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Council Districts: Citywide
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Honorable Members of the City Council
City of Los Angeles
c/o the City Clerk, City Hall
200 North Spring Street
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COUNCIL TRANSMITTAL: LOS ANGELES HOUSING DEPARTMENT REPORT REGARDING A STRATEGY TO CREATE PERMANENT AND INTERIM HOUSING TO REDUCE HOMELESSNESS

SUMMARY

Last year, the City Council directed LAHD to report back with an investment strategy to create the permanent and interim housing needed to significantly reduce and ultimately end homelessness in the City of Los Angeles. The Council requested that this report include (1) recommendations on the size of investment needed given the projected size of the population of persons experiencing unsheltered homelessness in Los Angeles on a year by year basis; (2) recommendations on the housing typologies (permanent and interim) to target for investment; (3) projection of the number of housing units generated by investment; (4) projection of additional outside dollars the City will need to leverage; and (5) identification of funding gaps.

This report summarizes LAHD's findings, assessment and projections for what will be required for the City to reach functional zero homelessness, and looks at the funds required from City, County, State and Federal sources that might be leveraged to close the funding gap. Cognizant of the large gap to be filled, this report also outlines immediate steps to make solutions more financially viable and effective.

RECOMMENDATIONS

I. That the City Council, subject to the approval of the Mayor:

- A. ACCEPT this analysis of the homelessness solutions gap and INSTRUCT the Office of the City Administrative Officer (CAO), with support from LAHD, to update the City's Comprehensive Homelessness Strategy to incorporate funding and production goals as outlined in this analysis.
- B. INSTRUCT the CLA, CAO, and LAHD to collaboratively identify funding streams to cover all or a portion of the funding gap identified in this analysis, including those from the City, County and the state, and to identify opportunities to increase and incorporate the use of health plan funds.
- C. INSTRUCT the CLA, CAO, and LAHD, with support from the Mayor's Office, to develop a strategy that includes County, the State and Federal partners, to advocate for the resources outlined in this analysis;
- D. INSTRUCT LAHD to develop a production costs and resources gaps analysis similar to this one for the City's broader range of affordable housing production and preservation needs.
- E. DIRECT LAHD and CAO to return within 30 days with a proposal to coordinate with County DHS and DMH to conduct a one-year pilot in at least six City-subsidized supportive housing buildings to increase services to meet the needs of higher level of care residents to be successfully housed in PSH, and explore funding resources including Alliance or Measure H funding.
- F. DIRECT LAHD to report back within 30 days on the number of units in the Affordable Housing Managed Pipeline, or incentive programs such as Transit Oriented Communities with housing for tenants earning less than 30% of Area Median Income that could be marketed to people experiencing homelessness or at high risk of homelessness, and changes in covenants needed to require owners to coordinate leasing with the City and service providers to house eligible people experiencing homelessness in covenanted units.
- G. DIRECT LAHD's 2024-25 Notices of Funding Availability for housing production programs to incorporate incentives to include very low income and extremely low income units for people experiencing homelessness.

BACKGROUND

The City of Los Angeles faces a housing crisis, which has left over 45,000 homeless individuals and families on the streets. The number of people experiencing homelessness will continue to grow unless the City and our partners are able to address the housing, mental health and services gaps in our system. In 2021, the Los Angeles Homeless Services Authority (LAHSA) reported that the City faced a 21,805 permanent housing unit deficit for those experiencing homelessness.

The analysis presented in this report presents an approach to reduce street homelessness through a mix of interim and permanent housing expenditures. This report focuses on the cost to close the housing production gap, which is one of the biggest challenges to significant reductions in homelessness. On the whole, the purpose of this report is to demonstrate the size of the current housing gap for people experiencing homelessness today, and the cost of closing it. The analysis defines the range and types of interventions needed and provides the necessary, accurate information to properly determine the appropriate program expansions for the City to pursue; and to advocate for proportional investments by county, state, and federal partners.

The analysis assumed a significant expansion of all programs currently underway to provide permanent supportive housing, affordable housing, interim housing, and leased housing over a ten-year period to steadily reduce homelessness. The only program proposed that would be more than an expansion of current efforts within the City was the addition of 9,167 higher level of care beds which may include Adult Residential Facilities, Residential Care Facilities for the Elderly, or other needed facilities. It was assumed that these facilities would be funded and licensed by the County with funds passed through from the state.

