

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 ON STATE ADMINISTRATION AND ASSEMBLY HOUSING AND COMMUNITY DEVELOPMENT COMMITTEE

ASSEMBLYMEMBERS WENDY CARRILLO, BUFFY WICKS, CHAIRS

TUESDAY, FEBRUARY 8, 2022

1:30 PM, STATE CAPITOL, ROOM 444

The public may attend this hearing in person or participate by phone. Any member of the public attending this hearing will need to wear a mask at all times while in the building location. This hearing can be viewed via live stream on the Assembly's website at <https://assembly.ca.gov/todayevents>.

We encourage the public to provide written testimony before the hearing. Please send your written testimony to: BudgetSub4@asm.ca.gov. Please note that any written testimony submitted to the committee is considered public comment and may be read into the record or reprinted.

*A moderated telephone line will be available to assist with public participation. The public may provide comment by calling the following toll-free number:
877-692-8957 / Access Code: 131 54 44.*

Informational Hearing

Homelessness Funding Oversight

I. Introduction

II. Navigating the Homelessness Response System

- Jo Barrett, Resident, United Network

III. Homelessness Funding Overview

- Lourdes Morales, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

IV. Implementing the State's Homelessness Programs

- Lourdes Castro Ramirez, Secretary, Business, Housing, and Consumer Services Agency and California Interagency Council on Homelessness Co-Chair
- Julie Lo, Executive Officer, California Interagency Council on Homelessness (Cal ICH)
- Gustavo Velasquez, Director, Department of Housing and Community Development

V. Local Perspectives

- Heidi Marston, Executive Director, Los Angeles Homelessness Services Authority
- Lisa Bates, Executive Director, Sacramento Steps Forward
- Representative, City of Sacramento, Department of Community Response
- Emily Halcon, Director of Homeless Initiatives County of Sacramento

VI. Public Comment

ITEMS TO BE HEARD

**0515 BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY
2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

HOMELESSNESS FUNDING OVERSIGHT

BACKGROUND

Homelessness in California: Based on the 2020 point in time count, California has the largest homeless population in the nation with 161,548 people experiencing homelessness on any given night. Over two-thirds of those people, 113,660 are unsheltered, meaning they are living outdoors and not in temporary shelters. Nearly half of all unsheltered people in the country are in California. Due to COVID, local governments were unable to complete a count of the 2021 unsheltered population, however, the sheltered homelessness population (those staying temporarily in emergency shelters or transitional housing) in 2021 was 57,468 (as compared to 2020 which was 47,888).

The homelessness crisis is driven in part by the lack of affordable rental housing for lower income people. In the current market, 2.2 million extremely low-income and very low-income renter households are competing for 664,000 affordable rental units. Of the six million renter households in the state, 1.7 million are paying more than 50 percent of their income toward rent. The National Low Income Housing Coalition estimates that the state needs an additional 1.5 million housing units affordable to very-low income Californians.

Investments in addressing homelessness: Historically, the federal government has been the main source of funding for the local homeless response system. Federal funds flow to locally created Continuums of Care (CoCs) operated either by the county or local non-profits that fund services and shelter for people experiencing homelessness. There are 44 CoCs in the state. State funding has focused on increasing the supply of supportive housing, housing with services to help people experiencing homeless remain housed through the No Place Like Home Program (NPLH), Multi-family Housing–Supportive Housing Program (MHP), and Housing for a Healthy California. Services are traditionally funded by: Mental Health Service Act funds, Medi-Cal funds County General Fund or other county-specific sources, HUD Continuum of Care funds, and NPLH project revenues. However, in recent years the state has made investments into the local homelessness response system to fund shelters and temporary housing.

Homeless Emergency Assistance Program (HEAP) and Homeless Housing, Assistance and Prevention Program (HHAP)

In response to the growing population of people experiencing homelessness, especially those who are unsheltered, the state allocated money directly to local governments to reduce homelessness. From 2018 to 2020, through two programs – the Homeless Emergency Assistance Program (HEAP) and Homeless Housing, Assistance and Prevention Program (HHAP) – the state has invested over \$1.45 billion in flexible funding that can be used for shelters, navigation centers, rental assistance, permanent supportive housing, and services. The 2021 Budget Act included \$2 billion over two years for continued support for HHAP.

The California Interagency Council on Homelessness (Cal – ICH) administers the HEAP and HHAP programs and is responsible for collecting data from CoCs, cities with populations over 200,000, and counties that receive funding on the use of funds.

