential to make this plan work, followed by stable funding for five years. Since the Center will be neither a direct nor indirect provider of services, the cost of operating the Center would be less than if it were a service provider.

Funding sources include: state and federal agencies, city and county agencies, philanthropy and others. The Center will not rest within any of these agencies, but will be accountable to all in the community.

- **Local Government Investment**
- **Federal and State Grants**
- Philanthropy

The Homeless **Governance Solution** (continued)

Defining the Center

The Center Does:

- create an entity that can be implemented NOW without a JPA or ordinances with room to evolve
- commit the leadership of the principal government bodies to take visible responsibility for the success of this 5-year effort
- create a unified, strategic, powerful mechanism to develop a 5-year plan and get it started this year
- act as a catalyst and focus for unified action
- establish a plan to hold all accountable for their contribution to the plan's success

The Center Does Not:

- attempt to fix the structural challenges within various agencies and organizations (e.g., LAHSA, city, county, COC) in the homeless governance system
- create a new bureaucracy
- create a new city-county superstructure through a new JPA
- remove powers from existing bodies
- act as a direct or indirect service provider

The Homeless **Governance Solution** (continued)

Oversight, Evaluation, and 5-Year Accounting

- The Center must be held accountable for achieving promised outcomes.
- External, independent evaluation needed on a regular basis. Planning for the evaluation to begin at the outset in line with stated mission.
- Sets stage for 5-year evaluation with recommended outcomes: renewal, amended mission, or ending.

As with all aspects of this design, the Center must be held accountable for its work. External evaluation is a critical aspect and should be ongoing. This is particularly important since at the end of the five-year period, a decision should be made whether to continue the Center, close it, or keep it open with amendments.

The Homeless **Governance Solution** (continued)

Getting the Center Up and Running

Build stakeholder and community support

Present to **BOS** and LA **City Council** and other governing bodies

Identify initial funding

Identify physical location **Hire CEO** and core staff



About the Author

Dr. Raphael J. Sonenshein is the Executive Director of the Pat Brown Institute for Public Affairs and Professor of Political Science at California State University, Los Angeles. Previously, he was Chair of the Division of Politics, Administration, and Justice at CSU Fullerton. He received his B.A. in public policy from Princeton, and his M.A. and Ph.D. in political science from Yale. He is the author of three books on Los Angeles politics and government, and is a nationally-recognized expert on urban politics and government, on California and Los Angeles, on home rule and charter reform, and on racial and ethnic politics. His first book Politics in Black and White: Race and Power in Los Angeles (Princeton U Press, 1993) won the American Political Science Association's 1994 Ralph J. Bunche Award as the best political science book of the year on racial and cultural pluralism.

Between 1997 and 1999, Dr. Sonenshein served as Executive Director of the Los Angeles (Appointed) Charter Reform Commission that led to the city's first comprehensive charter reform in 75 years. His second book The City at Stake: Secession, Reform, and the Battle for Los Angeles (Princeton U Press, 2004) tells the story of city's dramatic charter reform. The new charter created an innovative system of neighborhood councils and in 2007, he was appointed Executive Director of the Los Angeles Neighborhood Council Review Commission. He has guided successful charter reform commissions in a half dozen cities. His third book, Los Angeles: Structure of a City Government (2006, League of Women Voters, Los Angeles) is widely used in the Los Angeles civic arena and at Los Angeles City Hall.

Dr. Sonenshein has won numerous teaching and research awards, including Best Educator and Distinguished College Faculty Member at CSUF. He received a Wang Family Excellence Award as one of the four most outstanding faculty members in the Cal State system. He was the first winner of the campus-wide Carol Barnes Award for Teaching Excellence and one of two co-winners of the Haynes Foundation Research Impact award. He received the Harry Scoville Award for Academic Excellence from the American Society for Public Administration Southern California Division. Dr. Sonenshein was the fall 2008 Fulbright Tocqueville Distinguished Chair in American Studies at the University of Paris VIII, where he taught and lectured on racial and ethnic politics in the United States. In 2021, he taught a doctoral class at the Pardee Rand Graduate School about local government in the federal system.

Appendix A: Individuals Consulted

- Phil Ansell FORMER DIRECTOR LA County Homelessness Initiative
- Kathryn Barger LOS ANGELES COUNTY SUPERVISOR Fifth District
- Bill Bedrossian CHIEF EXECUTIVE OFFICER Covenant House
- Kim Belshé **EXECUTIVE DIRECTOR** First 5 LA
- Gary Blasi, Ph.D. PROFESSOR OF LAW EMERITUS School of Law UCLA
- Elise Buik PRESIDENT & CEO United Way of Greater Los Angeles
- Joe Buscaino CITY OF LOS ANGELES COUNCILMEMBER 15th district (staff only)
- Iulie Butcher LABOR LEADER
- Larae Cantley MEMBER Lived Experience Advisory Board
- Rick Cole HOUSING AND HOMELESSNESS ADVISOR San Gabriel Valley COG
- Michael Cousineau RETIRED FACULTY & CLINICAL PROFESSOR Department of Preventative Medicine and Family Medicine USC
- Brad Cox SENIOR MANAGING DIRECTOR Trammell Crow Company
- Dennis Culhane, Ph.D. PROFESSOR, SOCIAL POLICY & PRACTICE University of Pennsylvania
- Jayanthi Daniel **EXECUTIVE MANAGEMENT OFFICER** Los Angeles Homelessness Services Authority (LAHSA)

- Jose Delgado **DIRECTOR OF GOVERNMENT AFFAIRS** LAHSA
- Kevin De León CITY OF LOS ANGELES COUNCILMEMBER 14th district
- Sarah Dusseault COMMISSIONER LAHSA
- Iason Elliot SENIOR HOMELESSNESS ADVISOR TO **GOVERNOR GAVIN NEWSOM**
- Mike Feuer LOS ANGELES CITY ATTORNEY
- Alfred Fraijo, Jr. PARTNER Real Estate, Land Use, and Natural Resources Practice Group Sheppard Mullin
- Holly Fraumeni De Jesús PARTNER Light House Public Affairs
- Ron Galperin LOS ANGELES CITY CONTROLLER
- Eric Garcetti MAYOR OF LOS ANGELES
- Andrea Garcia, Ph.D. MEMBER Los Angeles City-County Native American Indian Commission
- Sam Garrison SENIOR VICE PRESIDENT **University Relations** USC
- Robert Green CHIEF OF SYSTEM SECURITY AND LAW ENFORCEMENT LA Metro
- Wendy Greuel **BOARD CHAIR** LAHSA
- Janice Hahn LOS ANGELES COUNTY SUPERVISOR Fourth District (staff only)

- Nick Halaris Prop HHH Citizens Oversight Committee PRIVATE DEVELOPER
- Ange-Marie Hancock Alfaro, Ph.D. DEAN'S PROFESSOR & CHAIR Political Science and International Relations USC
- Antonia Hernández PRESIDENT & CEO California Community Foundation
- Marc Holley VICE PRESIDENT Strategy and Programs Conrad N. Hilton Foundation
- Katie Hong DIRECTOR, SPECIAL INITIATIVES Raikes Foundation
- Sarah Hunter, Ph.D. SENIOR BEHAVIORAL AND SOCIAL SCIENTIST & DIRECTOR RAND Center on Housing and Homelessness in Los Angeles **PROFESSOR** Pardee RAND Graduate School
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- Gloria Johnson MEMBER Lived Experience Advisory Committee LAHSA
- Richard Katz Richard Katz Consulting
- Michael Kelly **EXECUTIVE DIRECTOR** Los Angeles Coalition for Economy and lobs
- Robin Kramer MANAGING DIRECTOR The Smidt Foundation

- Adam Lane
 VICE PRESIDENT, PROGRAMS
 Los Angeles Business Council
- Peter Laugharn

 PRESIDENT & CEO

 Conrad N. Hilton Foundation
- Mary Leslie

 PRESIDENT

 Los Angeles Business Council
- Lorraine Lopez
 SUPERVISING STAFF ATTORNEY
 Homelessness Prevention Law Project
 PUBLIC COUNSEL
- Peter Lynn

 FORMER EXECUTIVE DIRECTOR

 I AHSA
- Ryan Macy-Hurley SENIOR PROJECT MANAGER Shelter Partnership
- Philip Mangano
 PRESIDENT AND CEO
 The American Roundtable to
 Abolish Homelessness
- Heidi Marston

 EXECUTIVE DIRECTOR

 LAHSA
- Michele Martinez

 SPECIAL MASTER ON HOMELESSNESS

 Office of U.S. District Court

 Judge David Carter
- Nury Martinez
 PRESIDENT
 City of Los Angeles City Council
- Holly J. Mitchell
 LOS ANGELES COUNTY SUPERVISOR
 Second District
- Kerry Morrison
 HOMELESS ADVOCATE & MEMBER
 Prop HHH Citizens Oversight
 Committee
- Kevin Murray

 EXECUTIVE DIRECTOR

 Weingart Center Association

- Mike Neely COMMISSIONER Los Angeles County Commission for Older Adults
- Tommy Newman

 HOUSING ADVOCACY EXPERT

 United Way of Greater Los Angeles
- Ann Oliva
 VISITING SENIOR FELLOW
 Center on Budget and Policy Priorities
- Torie Osborn

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 Los Angeles County Supervisor Sheila

 Keuhl, Third District
- Sgt. Mike Padilla
 TRSG HOPE Team
 Los Angeles Police Department
- Jane Pisano
 PRESIDENT
 John Randolph Haynes and Dora Haynes
 Foundation
- Mark Pisano

 PROFESSOR OF PRACTICE OF PUBLIC

 ADMINISTRATION

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- Nithya Raman

 CITY OF LOS ANGELES COUNCILMEMBER

 Fourth District
- Mark Ridley-Thomas
 CITY OF LOS ANGELES COUNCILMEMBER
 Tenth District
- Joel Roberts

 CEO
 PATH and PATH Ventures
- Monica Rodriguez

 CITY OF LOS ANGELES COUNCILMEMBER

 Seventh District
- Janey Rountree

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 California Policy Lab

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 CHIEF PROGRAM OFFICER
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- Maria Salinas

 PRESIDENT & CEO

 LA Area Chamber of Commerce
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- Andi Smith

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 Washington, Ballmer Group
- Hilda L. Solis

 LOS ANGELES COUNTY SUPERVISOR

 First District
- Diana Tang
 CHIEF OF STAFF
 Long Beach Mayor Robert Garcia
- Jacqueline Waggoner
 PRESIDENT
 Solutions Division
 Enterprise Community Partners
- Jason Ward, Ph.D.

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 Chief Legislative Analyst

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- Stephanie Wiggins CEO Metrolink
- Carol Wilkins

 HOMELESSNESS EXPERT
- Zev Yaroslavsky DIRECTOR Los Angeles Initiative PROFESSOR UCLA Luskin School

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Unleashing the Power of Participation

About the Pat Brown Institute for Public Affairs at Cal State LA

The Pat Brown Institute for Public Affairs at Cal State LA is a nonpartisan, presidentially chartered institute dedicated to the quest for social justice and equity, enlightened civic engagement, and an enhanced quality of life for all Californians. Former California Governor Pat Brown brought the Institute to Cal State LA in 1987. Today the Institute seeks to sustain his vision and legacy through its current programs, including the Southeast Los Angeles (SELA) Initiative, Civic U®, polling, candidate debates, and community-based research.