The analysis then calculated the capital cost to build each type of housing, the operations costs to staff, maintain, insure, provide utilities and all other operating needs; and the services costs to ensure tenants can be successfully housed in the buildings. It then calculated what resources in these efforts usually are provided by the City, and what is needed from the county, state, and federal governments. In many cases the current identified funding that was assigned to the City, County or State was passed through from other government sources, usually federal or state.

HISTORICAL HOUSING PRODUCTION CHALLENGES AND ACCOMPLISHMENTS

The current homelessness crisis is rooted in decades of underbuilding. From 1993 to 2023, permanent units, both affordable and supportive, built in the City through the Low-Income Housing Tax Credit (LIHTC) program, the primary source of federal funding to address subsidized housing needs, averaged 2,732 units per year over a 30-year period. Starting in 2009, the year LAHSA began producing PIT data annually and specifically for the City, the PIT count for the City has almost doubled, from 25,771 in 2009 to 46,260 in the 2022 count. The PIT count went down in the City by 2.2% in 2024 to 45,252, reflecting the significant local investments in permanent and interim housing efforts including Inside Safe. Nevertheless, the evidence of thirty years of underproduction of housing is apparent in our steadily rising homeless population. Overall, the population grew, housing production remained stagnant, and rents increased as a result.

The recent, valuable investments in permanent housing as a result of Measure HHH and Project HomeKey have shown that change is possible, as evidenced by the 2024 PIT results showing a reduction in both sheltered and unsheltered homelessness, and an increase in people permanently housed. Passed in 2016, with units ready for occupancy as early as 2018, HHH will have brought production of supportive housing to more than 12,000 units by 2026. This investment has increased permanent housing from 200 units to 1000 units per year over ten years.

Permanent housing funded by HHH exceeded the City's production goals due to successful leveraging with other County, state and federal funds through the Low Income Housing Tax Credit program. Without that leveraging HHH would have only produced 2,500 units in total. With the benefits of leveraging came increased time required for developers to secure other sources, and costs related to delays and additional requirements. For the next funding program, whether it be United to House LA, Measure A, the State's Proposition 1 or a new source, the City will work to align funding timeline and requirements to mitigate these problems where possible.

Housing production is the intervention most analyzed in this model because it is the intervention that the City's resources and capacities best fit, but it does not solely account for the homelessness crisis as it has grown over the past forty years. The shutdown of mental health facilities since 1977, and the lack of mental health and substance use disorder treatment and facilities for higher levels of care also significantly contribute to this crisis. These interventions are primarily funded and managed by the County and State, and are addressed in the analysis as needs to be funded by those partners.

METHODOLOGY & BASE RATES

The analysis assumes housing needs based on the actual and projected annual PIT count conducted by LAHSA. The number of units recommended per year, both permanent and interim, demonstrate a significant increase for construction, rehabilitation and/or leasing of permanent and interim housing. The model evaluates the PIT count per year as a way to determine the number of new units or beds needed for that year. Of the total new units recommended for investment, about half are defined as permanent supportive and the other half as affordable housing. The Department utilized the University of California San Francisco (UCSF) study, “California Statewide Study of People Experiencing Homelessness” which found that about 50% of all people experiencing homelessness in California require permanent supportive housing, while the other 50% require targeted affordable housing with some services.

Each annual budget total breaks down into three categories: capital, operations, and services. The base rates assumed for all of the typologies – permanent housing, interim and shelter beds, leased housing and time-limited subsidies, as well as higher level of care beds - along with the actual annual dollar amount, can be found in the Base Rates Table worksheet of Attachment A.

All costs assume an annual inflator of 3%. Actual construction costs from HHH, bond financed, and other affordable and supportive housing projects inform the base rates for capital investment. Capital investments for interim housing are an average based on interim housing investments over the last 5 years in the City of Los Angeles. The Housing Authority of the City of Los Angeles (HACLA) advised on the most reasonable rate for operations in PSH buildings; this accounts for the base rate cost of operations or vouchers in the case of most supportive housing projects. Various interim housing providers’ rates informed operations costs for interim housing; however, the City historically only pays a portion of the actual amount needed to operate interim housing. Finally, the Los Angeles County Departments of Health Services and Mental Health advised on the per-person cost for intensive case management services (ICMS), which incorporates the recent 10% increase to the ICMS bed rates approved by the Los Angeles County Board of Supervisors, as well as the rates that would be needed to successfully operate higher level of care beds such as Adult Residential Care Facilities.

