

FEBRUARY 13, 2020

California's Homelessness Challenges in Context

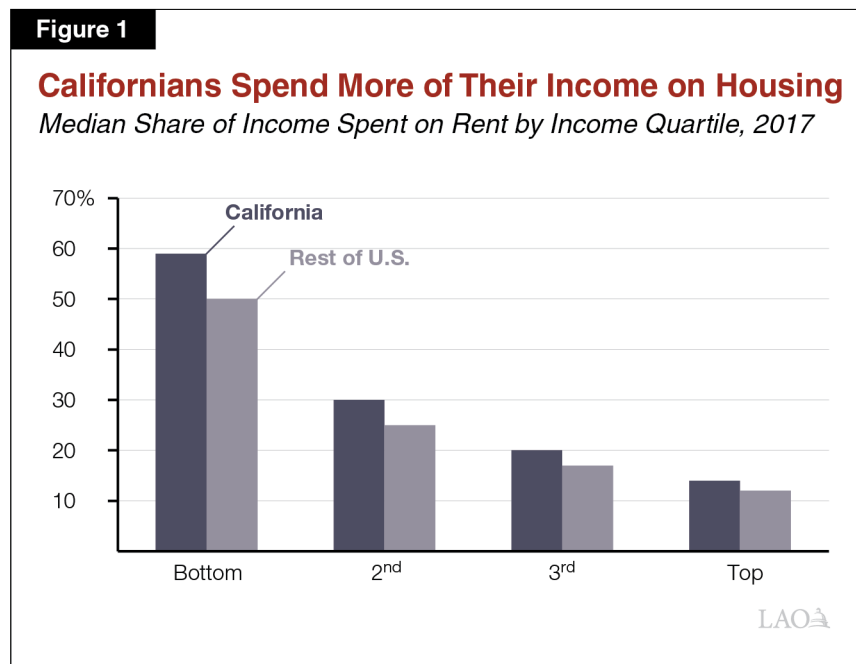
PRESENTED TO: Assembly Budget Subcommittee No. 6: Budget Process, Oversight, and Program Evaluation



LEGISLATIVE ANALYST'S OFFICE

Housing Affordability Affects Homelessness

- While homelessness is a complex problem with many causes, the high costs of housing is a significant contributor.
- Californians spend a larger share of their income on rent.