For more information about the Institute, contact us at: PBI@calstatela.edu

www.calstatela.patbrowninstitute.org



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Exhibit D



Los Angeles Homeless Services Authority Los Angeles, CA

Continuum of Care Program

Office of Audit Los Angeles, CA **Audit Report Number: 2022-LA-1001**

January 20, 2022

To: Rufus Washington, Director, Los Angeles Office of Community Planning and

Development, 9DD

//signed//

From: Kilah S. White, Assistant Inspector General for Audit, GA

Subject: The Los Angeles Homeless Services Authority, Los Angeles, CA, Did Not Always

Administer Its Continuum of Care Program in Accordance With HUD Requirements

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of Los Angeles Homeless Services Authority's Continuum of Care Program.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, appendix 8M, requires that OIG post its reports on the OIG website. Accordingly, this report will be posted at https://www.hudoig.gov.

If you have any questions or comments about this report, please do not hesitate to contact Audit Director, Tanya Schulze at 213-534-2471.



Highlights

What We Audited and Why

We audited the Los Angeles **Homeless Services** Authority's Continuum of Care (CoC) program. The audit was initiated because of the homelessness crisis in the City of Los Angeles, which has the highest number of unsheltered people in the United States. In addition, the Los Angeles city controller issued a report in 2019, criticizing the Authority for falling short of City of Los Angeles homeless outreach goals. (See Background and Objectives.) Our audit objectives were to determine whether the Authority met the goals and objectives of housing and helping the homeless become selfsufficient through its CoC program and administered the program in accordance with HUD requirements.

Audit Report Number: 2022-LA-1001 Date: January 20, 2022

The Los Angeles Homeless Services Authority, Los Angeles, CA, Did Not Always Administer Its Continuum of Care Program in Accordance With HUD Requirements

What We Found

The Authority did not fully meet the goals and objectives of the program and did not always follow program requirements. Specifically, it (1) did not use \$3.5 million in CoC grant awards and left the funds to expire, (2) did not support Homeless Management Information System and planning grant costs, and (3) did not submit timely annual performance reports (APR). As a result, the unused CoC funds represent a missed opportunity to meet the program's goals of assisting the homeless, the U.S. Department of Housing and Urban Development (HUD) does not have assurance \$879,847 in salary and rent costs were for the CoC grants, and CoC funds may have unnecessarily sat idle and unavailable for future awards.

What We Recommend

We recommend that the Director of HUD's Los Angeles Office of Community Planning and Development require the Authority to (1) develop and implement policies and procedures to ensure that grant agreements are executed in a timely manner and effective monitoring is performed to prevent similar occurrences of grant funds going unused, (2) support payroll and rent costs or repay its CoC grants \$879,847 from non-Federal funds, and (3) develop policies and procedures to ensure APRs are submitted in a timely manner and personnel are routinely trained on the grant closeout process.

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Background and Objectives

The Continuum of Care (CoC) grant program was authorized under the McKinney-Vento Homeless Assistance Act, as amended by the Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009.¹ The CoC grant program (1) promotes communitywide commitment to the goal of ending homelessness; (2) provides funding for efforts by nonprofit providers and State and local governments to quickly rehouse homeless individuals and families while minimizing the trauma and dislocation caused to homeless individuals, families, and communities by homelessness; (3) promotes access to and effective use of mainstream programs by homeless individuals and families; and (4) optimizes self-sufficiency among individuals and families experiencing homelessness.

The Los Angeles Homeless Services Authority was formed by a joint powers agreement between the County and City of Los Angeles to coordinate services for homeless people in Los Angeles City and County. The Authority is the lead agency in the Los Angeles Continuum of Care, the regional planning body that coordinates housing and services for homeless families and individuals in Los Angeles County. The Authority coordinates and manages more than \$300 million annually in Federal, State, County, and City funds for programs that provide shelter, housing, and services to people experiencing homelessness. Since its inception in 1993, the Authority has primarily functioned as a "pass-through entity," administering and managing the distribution of Federal funds directly provided by the U.S. Department of Housing and Urban Development (HUD), mainly for the CoC program. HUD awarded the Authority more than \$149 million in CoC funding between 2016 and 2020.

CoC awards	Amount		
2016 competition year	\$27,916,004		
2017 competition year	21,835,358		
2018 competition year	28,768,178		
2019 competition year	33,288,892		
2020 competition year	37,203,631		
Total	149,012,063		

Local Homelessness Funding

Since 2017, the County of Los Angeles has been providing local Measure H ² homelessness funding to the Authority. This measure was to raise funds for 10 years to provide supportive services for the homeless, such as mental health, substance abuse treatment, health care, job training, transportation, outreach, and prevention. The Authority received an estimated average

The Act streamlined HUD's homeless grant programs by consolidating the Supportive Housing Program, Shelter Plus Care, and Single Room Occupancy grant programs into the CoC program. Unless otherwise noted in this audit report, the term "program" refers to the Supportive Housing Program, the CoC program, or both.

Measure H was approved by Los Angeles County voters on March 7, 2017, raising sales taxes by one-quarter of a cent to combat homelessness.

of 72.1 percent of the measure's total funding, averaging more than \$189 million annually in the first 2 years.

Los Angeles County Measure H	Fiscal year 17- 18	Fiscal year 18- 19	Yearly average
Total Measure H funding allocated	\$258,937,000	\$412,251,000	\$335,594,000
Total Measure H spending	172,209,263	353,659,000	262,934,132
Authority's allocation	124,162,879	254,988,139	189,575,509

Homelessness Increasing

According to point-in-time homeless counts reported by the Authority, the homeless population in Los Angeles County generally increased between 2017 and 2020. The sheltered and unsheltered homeless count dropped in 2018, the year after local Measure H funding became available in 2017, but increased in the following years. By 2020 the homeless count was approximately 21 percent higher than in 2017.

Year	Unsheltered homeless	Sheltered homeless	Total number of homeless	Overall increase percentage
2017	38,470	13,972	52,442	19.6%
2018	37,570	12,385	49,955	-4.7%
2019	42,471	13,786	56,257	12.6%
2020	46,090	17,616	63,706	13.2%

Los Angeles City Controller Report

The City of Los Angeles controller issued an August 2019 report assessing the effectiveness of street outreach throughout the Los Angeles Continuum of Care, with an emphasis on the City's contract with the Authority for fiscal years 2017-18 and 2018-19. The report found that the Authority did not meet most citywide outreach goals and that the insufficient street outreach performance was because the Authority's "loose review and reporting procedures affect the Authority's ability to make data-driven decisions and impairs its ability to deploy resources to effectively combat homelessness." The controller recommended that the Authority

- Work with City and County partners to define a unified set of clear and consistent goals. specific metrics, and accurate reporting on outreach activities throughout the greater Los Angeles area.
- Focus on a proactive outreach strategy to reach a greater number of homeless people for the first time.

On August 28, 2019, the Authority issued a statement on the Los Angeles controller's report, indicating points of agreement, points of concern, and points of disagreement.

Our audit objectives were to determine whether the Authority met the goals and objectives of housing and helping the homeless become self-sufficient through its CoC program and administered the program in accordance with HUD requirements.

Our audit scope did not include verifying the controller's findings.

Results of Audit

Finding 1: The Authority Did Not Use All of Its Awarded CoC Grant Funds

The Authority did not use all of its awarded CoC grant funds. It had 20 expired grants with a total of almost \$3.5 million in unused funds. The Authority did not use the funds due to administrative challenges in several areas, including inadequate policies and procedures for grant execution timeframes, monitoring of subgrantees, and emphasizing CoC funds over other sources of funds. In addition, the Authority experienced turnover and capacity difficulties, and performance goals were not always correlated to the funding amounts. As a result, the unused CoC funds represent a missed opportunity to meet the program's goal of assisting the homeless.

The Authority and Its Subgrantees Had Unused CoC Funds Totaling Almost \$3.5 Million

As of May 2020, 20 of the 23 sample grants⁴ active during the period October 1, 2017, to September 30, 2019, had remaining balances totaling almost \$3.5 million. The unused funds represent about 45 percent of the total approved funding.⁵ The 23 grants were issued under HUD's fiscal years 2017 and 2018 CoC Notice of Funding Availability (NOFA), and all but one were renewal grants. Each grant had a 1-year grant term and 1 year of funding to use during the performance period in accordance with the NOFA. (See appendix C.) The only new grant from among the 23 sampled grants (CA1686L9D001700) also had the largest amount of unused funds, with more than \$1.3 million unused from a \$1.5 million grant award. (See appendix D.) Because each of the 20 grants with remaining balances expired more than 90 days before our sample selection date, these grants were due for closeout in accordance with 2 CFR (Code of Federal Regulations) 200.343 and 24 CFR 578.109 (see appendix C) and for the remaining balances to be recaptured by HUD. (See finding 3.) Therefore, the \$3.5 million⁶ could no longer be used by the Authority and its subgrantees to assist the homeless.

Administrative Challenges Contributed to Grant Underspending

The Authority had administrative problems in several key areas that contributed to CoC funds' not being used. These problems included inadequate policies and procedures for grant agreement execution timeframes, its monitoring review practices, and the prioritization of CoC funds. In addition, the Authority experienced personnel staffing and capacity difficulties, and performance goals were not always correlated to the funding amounts.

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⁴ See appendix D for the list of all 23 grants with respective awarded amounts, balances, and unused percentages and see Scope and Methodology for the sample selection methodology from the authority's 112 CoC grants active between October 1, 2017 and September 30, 2019.

We selected a nonstatistical sampled of grants; therefore, the levels of unspent funds are not representative or projectable to the entire population of 112 CoC grants in the audit universe. (See Scope and Methodology.)

As of January 2021, all unused amounts had been recaptured by HUD except for CA1686L9D001700's \$1.3 million balance.

Delays in Executing Grant Agreements

The Authority experienced delays in executing grant agreements with its subgrantees. For our sample of 23 grants, it took the Authority an average of 4 months from the start of the performance period to sign and execute the agreements with the subgrantees; however, 5 of the 23 grants took more than 7 months of their 12-month grant terms.

The Authority's Emergency Solutions Grants Program Policies and Procedures (which includes CoC) did not include guidance or information regarding timeliness for executing the grant agreements with subgrantees. HUD took an average of 1 month from the start of the performance period to sign the grant agreements, and the Authority added an extra month to sign the agreement. Therefore, 2 months passed before the Authority began to execute subgrantee agreements.

We interviewed a sample of nine subgrantees (see Scope and Methodology), and their most common criticism was the amount of time it took the Authority to execute the grant agreements. The delays resulted in subgrantees' having to front the program's costs for extended periods because they could not draw funds until the grants were executed. In addition, if the subgrantee did not have other sources of funds to pay for grant activities in the meantime, it may have had to reduce performance until the CoC funds were available, potentially impacting its ability to initiate and draw funds in a timely manner in accordance with 24 CFR 578.85. (See appendix C.) Because the CoC grant expiration date did not change even if the grant execution was delayed, a grantee may have had trouble spending the funding within the reduced availability period.

Monitoring of Subgrantees

The Authority did not perform monitoring of subgrantees during the term of the grants, making it more difficult to address underspending issues. According to 24 CFR 578.7(a)(6), the Authority's responsibilities included monitoring its subrecipients. (See appendix C.) According to Authority officials, before 2019, the Authority's practice was to perform monitoring reviews of subgrantees after the grants were closed. This practice decreased the Authority's ability to proactively identify and address performance problems with its subgrantees. Although staff accountants maintained a "Subrecipient Expenditure Tracker" to keep track of expenditures and the match for each subrecipient, their main focus was to ensure that there were no overpayments.

In 2019 the Authority created the desk review unit to conduct reviews while the grant was still active. However, the newly created desk review unit was completing risk assessments of all of the subgrantees during the audit fieldwork. Therefore, we were not able to review new monitoring reports to fully assess how this change was being conducted and its impact on grant management performance.