ASSUMPTIONS AND SCOPE

This model assumes turnover, including individuals that “self-resolve” out of homelessness, and overall entrances and exits to and from the rehousing system. The analysis does not go beyond serving the housing and related needs of people experiencing homelessness as measured in the Point in Time count. Unlike the Regional Housing Needs Assessment (RHNA), which measures the need for more affordable and market rate housing to accommodate new household formation, new jobs, and cumulative unmet needs from prior years, this report looks only at people experiencing homelessness. The 47,355 units envisioned to be constructed and added to the City’s housing stock in this analysis would represent 41% of the 115,978 units for very low income households in the RHNA goals for 2021 to 2029.

This analysis also does not include an estimate of costs needed to fund prevention programs such as income support, eviction defense, supports to children and families in the foster care system, or support for survivors of domestic violence, other than the provision of housing units. The analysis assumes that the funding of these critically needed programs continues at current levels, but the need and the impact occurs outside the scope considered here. Similarly, this analysis doesn’t include an estimate of the impact of changes in the overall

housing market and affordable housing supply. It assumes that affordable housing production for lower income people continues at current levels, as does market rate production.

Homeless Population and Inflow

This report assumes that the homeless population will increase each year by some percentage of people who fall into homelessness during the year and are unable to exit to permanent housing by the end of the year. This measured change year-over-year accounts for various influxes of homeless people over the next ten years, but also recognizes that with continuous investment in permanent housing, the overall population will increase by less over time. More broadly, this model does not anticipate changes in funds that currently support or will support programs to keep low income individuals and families housed. There are several programs outside the universe of this model, inclusive of low income housing production and eviction prevention, that were assumed to continue to receive the same levels of support so as not to increase the anticipated unsheltered and sheltered homeless populations.

Turnover of Time Limited Subsidy Slots

Time-Limited Subsidies (TLS), formerly called Rapid Rehousing, provide up to 24 months of rental subsidy for individuals and families in need. This analysis assumes that, consistent with the length of the subsidy, every two years formerly unhoused individuals receiving TLS will transition into permanent housing possibly outside the homelessness services system and the subsidy slots will reopen. This analysis assumes that the cost of housing navigation services for each TLS participant is included in the budget along with rental subsidies.

Philosophy: Homeless vs. Housed

According to the U.S. Department of Housing & Urban Development (“HUD”), a person is still considered homeless in an interim housing bed. Thus, homelessness will only decrease if permanent housing units are constructed in tandem with increased interim housing beds.

In the model, at the beginning of each year, the homeless population is counted as sheltered or unsheltered. During the course of the year, it is assumed that permanent and interim units come online. It is also assumed that the number of new permanent units serve the unsheltered and sheltered homeless population, and that each new permanent unit accounts for one less homeless person in the year over year PIT count. For the purpose of this analysis, new interim units were not calculated as decreasing the PIT number, but were counted as increasing the number of sheltered homeless individuals.

United to House LA Funding

The United to House LA measure approved in November 2022 has multiple funding programs that can be used to build housing for people experiencing homelessness: Multifamily Affordable Housing, Alternative Models for Permanent Affordable Housing, and Acquisition and Rehabilitation of Affordable Housing.

The model assumes that roughly half of the funding generated from Multifamily Affordable Housing (\$51.7M per year) will serve people captured in the PIT count (i.e. actively experiencing homelessness). Alternative Models is assumed to allocate up to 25% of its annual revenue allocation towards supportive housing, or approximately \$25.8M. Lastly, 25% of the anticipated revenue allocated to the Acquisition and Rehabilitation program is assumed to be dedicated to preservation of existing housing stock for people that are at 30% Area Median Income (AMI) or below and who would otherwise fall into homelessness. The allocation amounts in the ULA funds are

based on an estimated \$500 million in annual tax revenues over the ten-year projection. In the first fiscal year that the ULA tax has been in effect, average monthly receipts have neared \$25 million, or \$300 annually, but the analysis assumes that sale activity will increase as interest rates go down, and as the uncertainty of litigation and the November 2024 ballot measure challenging its validity ends.