The Legislature made changes to the HHAP program last year to create greater accountability for outcomes and to encourage greater collaboration among CoCs, cities, and counties. The goal of these changes is to build coordination within the local responses system that extends beyond HHAP funding.

Major Changes to HHAP in 2021:

1. Encouraged greater coordination among CoCs, Cities, and Counties:
 - Advanced more initial funding to CoCs, cities and counties that agreed to apply together (25 percent versus 20 percent).
2. Require evidence based-data to inform investments:
 - Require applicants to submit an action plan that includes a local landscape analysis that assesses the current number of people experiencing homelessness and existing programs and funding which address homelessness within the jurisdiction
 - Identification of the number of individuals and families served, including demographic information and intervention types provided, and demographic subpopulations that are underserved relative to their proportion of individuals experiencing homelessness in the jurisdiction.
 - Identification of all funds, including state, federal and local funds, currently being used, and budgeted to be used, to provide housing and homelessness-related services to persons experiencing homelessness or at imminent risk of homelessness, how this funding serves subpopulations, and what intervention types are funded through these resources.

3. Tie future funding to performance goals:

Requirement to set performance goals to receive bonus funding:

- Reducing the number of persons experiencing homelessness.
- Reducing the number of persons who become homeless for the first time.
- Increasing the number of people exiting homelessness into permanent housing.
- Reducing the length of time persons remain homeless.
- Reducing the number of persons who return to homelessness after exiting homelessness to permanent housing.
- Increasing successful placements from street outreach.

Project Homekey

In response to COVID-19 the federal government provided one-time funding to immediately house people experiencing homeless at risk of contracting the virus. Project Roomkey reimbursed cities and counties from Federal Emergency Management Agency (FEMA) to temporarily house people. Statewide, 14,700 rooms were secured by Roomkey and 70 percent are occupied. Most of the rooms are in Los Angeles County, where over 55 percent of the available 4,500 rooms are occupied. Overall, the program has provided short-term housing for 23,000 people in 42 counties.

Project Homekey provided funding to purchase hotels and motels and master lease housing to house people experiencing homelessness. In addition to funding from the previous year, the 2021 Budget Act included \$1.45 billion. Homekey has produced a total of 5,911 units and housed 8,264 people.

Multi-family Housing Program (MHP): The MPH program is the flag-ship program at HCD that funds new construction, rehabilitation and preservation of permanent and transitional rental housing for lower income households. Proposition 1C in 2017 included \$1.5 billion for the MHP program, there is \$394 million remaining in the program that will be awarded this year. Historically MHP has included a set-aside for supportive housing developments.

Emergency Solutions Grant Program (ESG): The federal ESG provides funds for a variety of activities to address homelessness as authorized under the federal Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act of 2009 and State program requirements. HCD administers the ESG program with funding received from the U.S. Department of Housing and Urban Development (HUD). The ESG program provides grant funding to (1) engage homeless individuals and families living on the street, (2) rapidly re-house homeless individuals and families, (3) help operate and provide essential services in emergency shelters for homeless individuals and families, and (4) prevent individuals and families from becoming homeless.

In 2016, in an effort to align the Department's ESG funds with the HEARTH Act priorities; HCD has redesigned how it allocates and distributes funding. The redesigned ESG program aims to do the following: Aligns with local systems' federal ESG and HEARTH goals, invests in impactful activities based on key performance goals and outcomes, improves geographic distribution of funded activities and continuity of funded activities, and creates a streamlined delivery mechanism.

No Place Like Home: On July 1, 2016, Governor Brown signed the No Place Like Home program (NPLH) to dedicate up to \$2 billion in bond proceeds to invest in the development of permanent supportive housing for persons who are in need of mental health services and are experiencing homelessness, chronic homelessness, or who are at risk of chronic homelessness. The bonds are repaid by funding from the Mental Health Services Act (MHSA). In November 2018 voters approved Proposition 2, authorizing the sale of up to \$2 billion of revenue bonds and the use of a portion of Proposition 63 taxes for the NPLH program.

Key features of the program include:

- Counties will be eligible applicants (either solely or with a housing development sponsor).
- Funding for permanent supportive housing must utilize low barrier tenant selection practices that prioritize vulnerable populations and offer flexible, voluntary, and individualized supportive services.
- Counties must commit to provide mental health services and help coordinate access to other community-based supportive services.

The 2020-21HCD Annual Report of NPLH, indicated that \$1.3 Billion of the \$2 Billion of funds have been awarded. According to the report, as of October 15, 2021, seven NPLH projects have completed construction and are in the process of renting up 202 NPLH units. NPLH funding will run out at the end of this year.