We selected a nonstatistical sample of grants; therefore, the results are not necessarily representative or projectable to the entire population of CoC grants in the audit universe. (See Scope and Methodology.)

Prioritization of CoC Funding

The Authority's policies did not prioritize the use of CoC funds and, instead, appeared to have offered some subgrantees the option of keeping their CoC grants or using less restrictive sources of funds. Some subgrantees informed us that the Authority made presentations to subgrantees promoting a new source of local funding (see Background and Objectives), emphasizing its flexibility in comparison to HUD CoC funding. In at least one case, a subgrantee stated that the Authority suggested that it surrender its CoC grants at the end of the term and shift to the new funding source with fewer restrictions. An Authority official said that HUD's annual renewal process and need for annual applications and agreements could result in funding gaps that did not apply to the local funds. Also, the CoC rapid-rehousing options were more limited than the local funding. Rather than using the additional source of funding to supplement or expand on the subgrantees homelessness activities funded by the CoC grants, the Authority offered grantees the option of keeping their CoC grant funds or giving them up for the local funding.

• Personnel Turnover and Capacity Issues

The Authority experienced personnel turnover and capacity issues due to dramatic increases in local funding for homeless services and short-term housing since 2017. Overall, the Authority's operating budget more than tripled, increasing from \$75 million in 2016 to more than \$300 million in 2019. The large influx of additional local homelessness funding (see Background and Objectives) resulted in the need to hire significant numbers of additional staff members, including temporary workers. The Authority also needed to restructure most departments to be more efficient and account for all of the funding, including its accounting, finance, monitoring and compliance, and procurement and contracts departments. Although the Authority moved staff members and shifted responsibilities based on how it believed they would be best suited according to their knowledge, skills, and abilities, these changes resulted in a number of employees leaving the Authority. In addition, subgrantees informed us that the changes and understaffing made it difficult to contact and coordinate with the appropriate Authority staff members when problems and questions arose. Overall, the significant increase in funding and difficulty in hiring and retaining employees resulted in the Authority's staff's not increasing in proportion to its funding levels, creating capacity issues that also impacted the CoC program.

Performance Goals Not Correlated to the Funding Amounts

For the most part, the achievement of the utilization goals was not proportionally related to the percentage of funds used. In 15 of 23 cases, the subgrantees achieved the performance goals of utilizing proposed units and beds numbers, and in some cases exceeded them, by using only a fraction of the approved funding.⁸

We selected a nonstatistical sample of grants; therefore, the results are not necessarily representative or projectable to the entire population of CoC grants in the audit universe. (See Scope and Methodology.)

o One subgrantee was able to accomplish 105 percent utilization of 20 proposed units and approximately 89 percent utilization of 80 proposed beds while using only 31 percent (\$143,005) of its CoC grant funding (\$460,060).

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Another subgrantee was able to accomplish 100 percent utilization of 23 proposed units and beds while using only approximately 22 percent (\$70,546) of its CoC grant funding (\$322,453).

The Authority's and its subgrantees' achieving goals while spending only a small portion of the funding did not provide sufficient incentive to use all available funding. They could be recognized as fully achieving the grant's goals and objectives, while significant amounts of funding that could have further contributed to assisting the homeless remained unused. The Authority may, therefore, have not fully met its responsibility to establish appropriate performance targets under 24 CFR 578.7. (See appendix C.)

In addition, we reviewed the Authority's CoC performance evaluation process and methodology and the performance goal indicators and targets relevant to the projects from our sample of 23 grants. These indicators and targets focus on housing stability and full and efficient utilization of resources by measuring, among other things, the percentage of project participants who remain housed or move on to other permanent housing and participant needs and increased stability. While these are important factors in measuring program performance, we found that the Authority did not include spenddown goals. The lack of performance indicators and targets in this area tended to deemphasize the importance of using all available funds to maximize homelessness assistance.

The Underutilization of CoC Funds Primarily Impacted Leases and Rental Assistance

The Authority originally budgeted to use nearly half of the \$7.7 million in funding for the 23 sample CoC grants for leases and rental assistance for the homeless population and just over half for its other services, operations, and administration. While the Authority's underutilization of funds impacted both activity categories, it primarily impacted spending on leases and rental assistance, for which it spent only 41 percent of the budgeted amount. The Authority's actual spending on leases and rental assistance was just over one-third of the total funds used, a significant shift compared to its budget.

Budget and Actual CoC Expenditures

Grant activities	Budget		Actual		Percentage of budget actually spent (actual - budget)
Leases and rental assistance	\$3,722,172	48%	\$1,533,969	36%	41%
Supportive services, operations, and administration	3,982,388	52%	2,703,429	64%	68%
Total	7,704,560	100%	4,237,398	100%	55%

Overall, the Authority used less of its available funds to pay for leases and rental assistance, which is the activity that directly affects the number of homeless persons on the streets. The Authority's underspending reduced the CoC program's effectiveness in addressing the needs and housing the homeless population.

Conclusion

The Authority did not use all of its CoC grant funds, with a combined outstanding balance of approximately \$3.5 million in unused funds attributable to 20 grants. (See appendix D.) This condition occurred due to the Authority's administrative challenges, including inadequate policies and procedures to prevent delays in the execution of grant agreements, monitoring of subgrantees during the term of the grants, and emphasizing CoC over less restrictive sources of funds. In addition, the Authority experienced personnel and capacity issues, and its performance goals were not correlated to its funding amounts. As a result, the unused CoC funds represent a missed opportunity to meet the program's goals of assisting the homeless in the midst of the ongoing homelessness crises.

Recommendations

We recommend that the Director of HUD's Los Angeles Office of Community Planning and Development require the Authority to

- 1A. Develop and implement policies and procedures to ensure that subgrantee agreements are executed in a timely manner, effective monitoring is performed, and subgrantees maintain an emphasis on using their CoC funds, thereby preventing similar occurrences of \$3.5 million (see appendix D) in CoC funding going unused.
- 1B. Develop and implement strategies to address capacity and organizational problems or obtain technical assistance to address these issues.
- 1C. Develop and implement procedures and controls to clearly define and update point-of-contact staff for subgrantees.
- 1D. Work with HUD and subgrantees to reevaluate its CoC program's performance goals and set targets that help to ensure that funds for future CoC grants are fully and effectively used to advance the goal of ending homelessness.

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We selected a nonstatistical sample of grants; therefore, the results are not necessarily representative or projectable to the entire population of CoC grants in the audit universe. (See Scope and Methodology.)

Finding 2: The Authority Did Not Support Salary and Rental Costs Charged to Its CoC HMIS and Planning Grants

The Authority did not provide adequate documentation to support its Homeless Management Information System (HMIS)¹⁰ and planning grant costs for the CoC program in accordance with HUD requirements. This condition occurred because the Authority did not have sufficient procedures or controls to show that it followed its cost allocation plan and ensured that costs were charged to the grants based on the proportional benefit. As a result, HUD had no assurance that up to \$879,847 in payroll and rent fee charges were for these CoC grants.

The Authority Did Not Support Salary Cost Allocations

The Authority charged direct and indirect payroll expenditures to both its HMIS and planning grants through allocation percentages. Although the Authority was able to provide documentation for the sampled payroll expenditures, it was unable to sufficiently support the basis of the amounts allocated to the CoC program. Program regulations under 2 CFR 200.403 state that costs must be adequately documented to be allowable under Federal awards. (See appendix C.)

Although the Authority's procedures require employees to track and report time to charge codes, these codes were not specific to individual CoC grants.¹¹ The amount of time attributed to each charge code was generally split the same daily and, therefore, appeared to be based on predetermined percentages and not the actual time worked. The Authority could not adequately explain or support these predetermined rates to show that they were reasonable in accordance with 2 CFR 200.430, 200.403, and 200.404. (See appendix C.) In addition, the Authority further allocated the salary costs to individual grants using additional percentages for which it also could not adequately explain or support the basis, contrary to 2 CFR 200.405(D), which states that costs must be allocated to the projects based on the proportional benefit. (See appendix C.)

The Authority's cost allocation plan methodology indicated that for direct costs, staff members were to code their timecards to reflect the specific program grant they worked on and the Authority would charge salaries and benefits directly to the funding source accordingly. It also showed that for indirect costs, each funding source was allocated administrative funds based on its percentage of funding compared to the Authority's total funding received. According to this methodology, HUD would get 8 percent of the indirect costs. Additionally, costs that could not be reasonably associated with a specific program grant were recorded to an admin-indirect cost pool and distributed to the program grants using an equitable allocation method in accordance with 2 CFR 200.405. However, the documentation provided during the audit did not support the methodology claimed by the Authority for HMIS and planning.

HMIS is a secure online database that enables organizations to collect client-level, systemwide information on the services they provide to people experiencing homelessness and those who are at risk of homelessness.

For example, an employee charging to HMIS may split daily hours among general admin, general HMIS, County HMIS, and other non-CoC programs.

• HMIS Grant

The Authority did not provide adequate support to show how it arrived at the final percentages used for HMIS payroll costs. We sampled the May and June 2019 payroll for HMIS grant CA0414L9D001710. (See Scope and Methodology.) The Authority's employees used a "general HMIS" charge code on their timesheets to record how they spent their time. However, this charge code was not specific to the grant in question but applicable to 12 contracts from 5 different grants. The Authority then allocated the costs for this general HMIS charge code to the individual HMIS grants based on a predetermined percentage that appeared to be the same for all months and, therefore, did not reflect the actual time that employees worked on this grant. The Authority provided the allocation percentages for the charge code but did not provide documents or an explanation as to how they arrived at these percentages. As a result, the salary expenses were unsupported.

• Planning Grant

We sampled the September, October, and November 2019 payroll for planning grant (CA1683L9D001700). (See Scope and Methodology.) The Authority's employees used a charge code on their timesheets that was not specific to the grant in question but applicable to four contracts. The Authority explained that it charged 45.4 percent of the time and costs attributed to the charge code to the sample grant based on budget amounts. It would then be adjusted at the end of the contract and based on direct expenditures. We reviewed the last 2 months of the grant to see if the Authority made final corrective adjustments at the end of the contract. However, the Authority did not provide any adjustment or corrections to show that the costs were changed to reflect actual costs. Because the final allocation percentages used for this charge code were predetermined, the time charged to this grant does not reflect the actual time that employees worked on this grant.

In addition, the Authority charged temporary contingent employees to the planning grant. While the Authority provided their invoices and timesheets for the sample month of June 2019 (see Scope and Methodology), it was unable to provide a clear explanation as to how it arrived at the 80 percent cost allocation charged to the grant.

Personnel costs allocated to the Authority's CoC program based on a predetermined cost allocation plan had been an ongoing issue. The Authority's certified public accounting firm that performed single audits for fiscal years 2017 and 2018 identified the same issue with allocation percentages in both covered years, and it was not resolved according to the current-year status reported in the summary schedule of prior audit finding in the fiscal year 2018 report.

Because the salary allocations were not supported for all months reviewed and this allocation issue had also been previously identified in the single audits without being resolved, we determined that this was a systematic problem applicable to all of the salary draws for the two grants. Therefore, the entire amount of \$179,873 charged to the HMIS grant and \$644,430 charged to the planning grant for salary expenses was unsupported.

Unsupported Salary Costs

CoC grant	Grant number	Period	Salary expense
Planning	CA1683L9D001700	12/01/2018 to 12/31/2019	\$644,430*
HMIS	CA0414L9D001710	07/01/2018 to 06/30/2019	179,873
Totals			824,302**

^{*} Includes contingent staff costs.