Other Funding Sources

The differing funding models of permanent and interim housing are also key to understanding the investment strategy. For permanent housing, this model assumes that City funds are leveraged 3-to-1 by state and federal sources, as is currently true of the HHH and Affordable Housing Managed Pipeline programs. The costs to operate that permanent housing, and provide services for tenants, are covered by county, state and federal funding sources. The City pays and is anticipated to continue paying for the majority of costs for interim housing - including capital, leasing, operations, and services - from a mix of pass through funds from the County, State as well as the City's General Fund.

To produce the significant increase in permanent supportive and affordable housing units shown in this report, as well as the increase in interim housing beds, the City would need to find \$320 million per year in new local funds for housing production and interim housing. A sales tax measure, Measure A, on the County's November 2024 ballot would be expected to produce approximately \$500 million per year for housing production across all 88 cities in the County, and would also extend permanently the services and operations funding from Proposition H that will expire in 2027. Other local, state and federal measures are assumed to be proposed and adopted during the ten years shown.

In the past four years the City has been able to access significant funding for supportive housing from the state and federal governments. Project HomeKey from the state has funded over 1200 units, and HHAP funds from the state have supported interim housing operations and services. The General Fund surpluses and COVID-related funding that backed these investments are not as available. This gaps analysis assumes that most of the currently available sources continue to be available, but that additional sources would need to be committed to support the operations, capital and services of the new units and beds.

10 YEAR ANALYSIS: KEY ASSUMPTIONS AND FINDINGS

The model attached and summarized below suggests that heavy investments in interim, permanent and affordable housing for the first seven years, with ongoing, level investments in the subsequent years, will reduce homelessness significantly. Additionally, the need for interim beds will reduce as the number of permanent housing units' increases. Interim housing investment decreases, while permanent housing investment increases - then stabilizes - resulting in a functional zero homeless population. The analysis shows the funding needed to build roughly 60,000 permanent units over ten years to close the housing gap. This would be a significant increase, considering the City has produced about that much (60,000) housing units in the last 30 years. Below are key takeaways from the model broken down by investment type.

Interim Housing

Interim Housing is a key component of the rehousing system, and this report recommends short-term investments in interim housing to create better pathways for people to move into permanent housing. As of January 2023, there were roughly 8,000 privately funded (e.g. missions) shelter beds and 7,800 city funded interim beds. The

analysis shows costs to build or lease and operate 1,090 new interim beds in 2024, 1,000 new interim beds in 2025, and 1,000 new interim beds in 2026 for a total of 3,090. By Year 8, the analysis shows that adequate permanent housing will have been built to enable the City to begin decommissioning some interim housing beds, with the ultimate goal of maintaining roughly 6,000 interim housing beds in perpetuity.

Permanent Housing

Between 2015 and 2023 the City supported the production of 12,000 permanent supportive housing units, including those funded by HHH. Between 2024 and 2025, the final 790 of HHH units will be completed and leased up. The production of new PSH units will slow to 200 per year in 2025 and 2026 as HHH is fully expended. Once the challenges to ULA are fully resolved, and other new funding is available, the pipeline will resume, with new units starting construction within 18 months. At current funding levels including HHH and Project HomeKey, both of which will end soon, and with expected funding from ULA, the City of Los Angeles would be projected to produce 25,603 units over the next 10 years. To meet the needs shown in this analysis would require production of 60,000 permanent units which includes affordable and supportive units including Time Limited Subsidy and Higher Level of Care beds, over the next 10 years, more than double current production levels. This number includes funding to accommodate those who need a significantly higher level of care due to mental health and substance use disorder needs, or help with the activities of daily living as residents age, or other special needs.

Vouchers (Operations)

The Strategy shows that Project Based Vouchers (PBVs) are a key component of production of Permanent Supportive Housing. HACLA is limited to using 30% of its total allocation of vouchers as PBVs, and it has reached that limit. Each year HACLA receives between 200 and 400 new vouchers from HUD, of which 30% can be used for PBVs. To reach our goals, the City will need an additional 20,260 vouchers over 10 years. Section 8 rental housing vouchers for these projects are made with long term commitments that increase over time as rents rise. This kind of open-ended large financial commitment has historically been the purview of the federal government, which is the only government entity with deficit spending capacity. These increases would require appropriations by Congress.