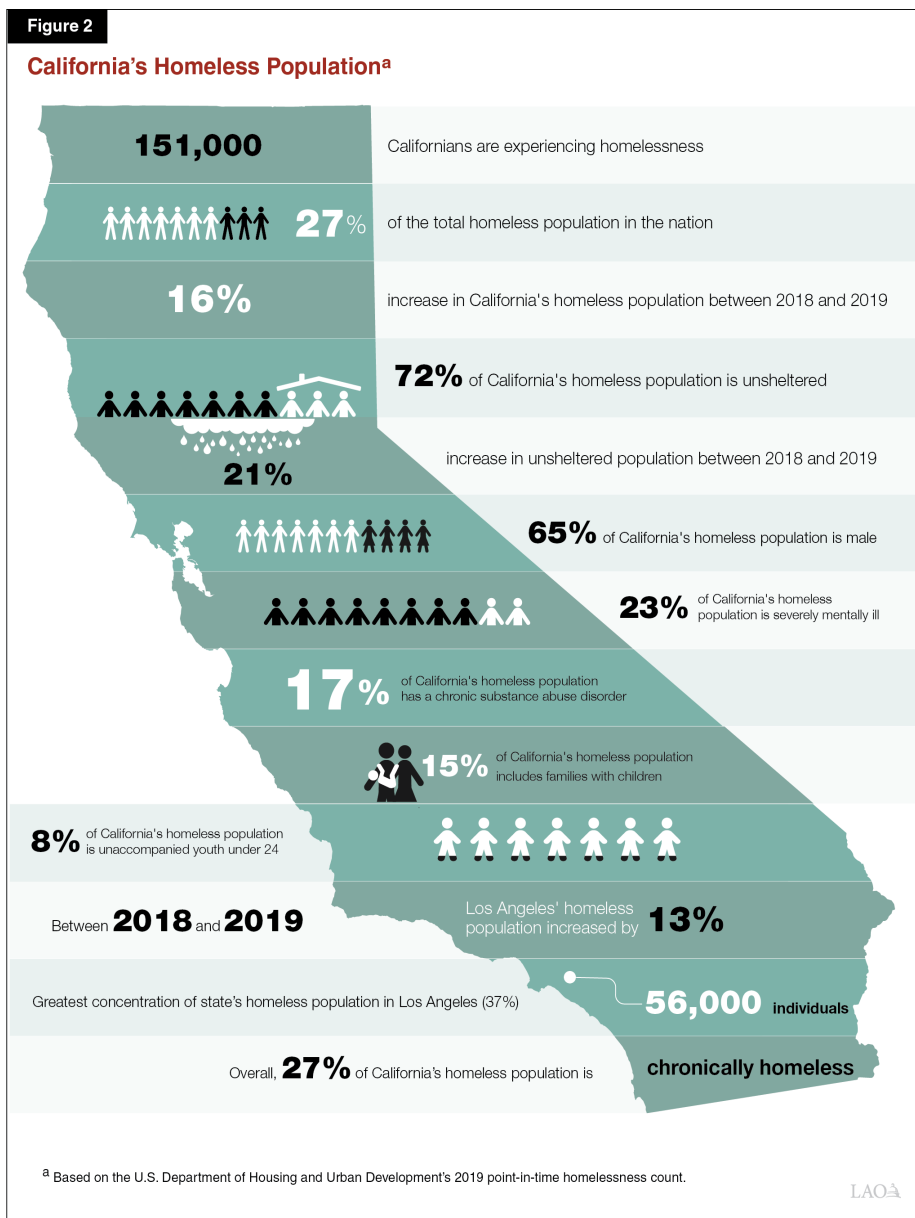


- Rising housing costs have exceeded growth in wages, particularly for low-income households.
- 1.5 million low-income households pay at least half of their income toward rent.