The Authority Did Not Support Rental Cost Allocations

The Authority also charged rental expenditures to its CoC HMIS and planning grants through cost allocations. Although it provided support showing that it did incur rental costs, it did not provide adequate documentation to show that the amounts allocated to the grants were reasonable and appropriate. According to the Authority's cost allocation methodology, rent (space costs) is allocated to the direct program grant and indirect costs pool based on the proportional share of the actual number of full-time-equivalent staff. However, the allocations for HMIS (CA0414L9D001710) and planning (CA1683L9D001700) grants were not consistent with the methodology. The Authority did not provide specific calculations showing how it arrived at the rent amounts charged for the entire grant term of these specific grants. There were also unexplained discrepancies for the HMIS grant in which the monthly amounts reported in the statement of revenues and expenditures and the rent schedules did not match. In addition, documentation for the planning grant included rent schedules and rent allocation by cost center but did not identify information for the specific grant. As a result, the rental amounts charged to the two grants totaling \$55,545 (see Unsupported Costs table below) were unsupported.

Unsupported Rent Costs

CoC grant	Grant number	Period	Rent costs
Planning	CA1683L9D001700	12/01/2018 to 12/31/2019	\$40,636
HMIS	CA0414L9D001710	07/01/2018 to 06/30/2019	14,909
Totals	55,545		

Conclusion

The Authority did not support costs charged to its HMIS and planning CoC grants. This condition occurred because the Authority did not have adequate procedures and controls to show that it followed its cost allocation plan and ensure that costs were allocated based on the proportional benefit in accordance with 2 CFR 200.4. (See appendix C.) Because the salary allocation issue occurred for all months reviewed and it had been previously identified by the Authority's certified public accounting firm without being resolved, we determined that it was a systemic deficiency that called into question the entire amount of salary expenses and contingent staff charged to the HMIS and planning grants. As a result, HUD had no assurance that \$879,847 in CoC funds charged for payroll and rent fee costs was for the CoC grants.

^{** \$1} difference due to rounding.

Recommendations

We recommend that the Director of HUD's Los Angeles Office of Community Planning and Development require the Authority to

- 2A. Adequately support the eligibility of payroll costs or repay its CoC grants \$824,302 from non-Federal funds.
- 2B. Adequately support the eligibility of rent costs or repay its CoC grants \$55,545 from non-Federal funds.
- 2C. Develop and implement additional written procedures and controls to ensure that employees charge time in accordance with program requirements and that the Authority fully documents and supports that salary and rental cost allocations are charged to its CoC grants in accordance with its cost allocation plan.

Finding 3: The Authority Did Not Submit Annual Performance Reports in a Timely Manner

The Authority did not consistently submit its annual performance reports (APR) to the local HUD field office within the required 90 days. This condition occurred because the Authority had not completed and implemented its APR procedures and lacked procedures and controls to ensure that its personnel were fully informed on the process. The delays in submitting the APRs potentially left the funds unnecessarily sitting idle and potentially delayed HUD in recapturing the funds for future awards to other CoC grantees.

Late Submission of APRs

The Authority is responsible for submitting APRs on behalf of its CoC. According to 24 CFR 578.109(b), applicants must submit all reports required by HUD no later 90 days from the date of the end of the project's grant term. (See appendix C.) The APR is required for HUD closeout of expired CoC grants, and once HUD completes the closeout process in the Line of Credit Control System (LOCCS)¹² any leftover funding is recaptured¹³ and reprogrammed as new CoC grants.

Although the Authority submitted APRs for all 23 expired grants in our review sample, only 3 were submitted within the required 90 days after grant expiration. The Authority submitted the APRs for the 20 that were late an average of 208 days after grant expiration, and of those, 10 were late 190 days or more. Although the Authority had draft procedures related to the APRs, they were not finalized, approved, or implemented at the time of our audit fieldwork. The Authority also lacked procedures and controls to ensure that relevant personnel were fully informed about the grant closeout process, including who approves or submits the reports.

Conclusion

The Authority did not submit its APRs within the required 90 days as required as part of the grant closeout process. This condition occurred because the Authority had not completed and implemented its APR procedures and lacked procedures and controls to ensure that relevant personnel were fully informed about the grant closeout process. The delays in submitting the APRs potentially left the funds unnecessarily sitting idle and may delay HUD's recapture of the funds for future awards to other CoC grantees.

LOCCS is HUD's primary grant disbursement system, handling disbursements for most HUD programs.

As of January 2021, all unused amounts had been recaptured by HUD except for CA1686L9D001700's \$1.3 million balance.

We selected a nonstatistical sample of grants; therefore, the results are not necessarily representative or projectable to all CoC grants in the audit universe. (See Scope and Methodology.)

Recommendations

We recommend the Director of HUD's Los Angeles Office of Community Planning and Development require the Authority to

- 3A. Complete and implement policies and procedures to ensure that APRs are submitted by the closeout deadline.
- 3B. Develop and implement policies and procedures to ensure that relevant personnel are routinely and regularly trained on the grant closeout process.

Scope and Methodology

We performed our audit work at the Authority's office located at 811 Wilshire Boulevard, Los Angeles, CA, from October 2019 through March 2020. We performed additional audit fieldwork remotely in the Los Angeles, CA area between March and September 2020. Our audit generally covered the period October 2017 to September 2019.

To accomplish our objective, we performed the following:

- Reviewed grant agreements between HUD and the Authority.
- Reviewed grant agreements between the Authority and its subrecipients.
- Reviewed contracts between the Authority and other entities.
- Reviewed APRs.
- Reviewed the Authority's policies, procedures, and controls regarding its CoC grant program.
- Reviewed the Authority's accounting records and single audit reports for years 2017 and 2018.
- Reviewed the Authority's organizational charts.
- Reviewed the Authority's drawdowns, supporting documentation, and timesheets.
- Interviewed appropriate Authority employees.
- Interviewed nine of the Authority's subgrantees.

We determined that the Authority had 111 CoC grants and submitted 757 LOCCS vouchers within our audit scope of October 1, 2017, to September 30, 2019. The voucher universe totaled more than \$26.8 million, with individual voucher amounts ranging from \$35 to \$456,529. Of these 111 grants, the Authority directly operated 10 grants that had 30 vouchers totaling more than \$5.4 million for the CoC planning project and HMIS-data collection and evaluation, among others.

During our initial survey, we selected a nonstatistical sample of 10 LOCCS vouchers from the audit universe, each from a different grant. This selection included 8 randomly selected vouchers from the 101 grants operated by subgrantees and two randomly selected vouchers from the 10 grants operated by the Authority. The 10 vouchers totaled \$445,996 and represented 1.32 percent of the total voucher universe. The two Authority-operated grant vouchers included partial HMIS grant expenditures from the month of July 2018 and all CoC planning grant expenditures from the month of September 2019. In addition to reviewing the selected vouchers, we nonstatistically selected four of the eight subgrantees associated with these vouchers for our preliminary limited performance review, selecting grantees that had drawn significant portions of their awards (approximately 91 percent drawn overall). We also selected 2 of the 10 grants for our monitoring survey review based on available monitoring reviews. The results from this preliminary review were expanded and incorporated into the audit phase.

For the audit phase, we selected an additional sample of 23 expired grants (see appendix D) from the 111 expired grants that were active during the period October 1, 2017, to September 30, 2019. We selected the 23 grants using two methodologies, including:

ID #:24694

Document 882-4

- 10 grants totaling more than \$3.8 million in awarded funds at random from the 111 CoC grants (adjusted down to 83 grants to avoid duplicative selections of projects with multiple years of funding) as part of our overall review of grant performance. The unused funds for these 10 grants totaled almost \$1.7 million.
- 13 expired grants from the 111 grants with unused balances of more than \$50,000. The 13 grants were selected to complete our review of expired grants with significant remaining balances. The 13 grants totaled more than \$3.8 million in awarded funds and had an unused balance of almost \$1.8 million

We further reviewed expenditures from two grants (HMIS and planning costs) operated by the Authority. We reviewed all grant-related rent costs for both HMIS and planning costs grants. For the planning costs grant salary cost allocations, we randomly selected a sample of three vouchers using Excel's data analysis tool for sampling. Due to the impact of the COVID-19 pandemic on available time and resources of the Office of Inspector General (OIG) and the auditee, we narrowed the sample to one voucher that covered expenditures for the last 2 months (October and November 2019) of the grant. For the HMIS grant salary cost allocations, we reviewed Authority contracts for the entire grant and selected the last 2 months (May and June 2019) of the grant for our salary expenses review. In both cases, we selected the last 2 months of the grant to ensure the inclusion of all final adjustments.

For the subgrantees from the selected 10 grants, we had planned to conduct site visits to gain an understanding of their funding, performance, goals, and achievements and also to find out how COVID-19 is affecting their operations. However, due to COVID-19 restrictions, we conducted phone interviews instead with 9 of the 10¹⁶ subgrantees. In addition, we consolidated all 23 grants and conducted an overall review of performance goals, achievements, and financial information obtained from the related grant APRs, as well as from project budgets and profiles included in the grant agreements.

During the overall review of performance goals, achievements, and financial information, we analyzed information from 22 of the 23 APRs from the sampled grants because one of the APRs provided was incomplete.¹⁷ This APR was for the last grant listed in appendix D that had the largest amount of unused funds with more than \$1.3 million and was also one of the nine subgrantees from our interviews. The subgrantee mentioned having challenges with spending

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We used a \$50,000 threshold to focus on grants with the more material amounts of unused funds and ensure the number of grants selected could be reviewed within the audit's resources.

We were unable to schedule the interview with one of the subgrantees within reasonable timeframes due to the COVID-19 restrictions. However, we believe we obtained sufficient information from the other nine subgrantees to meet our audit objectives.

The Authority indicated that at the time, the contract was not complete, so it provided only financial information that was available then. We believed we had sufficient information from the 22 to perform our analysis.

Document 882-4 ID #:24695

the funding in time and wanted to move or change the budget line items to provide supportive services (apart from rental assistance) but was not able to make those changes.

Because our modified review sample included grants associated with two component types and one of them was divided into two, we separated some of the data accordingly into three groups, as follows:

- 1. Permanent supportive housing offers permanent housing and supportive services to assist homeless persons with a disability to live independently.
- 2. Rapid rehousing provides housing relocation and stabilization services and short- or medium-term rental assistance as necessary to help a homeless individual or family move as quickly as possible into permanent housing and achieve stability in that housing.
- 3. Transitional housing provides housing and accompanying supportive services to homeless individuals and families for up to 24 months to assist with stability and support to successfully move to and maintain permanent housing.

By grouping the data into these three categories, we were able to compare data more accurately within similar grant component and project types to avoid outliers.

Our findings cannot be projected to the entire universe of the Authority's portfolio of CoC grants. Although for HMIS and planning costs grants related salary expenses, we reviewed only the last 2 months of the grants, we identified recurring issues. Because these issues were systemic and they had been previously identified in the single audits without being resolved, we questioned the entire salary expenses charged to the grants.

We relied on the accuracy of computer-processed data taken from LOCCS and other HUD systems as well as data from the Authority's general ledgers, agreements, and financial and performance reports. We used these data to obtain a reliable audit universe for our overall review and for the selection of disbursements. Based on our assessment, we determined that the data obtained were sufficiently reliable for meeting our audit objective.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Internal Controls

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- effectiveness and efficiency of operations,
- reliability of financial reporting, and
- compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objectives:

- Effectiveness and efficiency of operations Implementation of policies and procedures to reasonably ensure that program funds are used for eligible purposes.
- Reliability of financial information Implementation of policies and procedures to reasonably ensure that relevant and reliable information is obtained to adequately support program expenditures.
- Compliance with applicable laws and regulations Implementation of policies and procedures to ensure compliance with applicable HUD rules and requirements.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

Significant Deficiencies

Based on our review, we believe that the following items are significant deficiencies:

The Authority did not have proper controls to ensure that all of its awarded CoC grant funds were used and that subgrantees maintained an emphasis on using all approved CoC funds to meet the program's goals of assisting the homeless in the midst of the ongoing homelessness crises (finding 1).