Housing for a Healthy California: In September of 2017, as part of a housing package, Governor Jerry Brown signed AB 74 (Chiu) into law authorizing HCD to develop the Housing for a Healthy California (HHC) Program. The HHC program creates supportive housing for individuals who are recipients of or eligible for health care provided through the California Department of Health Care Services, Medi-Cal program. The goal of the HHC program is to reduce the financial burden on local and state resources due to the overutilization of emergency departments, inpatient care, nursing home stays and use of corrections systems and law enforcement resources as the point of health care provision for people who are chronically homeless or homeless and a high-cost health user. Funding for HHC came in part from the amount collected in the first year from the SB 2 recording fee and the National Housing Trust Fund (NHTF). The statute authorizing the

program sunset last year. AB 816 (Chiu) directed HCD to prioritize funding from the NHTF to developments that serve people experiencing homelessness.

State's strategy to reduce homelessness: Although some meaningful steps have been taken to create a structured strategy to addressing homelessness at the state level, the state lacks a comprehensive strategy for addressing homelessness. In 2017, SB 1380 (Mitchell), Chapter 847, created the Homelessness Coordinating and Financing Council (HCFC) [recently renamed the California Interagency Council on Homelessness (Cal-ICH)] to coordinate the state's response to homelessness. Cal-ICH is responsible for working with all state agencies or departments that operate programs that provide housing or housing-related services to people experiencing to adopt guidelines and regulations to include Housing First policies. Housing First is an evidence-based housing model that centers on providing people experiencing homelessness with housing as quickly as possible and then providing services as needed. The Cal-ICH was given a list of "goals" to focus on but no clear authority to make changes to state policy or programs that address homelessness. In March of 2021, the Cal-ICH adopted an Action Plan for Preventing and Ending Homelessness in California (Action Plan) with specified goals that member agencies approved and agreed to work collaboratively on.

Cal-ICH also recently launched a state Homeless Data Integration System (HDIS) that captures the data from local HMIS. All 44 CoCs in the state have entered into contracts to provide their HMIS data to HCFC. HDIS is intended to give the state a more accurate picture of the local homelessness response system and inform the state's response to homelessness. Some state programs that serve people experiencing homelessness including CalWORKs Housing Support Program, the Housing and Disability Advocacy Program, and Bringing Families Home require counties and child welfare agencies to enter data into the local HMIS system. AB 977 (Gabriel) Chapter 397, Statutes of 2021, expanded the programs required to submit data to the state HDIS to all programs that provide housing and services to people experiencing homelessness.

The Legislative Analyst's Office has been critical of the state's response to homelessness over the last few years and presented the following recommendations at the January 21, 2021, Joint hearing of Budget Subcommittee 4 on State Administration and the Housing and Community Development Committee:

"The scale of the homelessness crisis in California is significant and even substantial resources could quickly dissipate without demonstrating much progress if investments are made without a clear plan. Given the Legislature's interest in addressing homelessness in California, this section outlines issues to consider that could increase the likelihood that the state's resources are used in a way that results in meaningful reductions in homelessness.

- Identify Goals. Setting clear goals would help to structure programs and funding in a way that steadily moves the state towards curbing homelessness.
- Identify Solutions That Align With Goals. The structure of the state's homelessness programs should work towards achieving the identified goals.
- Set Clear State and Local Responsibilities. Having clear state and local responsibilities will deter inefficiencies and foster accountability among all of the entities involved in addressing homelessness statewide.
- Identify State Governance Structure. An effective governance model will provide clear leadership and guidance towards accomplishing the identified goals.
- Establish Funding Strategy. Identify the revenue sources for the homelessness programs and determine whether funding should be one time or ongoing in nature.
- Develop Rigorous Oversight Mechanism. Oversight efforts should assess the performance of state entities that administer homelessness programs and local partners.”

QUESTIONS

1. Was the state coordinating its response across agencies to homelessness prior to the creation of what is now Cal ICH? What is the vision of Cal ICH with regard to coordinating the state response to homelessness? Are there opportunities to coordinate more or to streamline programs across agencies?
2. How are cities, counties, and CoCs coordinating their responses to homelessness? Are there opportunities to coordinate more?
3. What gaps funding exist in the local homelessness response system?
4. How many temporary units has Homekey created? How many permanent units (project has permanent funding for 55 years) has Homekey created?
5. Why have no NPLH units been occupied yet? What barriers exist to getting those units constructed more quickly?
6. NPLH and MHP (two of the major programs that fund supportive housing) will be exhausted by the end of the year. What is the Administration plan to fund supportive housing 2023?

Staff Recommendation: This item is presented for information only.