Services & Higher Level of Care

The Strategy assumes that the County Departments of Health and Mental Health Services will continue to provide case management services at a rate of \$495 to \$650 per person, per month for PSH units, starting at the current average rate of \$495 and increasing over time. Of the roughly 60,000 new permanent units built as part of this strategy, the Department estimates that about 26,000 units will need case management services historically provided by the County. This does not include services provided to those who need higher levels of care, which are assumed to be included in the per diem bed rate for those facilities. Recent estimates suggest that 15% of PSH residents may need higher levels of care than a shared case manager for weekdays. The analysis shows the costs to build, lease and operate 9,167 new beds beginning in 2026, satisfying the 15% anticipated need.

TOPLINE FINDINGS

Total Investment Numbers: This analysis shows that in order to reach functional zero homelessness in the City of Los Angeles within ten years, a total investment across all levels of government of \$2.2 billion per year is required. The analysis shows that the City itself would need to invest an additional \$330 million per year, over 10 years,

above and beyond current expenditures of \$1.4 million per year. Using current funding models as a guide, the majority of funding required to fill the remaining gap would come from the county, state, and federal government.

City Contribution: Right now, the City is on track to spend \$1.4 billion on permanent supportive and interim housing over the next 10 years. That includes anticipated funding from ULA and the remains of the HHH funding, as well as HOME federal funds, Senate Bill 2 State funds and Linkage Fee local funds . The additional \$3.3 billion over that same decade — or \$330 million per year — would bring total city spending to \$4.7 billion over 10 years.

Partner Funding: The county, state, and federal government are already expected to provide \$4.9 billion over ten years under current programs. This is based on expenditures of each level of government over the past eight years. The analysis suggests that with an additional \$15 billion across all three levels of government the housing production levels shown could be realized. Of that, the analysis shows that \$2.5 billion from the County, \$3.7 billion from the State and \$3.3 billion from the Federal government, would be needed to scale up existing permanent and interim housing programs. Another \$2.7 billion would be needed from the County for the new 9,000 Higher Level of Care beds to house those residents who cannot be successfully cared for in permanent supportive housing. Although these funds would flow through the County, the State health programs would be the source of much of it.

Permanent Supportive Housing Contribution & Yield: Of these amounts, \$17.6 billion, or 82%, goes to a mix of PSH and targeted affordable permanent housing, yielding roughly 60,000 units over 10 years. An additional \$342 million is earmarked for reinvestment in the City’s existing permanent housing stock to ensure unit preservation over the long term. This analysis highlights the importance of preservation by reinvestment in existing permanent housing units. If developers build more units but the City fails to invest in its existing affordable covenanted stock, the total unit outcome would be reduced.

Funding for Services and Operations: Each unit constructed in this model creates a need for both an operating subsidy – typically a federal Section 8 rental housing voucher, and for some level of services funding. Services may include a case managers funded through the County’s Department of Health Services’ Housing for Health program, or other health or housing navigation professionals.

IMMEDIATE ACTION STEPS

The analysis demonstrates the significant gap between current resources and the amount needed to slow and stop the growth of homelessness in our City. As local and state governments are facing serious budget constraints, it is clear that this will take sustained advocacy, community and voter support, and the ability to see solutions working as they are implemented. There are various actions the City can take, alone and in partnership with other agencies, that address some of the major challenges outlined in this report that are feasible within current local and state budget constraints.

Need for Increased Services in PSH

This report talks about and quantifies the cost to meet the need to include housing for individuals requiring a higher level of care. Within much of the City’s supportive housing portfolio, tenants need a higher level of care than what service providers have been historically funded to provide. Without higher care resources, high need tenants are placed in PSH without adequate supports, often resulting in tenants leaving the placements and returning to homelessness, and in buildings becoming unsafe or unlivable environments. This is harmful to tenants who move, tenants who remain, and to the financial and operational health of the housing project. The demise of the Skid Row Housing Trust, with 2000 tenants at risk of losing supportive housing because the buildings had

been operating at significant deficits, with unsafe conditions and inadequate staff, is a case study demonstrating the need to make sure the rental income and staffing plan in each building addresses the needs of the tenants for safety and security.