- The Authority lacked policies and procedures to ensure that subgrantee agreements are executed in a timely manner and effective monitoring is performed (finding 1).
- The Authority did not have policies and procedures in place to clearly define and update point-of-contact staff for subgrantees to coordinate efforts and effectively manage their CoC grants (finding 1).
- The Authority lacked adequate controls to ensure that the allocation percentages for salary and rent costs charged to its CoC planning and HMIS grants were supported and complied with HUD requirements (finding 2).
- The Authority had not implemented its draft procedures and controls over grant closeout and lacked policies and procedures to ensure that relevant personnel are routinely and regularly trained on the grant closeout process and APRs are submitted by the 90-day deadline (finding 3).

Appendixes

Appendix A

Schedule of Questioned Costs and Funds To Be Put to Better Use

Recommendation number	Unsupported 1/	Funds to be put to better use 2/
1A		\$3,500,000
2A	\$824,302	
2B	\$55,545	
Totals	879,847	3,500,000

- 1/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures. In this instance, the unsupported costs amount of \$879,847 includes (1) \$824,302 for salary expenses charged to HMIS and operating costs CoC grants and (2) \$55,545 for rent costs also charged to HMIS and operating costs CoC grants.
- 2/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an OIG recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, they include \$3.5 million in unused funding that could have been put to better use assisting the homeless as intended and can be prevented in future periods if the recommendation is put into place.

Appendix B

Auditee Comments and OIG's Evaluation

Ref to OIG Evaluation

Auditee Comments



Heidi Marston

Board of Commissioners

Jacqueline Waggoner
Chair

Wendy Greuel Vice Chair Kelli Bernard

Sarah Dusseault Noah Farkas

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August 17, 2021

Tanya Schulze Regional Inspector General for Audit Office of Audit, Region 9 300 N Los Angeles Street, Room 4070 Los Angeles CA 90012

Re: HUD Office of Inspector General (OIG) Audit, Los Angeles Homeless Services Authority, CoC, Audit Report Number: 2021-LA-100X

This letter serves as the Los Angeles Homeless Services Authority's (LAHSA) response to drafts of the above-referenced audit received on July 20, 2021, and August 17, 2021, for the review period of October 1, 2017 to September 30, 2019. In the draft report, HUD OIG makes several recommendations to LAHSA intended to improve CoC grant performance and compliance. LAHSA appreciates the recommendations and insights in the draft audit. Unfortunately, LAHSA disagrees with several statements and findings included in the draft audit report.

Considering the continuous growth experienced since its establishment, along with the exposure associated with such expansion, LAHSA has consistently pursued enhancements to existing programs and structural changes to effectively mitigate risks and meet the needs of people experiencing homelessness in Los Angeles County. LAHSA's keen attention to the issues in the audit along with its awareness of the problems it faces, has resulted in the implementation of meaningful changes to mitigate the recurrence of noted issues.

LAHSA notes that almost two years have passed since the audit date of September 30, 2019, and the organization has not only developed preemptive measures, but has also continuously performed due diligence in strengthening controls and resolving issues, while efficiently managing its entrusted resources. These improvements were implemented during the COVID-19 pandemic. As homeless system lead, LAHSA was the central point of coordination for the county-wide emergency response for people experiencing homelessness. During the height of COVID, LAHSA shifted much of its focus to the county-wide efforts to minimize the impacts of COVID-19 on our unhoused neighbors. Nevertheless, LAHSA implemented HUD's mutually agreed upon recommendations, and:

- Developed a Permanent Housing Department tasked with handling the Continuum of Care portfolio.
- Established a Permanent Supportive Housing (PSH) team to coordinate with the grant management and service providers to reconcile budgets and expenditures.
- Launched the Enterprise Grant Management System (EGMS) to support full grant lifecycle administration to enhance standardization of contracting requirements, transparent collaboration, and real-time spend-down analysis.
- Established a Housing Central Command (HCC) as a centralized approach to tackling systemic challenges with LA's permanent housing utilization.

Comment 1

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Auditee Comments

Comment 2

Comment 3

HUD OIG CoC draft audit report LAHSA response August 17, 2021

LAHSA has concerns around the inclusion of the Los Angeles City Controller Report in the draft audit as this is one of many audits performed on LAHSA during the review period. The audit by the City Controller focused specifically on outreach programs funded by City of Los Angeles General Fund dollars, and we believe it is not relevant to the scope of the HUD OIG audit, which is HUD CoC Programs. In addition, OIG did not perform procedures to test the validity of the audit's findings or recommendations. Therefore, we formally request that inclusion of the Los Angeles City Controller report be removed from the OIG audit report.

We appreciate the opportunity to respond to the draft audit report and understand that this response, and all appendices, should be included in full in the final audit report.

Rise in Homelessness

The Los Angeles Continuum of Care's (LA CoC's) recent increase in homelessness reflects larger national and regional trends in the population of people experiencing homelessness. The latest federal Annual Homeless Assessment Report finds that homelessness in the United States rose for the fourth consecutive year in 2020.¹ Within California, 33 of the state's 44 Continuums of Care (CoCs) reported an increase in their Point in Time (PIT) Counts from 2017 to 2019.

Further review, however, finds that while the number of people experiencing homelessness in Los Angeles rose by 7.3% during that two-year period, the rate of growth was substantially lower than it was for many other CoCs in the state. During that same period, for example, San Francisco and Alameda CoCs reported increases of 16.8% and 42.5% in their homeless populations, respectively. The strong performance of Los Angeles' homeless services system, backed by key regional investments in housing and services, has tempered the degree of growth impacting other communities and, most importantly, resulted in more housing placements than ever before. In Los Angeles, more than 64,000 formerly homeless people have been connected to permanent housing over the past three years.

That homelessness continues to grow at a rate faster than the system can support is symptomatic of Los Angeles' exceedingly expensive rental market that keeps housing options out of reach for many residents and the underinvestment in safety-net programs that serve local individuals and families in poverty.

Housing Unaffordability in Los Angeles

While the nation is experiencing an affordable housing crisis, some of the deepest affordability gaps are concentrated in the Western region of the country (California, Oregon, Nevada, Arizona).² Close to half a million units of affordable housing are needed to meet current demand in LA County, with the largest deficit for the population at 15% Area Median Income (AMI) or below.³

The difficulty of securing affordable housing in Los Angeles' competitive rental market results in untenable levels of housing insecurity for low-income residents. Nearly half a million households in LA County are severely rent burdened, defined as spending at least 50% of their household income on housing costs. Ninety percent of these severely rent burdened households earn less than 30% AMI. Rents in Los Angeles

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Note: Referenced documents are available upon request.

 $^{^{1}}$ U.S. Department of Housing and Urban Development. (January 2021). "The 2020 Annual Homeless Assessment Report (AHAR) to Congress".

² National Low Income Housing Coalition. (March 2021). "The Gap of Affordable Rental Homes".

³ California Housing Partnership. (April 2021). "Los Angeles County Affordable Housing Outcomes Dashboard 2021".

⁴ California Housing Partnership. (April 2021). "Los Angeles County Affordable Housing Outcomes Dashboard 2021".

Ref to OIG Evaluation

Comment 3

Auditee Comments

HUD OIG CoC draft audit report LAHSA response August 17, 2021

also continue to grow at a rate higher than the national average. Since 2014, the majority of zip codes in LA County have recorded rent increases above the national average; some regions saw rental prices increase at nearly twice the national rate. Market pressures, combined with weak tenant protections, also result in higher risks of eviction, another driver of instability and homelessness. Over the past decade, half a million formal evictions were filed with the Los Angeles County Superior Court while "informal evictions" outnumber formal evictions by about two-to-one. 6

Underinvestment in Affordable Housing

Los Angeles has seen inadequate federal and state investment in creating housing that is affordable to people at the lowest income levels. Over the last decade alone, prior to new investments through recent stimulus, federal funding allocated to LA County for affordable housing programs such as Home Investment Partnerships Program (HOME) and Community Development Block Grants (CDBG) declined by 35%. State funding for affordable housing also declined sharply; the elimination of state redevelopment funding in 2012 cut about \$275 million in annual affordable housing funding in Los Angeles County. A renewed focus on the housing crisis has helped state legislators focus on addressing these funding deficiencies, but new state investments are only now beginning to close the gap. A study' shows that the mismatch between numbers of poor people and numbers of affordable available units is greatest in the western census region, with only 30 rental units affordable and available per 100 renters with extremely low incomes in the West in 2015 and this gap is only growing larger.

Weakened Safety Net Programs

As the median rents in the Los Angeles rental market have increased substantially over the last decade, housing assistance in the form of Housing Choice Vouchers (HCV) and other tenant-based voucher programs has failed to keep pace with demand. While nationally, only 1 in 4 households that qualify for HCVs receive them, a Los Angeles Times report estimates that the ratio is closer to 1 in 10 in the City of Los Angeles. Additionally, the Great Recession led to freezes on cost-of-living increases for the state's major safety net programs for individuals and families in poverty, including CalWORKs and SSI/SSP. Only recently has monthly CalWORKs grant levels reached pre-Recession levels and cost of living adjustments restored.

Effect on Permanent Housing Placements

Los Angeles' tight rental market has a two-fold effect on the homeless services system, accelerating inflow into system entry points and challenging the system's capacity to transition people into stable living conditions and out of homelessness. LAHSA's recent Systems Analysis finds that an effective homeless services system requires a ratio of 1 shelter bed for every 5 permanent housing slots, while Los Angeles is closer to 1:1. In addition to increasing the overall inventory of affordable housing, LAHSA estimates that an additional 12,000 units of supportive housing, in addition to the 10,000 in the pipeline, would have to

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 $^{^{\}rm 5}$ Zillow Presentation. (2018). "Priced Out: Rent Affordability in Los Angeles."

⁶ Public Counsel and the UCLA School of Law Community Economic Development Clinic. (June 2019). "Priced Out, Pushed Out, Locked Out".

 $^{^{7}\,}$ Watson et al., 2017, "Worst Case Housing Needs 2017 Report To Congress".

Ref to OIG Evaluation

Auditee Comments

Comment 3

Comment 4

HUD OIG CoC draft audit report LAHSA response August 17, 2021

be built in LA County to create a balanced homeless services system.⁸ Within the local homeless services system, upwards of 30,000 people are assessed and waiting for permanent housing services.

FINDING 1

The Authority did not use all of its awarded CoC grant Funds.