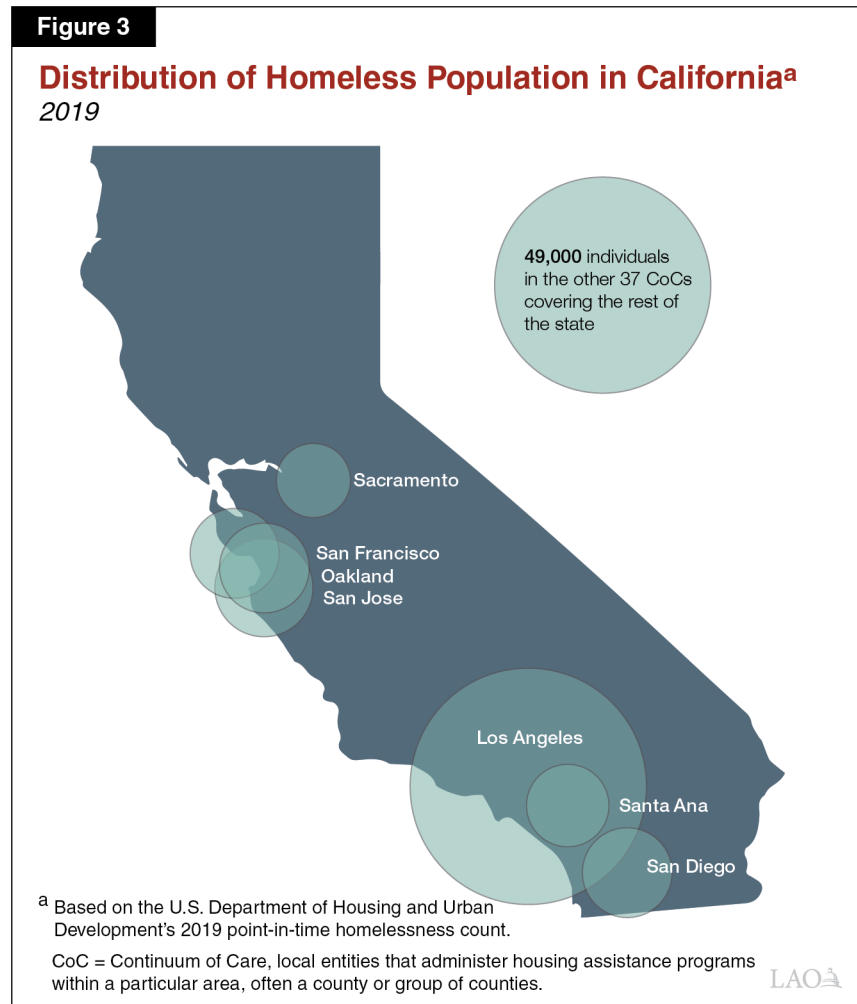
California's Homeless Population

- An estimated 151,000 people experience homelessness in California.
- More people experience homelessness in California than any other state in the nation.



California's Homeless Population

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- **Homeless Population Likely Larger.** Efforts to produce an accurate and complete count are hindered by various factors, including:
 - The transitory nature of the homeless population.
 - Limitations on counting all forms of homelessness.



Variety of Approaches for Addressing Homeless

There are a variety of approaches for assisting homeless individuals and families. Each type of assistance has pros and cons. None is obviously superior to the others in all respects.

- ***Some Approaches Cost Less, but May Offer Temporary Solutions . . .*** Some approaches tend to be cheaper, can be deployed more quickly, and have lower barriers of entry for participants. The downside of these approaches is that they tend to offer only a temporary solution.
- ***. . . While Others Cost More, but May Have More Long-Term Results.*** More permanent solutions include long-term rent assistance and supportive housing.



Various State Programs Historically Have Helped Address Homelessness . . .

State Homelessness-Related Programs. California, in partnership with the federal government, administers and funds a variety of programs that assist individuals experiencing homelessness or at-risk of becoming homeless. Generally, these state programs can be classified as follows:

- Programs that support building new affordably priced housing.
- Programs that help households afford housing.
- Health and human services programs that may assist with preventing homelessness.

Multiple State Departments Involved in Addressing Homelessness. Various state entities participate in the administration of these programs.

- The Department of Housing and Community Development, California Housing Finance Agency, California Tax Credit Allocation Committee, and the Homeless Coordinating and Financing Council (HCFC) administer some of state's longest standing and/or largest housing and homelessness programs.
- Other departments either administer the state's safety net programs and/or have other, more limited roles in addressing housing and homelessness.

Multiple Funding Sources for Addressing Homelessness. Funding for these housing and homelessness programs comes from a variety of state and federal sources. The amount of funding available varies significantly from year to year. Recent funding has been much higher due to one-time augmentations, which we discuss later.



. . . But Most Homelessness Assistance Has Been Provided at Local Level

- Historically, cities and counties have provided most of the homelessness assistance in their jurisdiction, relying in part on federal and state funding.
- Local governments are most knowledgeable about the specific homelessness-related challenges facing their communities and are well positioned to implement the combination of strategies that will work best for them.
- Prominent state and local examples of funding sources include:
 - The State Mental Health Services Act (MHSA) funding for mental health services, which are designed and implemented at the local level and may include housing and housing-related services.
 - Local measures that raise new dedicated revenue to combat homelessness. For example, in 2017, voters in Los Angeles County authorized a one-quarter percent sales tax to prevent and address homelessness.
- In addition, local governments set their own policies that aim to alleviate homelessness in their communities.
 - For example, passing inclusionary housing and rent stabilization ordinances.
- In summary, the response to homelessness at the local level has largely been reflective of communities' own assessment of their challenges and needs.



Update on Major Recent State Actions Addressing Homelessness

As the homelessness crisis has become more acute, the state has taken a larger role in funding and supporting local governments' efforts to address homelessness. Figure 4 summarizes these actions.