A) The Authority and Its Sub-grantees Had Unused CoC Funds Totaling Almost \$3.5 Million

LAHSA acknowledges that during the period of OIG's audit, some grants were underspent, and money was returned to HUD. Since the period of the audit, LAHSA has enacted several changes which have reduced CoC underspending, including enhanced monitoring of CoC grant utilization. Once LAHSA became aware of the underspending issue across the CoC grant portfolio, LAHSA immediately convened the two largest grant recipients in the CoC (i.e., HACLA and LACDA, the City of LA and County of LA's Public Housing Authorities, respectively). LAHSA then reported on underspending in the CoC portfolio to the LAHSA Commission in August 2019, Pheld additional meetings with the Public Housing Authorities, which resulted in a change to the CoC's 2019 Reallocation Policy to partially reduce funding from some of the grants. ¹⁰

Recognizing more needed to be done to address the systemic challenges faced by homeless service providers and administrators, in November 2019, LAHSA requested support from HUD to address CoC grant underutilization and the permanent supportive housing (PSH) vacancies that drove the underspend. With enhanced HUD technical assistance support, LAHSA established Housing Central Command (HCC) as a centralized approach to tackling systemic challenges with LA's permanent housing utilization, particularly focusing on the CoC-funded PSH resources managed by the two largest housing authorities in the region (HACLA and LACDA). The HCC approach includes a high level of engagement and collaboration among key system stakeholders, who convene leadership meetings at least one time per week (including Public Housing Authorities (PHAs), Department of Health Services, Department of Mental Health, Department of Social Services, Veteran's Administration, and the city's Housing and Community Investment Department). Under LAHSA's leadership the HCC collaboration is piloting a Universal Housing Application to expedite move-ins to PSH; increasing tracking of the PSH portfolio to over 14,000 units and permanent subsidies in LAHSA's Resource Management System; and driving a collective commitment to moving toward a 21-day vacancy to move-in timeline. Despite the wide-scale challenges in securing tenant-based units in the LA rental market, this collaborative effort toward monitoring the PSH portfolio has resulted in 10.5 percent improvement of CoC-funded PSH utilization as of 6/30/2021, from a baseline of 79.5 percent in March 2020 to the current utilization of 90.1 percent.

HCC has also helped LAHSA maintain the focus on underspending, which resulted in the LA CoC portfolio improving at least 12.6 percent in spending between grants expiring in 2019 and grants expiring in 2020.

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 $^{^{8}}$ Los Angeles Homeless Services Authority. (March 2020). "Homeless Systems Analysis: Envisioning an Optimal System in Los Angeles".

⁹ See Item 7.0 "Report and Discussion on Continuum of Care Program Spend-Down," Finance, Contracts and Grant Management Committee of the LAHSA Commission, August 15, 2019. https://www.lahsa.org/documents?id=3605-8-15-19-fcgm-agenda-supporting-documents-revised.pdf
¹⁰ See Item 1.0 "Review and approve Project Reallocation Policy for the Department of Housing and Urban Development (HUD) 2019 Notice of Funding Availability (NOFA)," Reallocation Standard #2, LAHSA Commission, September 10, 2019. https://www.lahsa.org/documents?id=3666-9-10-19-special-commission-agenda-supporting-documents.pdf

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Auditee Comments

Comment 4

Comment 5

HUD OIG CoC draft audit report LAHSA response August 17, 2021

LAHSA continues to monitor and report on CoC spending¹¹ on a quarterly basis, tracking key metrics and driving collaborative solutions in every segment of the pre-housing process from referrals to lease up. The CoC's approved 2021 Performance Evaluation Methodology reflects changes to how CoC grant spendown is more robustly ¹², incorporating metrics that align with those established through HCC work. The CoC is currently considering additional changes to its Reallocation Policy for 2021 to further address underspending in the portfolio to continue driving improved performance in this area.¹³

B) Administrative Challenges Contributed to Grant Underspending

On page 6 of the draft audit, OIG made several assertions regarding timeliness of LAHSA CoC grant execution process. The assertions are based on judging LAHSA execution timeline from the start of the period of performance. This is misleading in that it implies that LAHSA could have executed the subrecipient agreements as soon as the performance period started, when, for all but 1 contract, LAHSA did not receive the grant agreement from HUD until months into the performance period. LAHSA is unable to execute sub-recipient agreements prior to execution of the underlying grant agreement from HUD. LAHSA's records indicate that it took an average of 70 days, or a little over 2 months, to execute agreements with sub-recipients after receipt of the grant agreement from HUD (see Appendix A). Across the entire 2016 and 2017 NOFA portfolios, the average time to execute sub-recipient agreements after receipt of the grant agreement from HUD was only 59 days, or a little under 2 months. LAHSA agrees that during the audit period LAHSA's Policies and Procedures lacked explicit timelines for execution of HUD grant agreements and sub-recipient agreements. As noted in the response to recommendations below, this has been rectified in current procedures.

OIG asserts that it only took an average of one month from the start of the sub-recipient performance period to sign agreements, and that LAHSA added another month to execute. This is inaccurate in 2 ways. First, the assertion regarding HUD's signature date implies that the date of HUD's signature marked the date LAHSA was able to process the grants, which is inaccurate, as LAHSA must first receive the grants from HUD before processing and executing them. LAHSA's records indicate that for all but 5 of the grant agreements in the sample pool LAHSA did not receive the grants from HUD until after the start of the sub-recipient performance periods. For the 18 grant agreements received by LAHSA from HUD after the start of the performance period, LAHSA received the grant agreements from HUD on average 72 days after the start of the sub-recipient performance period. HUD's issuance of grant agreements after performance start dates to LAHSA was a significant contributing factor to LAHSA's challenge in meeting the timeliness standard in 24 CFR 578.85 (c) (1 and 2) cited in page 25 of the draft audit. Second, for the entire sample pool, LAHSA's records indicate that LAHSA executed the grant agreements within an average of 9.78 days of receipt from HUD, far less than a month additional to execute. Based on LAHSA's records, across the entire 2016 and 2017 portfolios, the average time it took LAHSA to execute the grant agreements after receipt from HUD was 10.3 days.

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¹² See "Progress Report on Los Angeles Continuum of Care Program Utilization," October 13, 2020. https://www.lahsa.org/documents?id=4893-coc-program-memo-final-10-13-2020; "Quarterly Progress Report on Los Angeles Continuum of Care Program Utilization." https://www.lahsa.org/documents?id=5135-la-coc-quarterly-spending-utilization-report
¹² See "2021 Los Angeles Continuum of Care Program Performance Evaluation Process & Methodology,"

¹² See "2021 Los Angeles Continuum of Care Program Performance Evaluation Process & Methodology," https://www.lahsa.org/documents?id=5514-final-2021-coc-program-performance-evaluation-methodology-approved-06-25-2021

¹³ See Item 02 "FY 2021 CoC Program NOFA Review and Discussion," Los Angeles Continuum of Care Board, July 14, 2021. https://www.lahsa.org/documents?id=5521-coc-nofa-presentation-to-coc-board-7-14-2021

Ref to OIG **Evaluation**

Auditee Comments

Comment 6

Comment 7

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On page 7 of the draft audit, OIG cites "Prioritization of CoC Funding" and asserts that LAHSA "lacked policies that prioritized the use of CoC funds and, instead, appeared to have offered some sub-grantees the option of keeping their CoC grants or using less restrictive funds... promoting a new source of local funding, emphasizing its flexibility in comparison to HUD CoC funding... Rather than using the additional source of funding to supplement or expand on the sub-grantees homelessness activities funded by the CoC grants, the Authority offered grantees the option of keeping their CoC grant funds or giving them up for the local funding." LAHSA objects to this statement.

Based on LAHSA's records, OIG's assertion is based on conjecture and contradicts one of HUD's policy priorities in the 2017 NOFA. LAHSA's understanding is that OIG and sub-grantee interviews were referencing the CoC's 2017 reallocation and priority list ranking strategy,¹⁴ which was approved by the CoC and consistent with HUD's policy priority #1 "Ending homelessness for all persons" which stated "CoC's should use the reallocation process to create new projects that improve their overall performance and better respond to their needs."15 The CoC strategy resulted in the CoC reallocating transitional housing and rapid re-housing projects¹⁶ to be supported by local funding and submitting several new CoC project proposals for permanent supportive housing, consistent with the CoC's reallocation strategy which reflected the CoC's needs. Of the 23 grants reviewed by OIG, nine (9) of those grants were included on the CoC's reallocated project list from 2017.

Furthermore, LAHSA does not blend other sources of funding with subrecipient CoC contracts, therefore the assertion by OIG and/or interviewees that LAHSA instructed subrecipients to prioritize spending local funding over CoC funding is seemingly without merit. The majority of the reallocated projects had local funded project terms that started after the CoC project ended. Specifically, CA1496L9D001601 term ended in 12/31/2018 and the local funding contract, 2018CNGFH221, started in 1/1/2019. Therefore, the assertion that LAHSA instructed the subrecipient to prioritize spending local funding over CoC funding is unfounded because the local funding was not available to the project during the term of the CoC grant.

On page 7 of the draft audit, OIG cites "Personnel Turnover and Capacity Issues" and asserts that LAHSA "experienced personnel turnover and capacity issues due to dramatic increases in local funding for homeless services and short-term housing since 2017" and that organizational restructuring "resulted in a number of employees leaving the Authority." Based on subsequent conversation with OIG, this statement seems to be based on observation. OIG did not request turn-over data or vacancy rates to validate this statement. It does not appear that analysis was performed to support this claim. At the time of the audit, LAHSA had experienced tremendous growth. Without data analysis, we are unclear if vacancies OIG observed were for new positions or for existing positions that support HUD CoC administration. LAHSA requests that this is removed from the draft audit report.

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¹⁴ See Item 2.0 and 3.0 "Review and approve LA CoC Program Priority List Ranking Strategy" and "Review and approve LA CoC Program Reallocation Policy." August 10, 2017. https://www.lahsa.org/documents?id=1534-commissionagenda-supporting-documents-08-10-17.pdf

¹⁵ See FY 2017 CoC Program Competition NOFA, Section II-A-1 "Ending homelessness for all persons." https://files.hudexchange.info/resources/documents/FY-2017-CoC-Program-Competition-NOFA.pdf

¹⁶ See FY 2017 Los Angeles Continuum of Care Program Application Reallocated Projects. September 13, 2017. https://www.lahsa.org/documents?id=1622-fy-2017-final-coc-nofa-reallocated-projects-list.pdf

Ref to OIG Evaluation

Auditee Comments

HUD OIG CoC draft audit report LAHSA response August 17, 2021

C) The Underutilization of CoC Funds Primarily Impacted Leases and Rental Assistance

On page 8 of the draft audit, OIG asserts that LAHSA "used less of its available funds to pay for leases and rental assistance, which is the activity that directly affects the number of homeless persons on the streets." This statement fails to account for how long-time funded CoC projects with supportive service budgets have been used to address homelessness in the LA CoC. Several LAHSA permanent housing CoC grants, including some reviewed by HUD during the audit period, are legacy projects that include funding for supportive services while leveraging other rental assistance subsidies (such as Section 8 or CoC rental assistance by a Public Housing Authority grantee) to create permanent supportive housing, which is a HUD-supported, evidence-based effective housing model that best serves program participants who are high acuity, disabled, and have chronic histories of homelessness, including unsheltered homelessnesss.

Furthermore, the two largest Public Housing Authorities in the region (City of LA, County of LA) each contribute a significant portion of their non-CoC-funded vouchers to people experiencing homelessness. In the 2018 NOFA LA CoC Collaborative Application, the LA CoC reported the Housing Authority of the City of LA (HACLA) and the LA County Development Authority (formerly the Housing Authority of the County of LA) reported 55.24 percent and 58 percent (respectively) of new admissions to their Housing Choice Voucher (HCV) Programs were people experiencing homelessness at the time of admission. In NOFA 2019, those figures were 46.84 percent and 67.6 percent respectively. This dedication of HCV resources by the two largest PHAs in the region further signals how LAHSA and the LA CoC leverage mainstream resources to serve those experiencing homelessness.

Recommendations:

1A. Develop and implement policies and procedures to ensure that sub-grantee agreements are executed in a timely manner, effective monitoring is performed, and sub-grantees maintain an emphasis on using their CoC funds, thereby preventing similar occurrences of \$3.5 million (see appendix D) in CoC funding going unused.