Figure 4	
Major State Homelessness Spending Actions in 2018-19 and 2019-20^a	
<i>(In Millions)</i>	
Program	Funding
No Place Like Home ^b	\$2,000
Homeless Emergency Aid Program ^c	500
Homeless Housing, Assistance and Prevention Program ^c	650
Total	\$3,150

^a Authorization of \$500 million in Low-Income Housing Tax Credits are not reflected in this figure
^b Revenue bond from the Mental Health Services Act, also known as Proposition 63 of 2004
^c General Fund



Update on Major Recent State Actions Addressing Homelessness

(Continued)

No Place Like Home (NPLH) Program. In November 2018, the Legislature passed and voters approved Proposition 2, authorizing the sale of up to \$2 billion of revenue bonds and the use of a portion of revenues from MHSA (also known as Proposition 63 of 2004) for the No Place Like Home (NPLH) Program. The program is meant to construct new and rehabilitate existing permanent supportive housing for those with mental illness who are homeless or are at-risk of becoming homeless.

- **Allocations.** Counties (either solely or in partnership with a developer of affordable housing) are eligible applicants for up to \$2 billion in total NPLH funding.
 - **Noncompetitive Allocation (\$190 million).** All counties are eligible to receive a noncompetitive allocation based on their 2017 homeless point-in-time count. All counties will receive a minimum allocation of \$500,000.
 - **Competitive Allocation (up to \$1.8 billion).** Counties can compete for the remaining funding with counties of similar size.
- **Eligible Activities.** Acquire, design, construct, rehabilitate, or preserve permanent supportive housing.
- **Status.** So far, all of the noncompetitive allocation and \$1 billion of the competitive allocation have been made available. The administration expects to release the remaining funds by 2021.
- **Key Upcoming Dates.** The disbursement of funds under NPLH is contingent on the sale of bonds by the California State Treasurer's Office, and the proceeds of those bonds being disbursed. This creates some uncertainty about the timing of additional disbursements.



Update on Major Recent State Actions Addressing Homelessness

(Continued)

Homeless Emergency Aid Program (HEAP). The 2018-19 budget included a one-time allocation of \$500 million for block grants to cities and Continuums of Care (CoCs)—local entities that administer housing assistance programs within a particular area, often a county or group of counties. HEAP provided local entities with flexible funding to address their immediate homelessness challenges until additional resources became available through programs like NPLH.

- **Allocations.** HEAP allocated grants as follows:
 - \$350 million was provided to CoCs based on the 2017 homeless point-in-time count.
 - \$150 million was provided to cities or a city that is also a county with a population of 330,000 or more as of January 1, 2018 (Anaheim, Bakersfield, Fresno, Long Beach, Los Angeles, Oakland, Sacramento, San Diego, San Francisco, San Jose, and Santa Ana).
- **Eligible Activities.** The parameters of the program were intentionally broad to allow local entities to address their own challenges with homelessness. Annual progress reports will track activities and progress. Figure 5 depicts how the funds are being used.

Figure 5

Uses of Homelessness Emergency Aid Program Grants

Use of Grant	Percent of Funding Allocated for Use
Services. Prevention, rapid rehousing, outreach, employment programs, housing navigators, landlord mitigation, and flexible funding pools.	39 percent
Capital Improvements. Establish or expand shelter and/or navigation centers, renovations and repairs, and community cabins.	36 percent
Rental Assistance or Subsidies. Permanent supportive housing, master leasing, and motel voucher.	13 percent
Homeless Youth Mandate. Host homes, outreach, shelter, rapid rehousing, and employment services.	7 percent
Other. Mobile hygiene services, safe parking, and administration.	5 percent



Update on Major Recent State Actions Addressing Homelessness

(Continued)

- **Status.** All HEAP funding was disbursed to qualifying cities and CoCs by January 31, 2019.
- **Key Upcoming Dates.** All of the HEAP funds must be expended by June 30, 2021. Unexpended funds must be returned to the Business, Consumer Services, and Housing Agency. The final status reports from recipients are due to the state by September 20, 2021.



Update on Major Recent State Actions Addressing Homelessness

(Continued)

Homeless Housing, Assistance and Prevention (HHAP) Program.

The 2019-20 budget included \$650 million for one-time grants to local governments to fund a variety of programs and services that address homelessness. The HHAP Program is intended to provide local jurisdictions with funds to support regional coordination and expand or develop local capacity to address their immediate homelessness challenges.

- ***Allocations.*** Allocations are calculated based on each applicant's proportionate share of the state's homeless population based on the homeless point-in-time count. HHAP allocates grants as follows:
 - \$275 million is available to the cities or a city that is also a county, with populations of 300,000 or more, as of January 1, 2019 (Anaheim, Bakersfield, Fresno, Long Beach, Los Angeles, Oakland, Riverside, Sacramento, San Diego, San Francisco, San Jose, Santa Ana, and Stockton).
 - \$190 million is available to CoCs.
 - \$175 million is available to counties.
- ***Eligible Activities.*** Expend funds on evidence-based solutions that address and prevent homelessness.
- ***Status.*** Eligible entities must submit their plan for how HHAP funding will be used throughout the five-year grant period by February 15, 2020.
- ***Key Upcoming Dates.*** The HCFC will review the plans and make final disbursements by April 1, 2020 and all funds must be expended by grantees by June 30, 2025. Recipients of the HHAP funding must submit status reports by January 1 of each year with final reports due by January 1, 2026.



Update on Major Recent State Actions Addressing Homelessness

(Continued)

Expanded Low-Income Housing Tax Credit. In addition, the 2019-20 budget package increased by \$500 million the state's low-income housing tax credit program which provides tax credits to builders of rental housing affordable to low-income households. Of this amount, \$200 million was set aside for developments that include affordable units for both low- and lower-middle-income households.

While the State's Role in Homelessness Assistance Has Increased Significantly, Local Governments Have Remained Largely Responsible for Providing Services. In all, local governments have seen a substantial infusion of state resources towards addressing homelessness in their communities. These resources, however, have been primarily one time in nature. Additionally, we note that although the state has provided funding for these activities, it did so in a way that maintained local governments' ability to implement strategies best for their homeless populations.



Local Government Efforts to Address Homelessness

In addition to the state efforts we discuss above, local governments have initiated their own programs and funding mechanisms to alleviate homelessness in their communities.

- We highlight one program below, which the Governor indicates he used as a model for his 2020-21 homelessness budget proposal.
 - ***Los Angeles County Flexible Housing Subsidy Pool (FHSP).*** The County of Los Angeles launched the FHSP Program in 2014 so that various local and philanthropic funds could be combined to fund housing. The program began with an initial contribution of \$14 million from the county and \$4 million from philanthropic sources. Today, the program receives funding from county, state, foundation, and non-profit sources to provide rental subsidies, tenancy services, and other support to a variety of high-need chronically homeless individuals. The county contracts with a nonprofit to administer the local rental subsidies and provide tenancy services to program beneficiaries.
- Several jurisdictions have passed voter-approved local initiatives that provide direct funding for homelessness programs.
 - ***City of Los Angeles.*** Voters in the City of Los Angeles passed Proposition HHH (November 2016), a \$1.2 billion general obligation bond measure expected to build 10,000 units of permanent supportive housing for people experiencing homelessness or at-risk for becoming homeless.
 - ***Los Angeles County.*** Voters in Los Angeles County approved Measure H (March 2017), a one-quarter cent sales tax increase to fund measures to prevent and combat homelessness. The local measure is expected to raise about \$355 million per year over ten years that will be used for subsidized housing, coordinated outreach and shelters, case management and services, and homelessness prevention and services to increase income.



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- ***Santa Clara County.*** Voters in Santa Clara County approved Measure A (November 2016), a \$950 million bond measure to fund housing for homeless, low- and moderate-income residents and first-time homebuyers.
- ***Alameda County.*** Voters in Alameda County approved Measure A1 (November 2016), a \$580 million bond to fund affordable housing.