LAHSA has updated contracting policies and procedures to include processing timelines to ensure timely execution of grant agreements with HUD and sub-recipient agreements with providers (see Appendix B) LAHSA has also streamlined contract processing by eliminating non-value-adding reviewers in the process workflow and has transitioned to digital routing both internally and to sub-recipients using AdobeSign. To provide additional support in the processing of grant agreements and to address staffing concerns, a new unit has been created specifically to manage the processing of funder agreements and grants (the Funding & Grants Unit). At the same time, the Contracts Unit expanded the number of Specialists charged with managing sub-recipient portfolios by 28%. In addition, LAHSA has launched a Contracting and Procurement Optimization project to enhance the procurement and contracting processes overall and implemented a new Enterprise Grants Management System (EGMS). The Contracting and Procurement Optimization project is intended to reduce contracting timelines through the development of standardized contract templates and streamlined procurement vehicles. LAHSA worked with HUD TA to develop new Funder-specific flow-downs Exhibits, rather than incorporating all terms within the contract body. This is being launched in the 2020 NOFA year.

LAHSA acknowledges that at the time of the audit, no active monitoring reviews were underway since staff were completing required annual risk assessments. Since the audit, LAHSA has enhanced CoC subaward monitoring. LAHSA has strengthened our monitoring protocol through hiring a CoC Manager, who came on board in June 2019. The CoC Manager is responsible for oversight of the CoC Program-funded

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grant portfolio, monitoring quarterly spending and ensuring the LA CoC Board is informed within its oversight function to set appropriate policies that help drive portfolio improvement. Furthermore, on July 1, 2021, LAHSA implemented a new re-organization of the program functions and developed a Permanent Housing Department responsible for the Continuum of Care portfolio. The PSH team will develop a monthly performance meeting with services providers to reconcile budgets, expenditures, and coordinate with the grants management team. Finally, EGMS, powered by REI Systems, will support full grant lifecycle administration, enhancing standardization of contracting requirements, transparent collaboration, and real-time spend-down analysis. The EGMS was launched July 1, 2021, with LAHSA's HUD COC portfolio transitioning to the system starting in October 2021.

1B. Develop and implement strategies to address capacity and organizational problems or obtain technical assistance to address these issues.

The LA CoC has been identified by HUD as an S1 Initiative community for several years, with HUD deploying HUD Technical Assistance (TA) to focus on systemic challenges in the region. Beginning in November 2019, HUD augmented the S1 Initiative HUD TA with additional support to address the mission-critical work associated with the advent of Housing Central Command. In addition, HUD TA has been instrumental in evaluating LAHSA structure and CoC administration. We will continue to partner with HUD TA.

To enhance the assistance provided by HUD TA, LAHSA's Permanent Housing Department has developed a technical assistance plan for all service providers who will be trained on the specific CoC Grant, requirements, compliance, service delivery, outcomes, and expenditures of the funding allocation. This technical assistance will be a collaborative and coordinated approach to facilitating change, building the capacity of both organizations as well as individuals, developing improved ways of doing things, and ultimately, achieving agreed-upon outcomes and ensuring utilization of funding allocations. This role will be handled by Analyst under the Performance Management section of the Permanent Housing Department.

1C. Develop and implement procedures and controls to clearly define and update point-of-contact staff for sub-grantees.

As previously stated, LAHSA's employment of a CoC Manager has established a centralized point of contact for CoC grants. The CoC Manager acts as the subject matter expert on CoC programs and a liaison between CoC sub-recipients, HUD CPD, and the CoC Board. In addition, the newly implemented EGMS introduces clear sub-award ownerships and collaboration features into the system, which will enhance transparency in LAHSA's role structure.

1D. Work with HUD and sub-grantees to reevaluate its CoC program's performance goals and set targets that help to ensure that funds for future CoC grants are fully and effectively used to advance the goal of endina homelessness.

LAHSA adheres to CoC regulations and ensures performance goals are developed and reviewed through the CoC Board, which includes representation from a cross section of stakeholders such as service providers, people with lived expertise of homelessness, and public housing authority officials. For the 2021

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 $\mathsf{NOFA},^{17}$ the performance methodology includes a more robust metric for evaluating spend-down and utilization performance, serving as evidence of the LA CoC's commitment to addressing underperformance within its portfolio.

FINDING 2

The Authority Did Not Support Salary and Rental Costs Charged to Its CoC HMIS and Planning Grants.

A) The Authority Did Not Support Salary Cost Allocations

LAHSA will work with HUD CPD to address this finding. During the FY 2018-19 audit conducted by OIG, LAHSA provided supporting documentation that OIG found to be predetermined costs. LAHSA will work with HUD CPD to provide additional supporting documents to validate that based on 24 CFR Section 578.39 - Continuum of Care Planning Activities, the position titles and job descriptions support direct planning and grant activities which benefits the entire continuum of care.

The salaries charged to COC were actual hours, directly charged, and allocated to COC, city match and county match as outlined in our contract with HUD. The HUD contract required that the grants received from HUD have a match of 25% split between City and County funds. Though the allocation percentage may differ across quarters, LAHSA made sure that at the end of the contract period the required match to COC contract was met. This is shown in the RER and final cash request documentation submitted during the audit. LAHSA was not required to split transactions according to funding allocations, as long as at the end of the contract the match requirement was fully met.

Additionally, in LAHSA's FY 2019-20 single audit, Clifton Larson Allen LLP (CLA) 18 reviewed the CoC as a major program. The samples included HMIS and Planning. The auditors deemed that Time and Effort documentation provided was sufficient and did not result in any findings.

B) The Authority Did Not Support Rental Cost Allocations

LAHSA does not agree with this finding. During the FY 2018-19 audit conducted by OIG, LAHSA provided supporting documentation to support rental cost allocations. Included is the Guiding Memo on LAHSA Rent Allocation and Rental Allocation Narrative as additional support. Refer to Appendix C of supporting documents with guidance on LAHSA's rent cost allocation. As explained in the guiding memo, LAHSA uses the FTE to distribute rent. Different cost centers represent the contract/program and/or grant the employee is being charged to. However, there are cost centers that represent allocation to multiple contracts just like the COC planning pool. The allocation is specific to COC planning. This pool is an allocation between 2 COC planning contracts that run concurrently and the city and county match. The allocation percentage is also affected by the fiscal year of our city and county match. The COC contract period does not follow our fiscal year while the city and county contracts do. This difference in contract period caused the match to be spent much earlier on their contracts than COC contracts. But at the end of the COC contract the required match is fully complied with. Appendix D shows Cost Center definition.

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 $^{^{17}}$ See Final 2021 CoC Program Performance Evaluation Methodology approved 6-25-2021

¹⁸ See LAHSA 19-20 Single Audit 19-20 https://www.lahsa.org/documents?id=5232-lahsa-audited-financial-statements-and-single-audit-report-for-fiscal-year-2019-2020.pdf

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2A. Adequately support the eligibility of payroll costs or repay its CoC grants \$824,302 from non-Federal

LAHSA will continue to work with HUD CPD to validate the eligibility of all payroll costs incurred, through the supporting documentation. We feel very strongly that these expenses are eligible and in alignment with CoC Planning Grant Guidelines.

2B. Adequately support the eligibility of rent costs or repay its CoC grants \$55,545 from non-Federal Funds.

LAHSA will continue to work with HUD CPD to provide support for all rent costs incurred. We feel very strongly that these expenses are eligible and in alignment with CoC Planning Grant Guidelines.

2C. Develop and implement additional written procedures and controls to ensure that employees charge time in accordance with program requirements and that the Authority fully documents and supports that salary and rental cost allocations are charged to its CoC grants in accordance with its cost allocation plan.

LAHSA will continue to enhance written procedures and controls to ensure personnel charges comply with our established cost allocation plan and OMB Uniform Guidance.

The Authority Did Not Submit Annual Performance Reports in a Timely Manner.

A) Late Submission of APRs

LAHSA acknowledges that APRs in the audit sample were submitted late. LAHSA has been working to document new procedures for timely APR submissions, at the same time it is actively tracking and managing the submission of APRs to comport with HUD requirements.

Recommendations:

3A. Complete and implement policies and procedures to ensure that APRs are submitted by the closeout deadline.

LAHSA acknowledges timely submission of APRs are a HUD requirement. Through the implementation of the Permanent Housing department and the streamlined process within EGMS (Enterprise Grant Management System), LAHSA will ensure APRS are being submitted timely.

3B. Develop and implement policies and procedures to ensure that relevant personnel are routinely and regularly trained on the grant closeout process.

LAHSA acknowledges training staff on grant closeout will ensure timely submission of APRs. Through the newly developed Permanent Housing Department and the process of implementing EGMS, we will also ensure this recommendation is followed.

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Conclusion

We appreciate the opportunity to address OIG's draft report of LAHSA CoC programs for the period of October 2017 to September 2019. As detailed in the above response, LAHSA does not agree with all the statements and findings included in the draft report. In other areas, many of OIG's recommendations are already in place. LAHSA values the partnership with HUD in effectively administering CoC programs. LAHSA will continue to lead system solutions for the crisis of homelessness grounded in compassion, equity, and inclusion.

Should you have any questions regarding LAHSA's response, please do not hesitate to contact Darcie Mulholland, Director of Compliance, by email at dmulholland@lahsa.org.

Sincerely,

Hoidi Marston
Heidi Marston (Aug 17, 2021 14:15 PDT)

Heidi Marston Executive Director

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OIG Evaluation of Auditee Comments

Comment 1 We acknowledge that the discussion draft was provided to the Authority almost 19 months after we started this audit. Unfortunately, the challenges of completing the audit during the pandemic and other matters delayed the draft report. Draft finding outlines were initially provided to the Authority on October 7, 2020, with

revisions submitted on March 25, 2021.

resolution process.

We commend the Authority for developing preemptive measures and strengthening controls to address and correct identified issues occurring during our audit period of October 1, 2017, to September 30, 2019. We also acknowledge that the Authority has provided us with documents to support these measures, including newly developed policies and procedures. However, we cannot confirm that these changes have been fully implemented and, therefore, the associated recommendations can be resolved with HUD during the audit

- Comment 2 We acknowledge the Authority's concerns about the inclusion of the City controller's report. However, as discussed in the exit conference, the controller's report was part of what prompted us to initiate the audit. (See Highlights.) The Background section provides context for what was in its public report. We added a footnote to further clarify that our audit team did not validate the results from the controller's report.
- Comment 3 We acknowledge that homelessness increased nationwide for the fourth consecutive year in 2020. We also acknowledge that securing affordable housing in the Los Angeles rental market is a challenge. We commend the Authority for being the lead agency in the Los Angeles CoC and a key member of the local homeless services system, which connects the homeless to permanent housing.

We audited the Authority's CoC program, which is only a portion of its overall investments in local housing and services. Our audit scope was limited to a sample of CoC grants directly operated by the Authority or its subgrantees. (See Scope and Methodology for sample selection.)

Comment 4 We commend the Authority for taking proactive measures to address this finding, which include acknowledging that grants were underspent and working with the public housing agencies to coordinate efforts to resolve the issue.

We also acknowledge that the Authority requested and obtained HUD technical assistance to address and improve CoC grant underutilization. The Authority did not bring to our attention the technical assistance request or any derived improvements during the course of our fieldwork.

We did not review the grants of the other Los Angeles CoC members, the Housing Authority of the City of Los Angeles or the Los Angeles County Development Authority, as these grants are not directly administered or subgranted by the Authority and were, therefore, outside our audit scope. (See Scope and Methodology.)

Comment 5

We acknowledge that the Authority's records indicated that it took an average of 70 days, not the 119 days stated in the report, to execute agreements with subrecipients after receipt of the grant agreement from HUD. However, the Authority did not provide specific documents, other than a spreadsheet, to support the actual date on which it received the grant agreement from HUD.

As stated in the report, our numbers were calculated from the start of the performance period of each grant to the date on which it was signed. We acknowledge that the date of HUD's signature was not necessarily the date on which the Authority was able to process the grants and that the Authority must receive the grants from HUD before processing and executing them. We also acknowledge that grant agreement timeliness is a shared responsibility between HUD and the Authority. However, as noted above, we cannot confirm delays on HUD's part based on the support provided.

We commend the Authority for recognizing that the policies and procedures lacked explicit timelines for execution of HUD grant agreements and subrecipient agreements and for taking steps to update its procedures to rectify the issue. We cannot verify that the applicable procedures were implemented based on the documentation provided; however, the Authority will have the opportunity to demonstrate this assertion to HUD as part of audit resolution.

Comment 6

We acknowledge that of the 23 grants reviewed, 10 were included in the CoC reallocated project list of 2017. However, for 6 of the 10, the bases for the reallocation were "voluntary surrender." In addition, 4 of the 10 did not comply with the established reallocation policies.

This condition occurred because the Authority approached the subgrantees via email and using a preset template asking them if they would like to surrender their CoC grants and enter into a new locally funded contract, only allowing the grantees by the end of the day to decide. In the case of grant CA1496L9D001601, the subgrantee agreed to surrender the grant with the understanding that the new local funding would be more flexible and it did not have to reapply the next year. In the end, this subgrantee did not use 29.4 percent (\$286,947 / 977,097) of the grant amount. The Authority could have used the additional source of funding to supplement or expand on its subgrantees' homelessness activities funded by the CoC without blending funds. Instead, the Authority offered subgrantees the option of keeping their CoC grant funds or giving up future grant renewal funding and replace it with the local funding. By

asking subgrantees to replace CoC funding with local funding. The Authority was prioritizing the use of local funding over the existing and upcoming CoC renewal grant funding.

We have adjusted the wording of the report to clarify that the grant was being surrendered at the end of its term.

Comment 7 We acknowledge the Authority's position that our assertion on the cause of "personnel turnover and capacity issues" seemed to be based on observation. However, the Authority did not dispute that it experienced dramatic increases in local funding and went through organizational restructuring that we were able to verify to source documentation. Our assertion was based on a discussion with an Authority management representative, who stated that these changes contributed to a number of employees leaving the Authority. We also reviewed documentation related to the Authority's use of temporary employees, noted current vacancies on its organizational chart, and Authority committee meeting information showing its efforts to fill vacancies.

Document 882-4

ID #:24712

- Comment 8 We acknowledge that several of the Authority's permanent housing CoC grants are legacy projects that include funding for supportive services while leveraging other rental assistance subsidies to create permanent supportive housing. However, our assertion is specifically about how the Authority's underutilization of funds disproportionally impacted the spending on leases and rental assistance.
- Comment 9 We acknowledge that the Authority has been taking measures to address the issues identified in this recommendation. However, we cannot confirm that the recommendation has been resolved based on the documentation provided. The Authority will have the opportunity to further address the recommendation with HUD as part of the audit resolution process.
- Comment 10 We acknowledge that the Authority has been working with HUD technical assistance to address this issue. These ongoing efforts will facilitate resolving the recommendation with HUD as part of the audit resolution process.
- Comment 11 We acknowledge the Authority's assertion that it established a centralized point of contact for CoC grants to address this issue. HUD can verify this assertion, along with the associated policies and procedures, as part of the audit resolution process.
- Comment 12 We acknowledge that the Authority complied with CoC performance goals regulations; however, we also recognize that there is room for improvements to advance the goal of ending homelessness. Therefore, the Authority can resolve the recommendation with HUD in the audit resolution process.

Comment 13 We acknowledge that based on recently provided single audit reports for fiscal years 2018-2019 and 2019-2020, the Authority's certified public accounting firm indicated in the schedule of prior audit findings for fiscal year 2018-2019 that corrective action was taken for the allowable cost finding. We also acknowledge that the finding did not reappear in the fiscal year 2019-2020 single audit.

We also acknowledge the Authority's assertion that the salaries charged to CoC were actual hours, directly charged and allocated to CoC, City match, and County match. However, we disagree since City and County match were not included in the revenue and expenses reports provided by the Authority for both grants. In addition, the charge code to which the salaries for HMIS were charged was not specific to the grant in question but applicable to 12 contracts from 5 different grants. Therefore, the questioned costs were not actual hours worked on the specific grants and will still need to be reviewed and resolved during the audit resolution process.

Comment 14 We acknowledge that the Authority submitted additional support for rental costs with its response; however, the Authority did not provide specific and actual calculations for the monthly rent charged to the two grants. Instead, it provided methodology and an example using a nonrelated department code. In addition, and based on the guiding memorandum provided, "the department share in rent is determined by getting the ratio of total department employee salaries expense to the total [Authority] employee salaries expenses." However, both CoC HMIS and planning grants show multiple department codes, and the methodology was specifically created to calculate rent costs charged to a "department" and not to a "grant." In addition, since there were issues with the allocation of salaries (as discussed in finding 2), the results of the calculation would not be accurate.

Therefore, rental cost allocations have not been supported. The Authority will have the opportunity to support the questioned rent costs during the audit resolution process.

- Comment 15 We commend the Authority for working with HUD CPD to validate the eligibility of the questioned payroll costs. The Authority will have the opportunity to support the questioned costs and resolve the audit recommendations with HUD as part of audit resolution.
- Comment 16 We commend the Authority for continuing to enhance written procedures and controls to ensure compliance with its cost allocation plan and Office of Management and Budget (OMB) guidance. The Authority will have the opportunity to provide enhanced written procedures and controls to resolve the audit recommendations with HUD as part of audit resolution.
- Comment 17 We commend the Authority for developing new procedures to help ensure timely APR submissions. The Authority will have the opportunity to provide the written

policies and procedures for timely APR submissions and grant closeout personnel training to resolve the audit recommendations with HUD as part of audit resolution.

Comment 18 We acknowledge that the Authority does not agree with all the content of the report. Even so, we commend it for already starting to take the necessary measures to address most of the recommendations to rectify the identified issues.

The Authority will have the opportunity to support the questioned costs and discuss how to resolve the audit recommendations with HUD as part of audit resolution.

Appendix C

Criteria

2 CFR 200.4 Allocation

Allocation means the process of assigning a cost, or a group of costs, to one or more cost objective(s), in reasonable proportion to the benefit provided or other equitable relationship. The process may entail assigning a cost(s) directly to a final cost objective or through one or more intermediate cost objectives.

2 CFR 200.343 (b) Closeout

Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award.¹⁸

2 CFR 200.403 Factor affecting allowability of costs

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- a. Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- g. Be adequately documented.

2 CFR 200.404 Reasonable Costs

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

2 CFR 200.405 Allocable costs

- (a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:
 - (1) Is incurred specifically for the Federal award;
 - (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
 - (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart...
- (b) All activities which benefit from the non-Federal entity's indirect (F&A [facilities and administrative]) cost, including unallowable activities and donated services by the non-Federal entity or third parties, will receive an appropriate allocation of indirect costs.

After the audit period, the applicable closeout requirements were revised to 2 CFR 200.344 (b) and the deadline was changed from 90 to 120 days, effective November 2020.

(d) Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit.

2 CFR 200.430 Compensation – personal services

- (i) Standards for Documentation of Personnel Expenses
- (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:
 - (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
 - (ii) Be incorporated into the official records of the non-Federal entity;
 - (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities;

24 CFR 578 (1) Continuum of Care Program

The Continuum of Care (CoC) Program (24 CFR part 578) is designed to promote a community-wide commitment to the goal of ending homelessness; to provide funding for efforts by nonprofit providers, states, and local governments to quickly re-house homeless individuals, families, persons fleeing domestic violence, dating violence, sexual assault, and stalking, and youth while minimizing the trauma and dislocation caused by homelessness; to promote access to and effective utilization of mainstream programs by homeless individuals and families; and to optimize self-sufficiency among individuals and families experiencing homelessness.

24 CFR 578.7 Responsibilities of the Continuum of Care

- (a) Operate the Continuum of Care. The Continuum of Care must:
- (6) Consult with recipients and subrecipients to establish performance targets appropriate for population and program type, monitor recipient and subrecipient performance, evaluate outcomes, and take action against poor performers; (7) Evaluate outcomes of projects funded under the Emergency Solutions Grants program and the Continuum of Care program, and report to HUD;

24 CFR 578.85 Timeliness standards

- (a) In general. Recipients must initiate approved activities and projects promptly.
- (c) Distribution. A recipient that receives funds through this part must:
 - (1) Distribute the funds to subrecipients (in advance of expenditures by the subrecipients);
 - (2) Distribute the appropriate portion of the funds to a subrecipient no later than 45 days after receiving an approvable request for such distribution from the subrecipient; and
 - (3) Draw down funds at least once per quarter of the program year, after eligible activities commence.

24 CFR 578.109 Closeout

- (a) *In general*. Grants will be closed out in accordance with the requirements of 2 CFR part 200, subpart D, and closeout procedures established by HUD.
- **(b)** *Reports.* Applicants must submit all reports required by HUD no later than 90 days from the date of the end of the project's grant term.

(c) *Closeout agreement.* Any obligations remaining as of the date of the closeout must be covered by the terms of a closeout agreement.

Notice of Funding Availability (NOFA) for the Fiscal Year (FY) 2017 Continuum of Care Program Competition, FR-6100-N-25

- **B.** Distribution of Funds. The distribution of funds will depend largely on CoC determined priorities, HUD selection priorities, overall demand, and renewal eligibility.
- 3. Renewal Project Grant Terms
- a. All renewal project applications, including rental assistance, are limited to 1-year grant terms and 1 year of funding.

Appendix D

List of Reviewed Expired CoC Grants

No.	Grant number	Expiration date	Grant amount	Balance	Unused percentage
1	CA0422L9D001609	3/31/2018	\$460,060	\$317,055	68.9%
2	CA0509L9D001609	6/30/2018	371,836	199,996	53.8%
3	CA0508L9D001609	6/30/2018	108,509	53,376	49.2%
4	CA0502L9D001609	6/30/2018	201,389	52,674	26.2%
5	CA0425L9D001609	7/31/2018	157,949	69,363	43.9%
6	CA0467L9D001609	8/31/2018	287,809	185,272	64.4%
7	CA0994L9D001603	8/31/2018	283,614	107,162	37.8%
8	CA1496L9D001601	12/31/2018	977,097	286,947	29.4%
9	CA1495L9D001601	12/31/2018	322,453	251,907	78.1%
10	CA1489L9D001601	12/31/2018	240,742	88,252	36.7%
11	CA0353L9D001710	1/31/2019	87,596	51,114	58.4%
12	CA0358L9D001710	3/31/2019	203,809	79,373	38.9%
13	CA0341L9D001710	4/30/2019	152,667	50,633	33.2%
14	CA0363L9D001609	6/30/2018	124,195	107	0.1%
15	CA0370L9D001609	1/31/2018	140,104	0	0.0%
16	CA0376L9D001609	11/30/2018	172,646	3,990	2.3%
17	CA0413L9D001609	1/31/2018	60,177	0	0.0%
18	CA0430L9D001609	3/31/2018	419,585	0	0.0%
19	CA0510L9D001609	6/30/2018	181,635	85,244	46.9%
20	CA0526L9D001609	8/31/2018	485,775	102,162	21.0%
21	CA0993L9D001604	10/31/2018	362,258	26,479	7.3%
22	CA1336L9D001602	12/31/2018	395,955	118,877	30.0%
23	CA1686L9D001700	12/31/2019	1,504,357	1,335,625	88.8%
Total			7,702,217	3,465,608	45.0%

We selected sample numbers 14 through 23 for performance-related interviews. We were not able to interview sample number 17. (See Scope and Methodology.)