The level of services in supportive housing must increase to create an environment in which higher need tenants can thrive and remain housed and in which these projects can remain financially feasible for longer periods of time. Currently, the County's Intensive Case Management System typically provides one case manager for 20 tenants, for 40 hours per week for medium – high need tenants. This means that no case management staff are on site during weekends, evenings and nights, to address tenant needs as they may experience crises. The County has had some success with a small pilot to increase case manager staffing to one case manager per 10 tenants, with full 24/7 coverage at least during the initial stabilization period of a building. Similar changes should be explored in more PSH buildings.

Serving People Across a Range of Needs

Critical to the process of building more housing is also moving people into housing quickly. By building a strong visible pathway from interim to permanent housing and by assuring new residents of interim housing that the pathway is real, trust will grow in the system and people will transition more expediently. The current CES framework prioritizes the highest need participants for housing. This has resulted in a system in which homeless individuals or families who are economically displaced but not chronically homeless spend longer periods of time sheltered in Interim Housing, eventually developing greater need and less confidence in a pathway to permanent housing. Successful implementation of this Strategy assumes that the City is intentional about employing housing navigation to ensure that people experiencing homelessness who don't qualify for ICMS services are able to move into the Extremely Low Income units from the affordable housing pipeline, ULA, and Transit-Oriented Communities (TOC) portfolios.

Strategies for Developing PSH Units with Limited Vouchers

By integrating units for individuals and families experiencing homelessness that *do not* require case management services into all subsidized and incentivized affordable housing, the City will ensure more stable buildings and better serve a range of people in need.

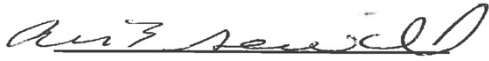
Without HACLA Section 8 vouchers, supportive housing projects cannot be financially viable. To address the voucher gap while advocacy efforts to increase voucher appropriations from the federal government are underway, LAHD proposes a mix of financing tools to create affordable housing for a variety of income levels in the same building or development so that rents from higher-income tenants will cross-subsidize lower-income tenants where financially possible

Many supportive housing projects borrow conventional loans of approximately \$25,000 to \$50,000 per unit. If the department increased the loan limits for PSH projects to eliminate the need for conventional loans in these instances, the projects would then be able to use the cash flow, *not dedicated to servicing those conventional loans*, to cover the rents for Acutely Low Income residents who had been experiencing homelessness.

FISCAL IMPACT

There is no impact to the General Fund at this time.

Approved By:

A handwritten signature in black ink, appearing to read "Ann Sewill". The signature is written in a cursive style with a horizontal line underneath.

ANN SEWILL
General Manager
Los Angeles Housing Department

ATTACHMENTS:

- Attachment A: Ten Year Gaps Analysis Model
- Attachment B: Closing the Gap Presentation

Compilation of Base Rates

Investment	Rate	Base	Multiplier	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Higher Level of Care - Capital		\$82,238	5%	\$86,350	\$90,667	\$95,201	\$99,961	\$104,959	\$110,207	\$115,717	\$121,503	\$127,578	\$133,957
Higher Level of Care - Operating	\$87	\$31,755	3%	\$32,708	\$33,689	\$34,700	\$35,741	\$36,813	\$37,917	\$39,055	\$40,226	\$41,433	\$42,676
New PB PSH - Capital		\$555,000	3%	\$571,650	\$588,800	\$606,463	\$624,657	\$643,397	\$662,699	\$682,580	\$703,057	\$724,149	\$745,874
New PB PSH - Operating	\$1,223	\$14,676	3%	\$15,116	\$15,570	\$16,037	\$16,518	\$17,014	\$17,524	\$18,050	\$18,591	\$19,149	\$19,723
New PB PSH - Services	\$517	\$6,204	3%	\$6,390	\$6,582	\$6,779	\$6,983	\$7,192	\$7,408	\$7,630	\$7,859	\$8,095	\$8,338
New TB PSH - Operating	\$1,223	\$14,676	3%	\$15,116	\$15,570	\$16,037	\$16,518	\$17,014	\$17,524	\$18,050	\$18,591	\$19,149	\$19,723
New TB PSH - Services	\$517	\$6,204	3%	\$6,390	\$6,582	\$6,779	\$6,983	\$7,192	\$7,408	\$7,630	\$7,859	\$8,095	\$8,338
Managed Pipeline - Capital		\$555,000	3%	\$571,650	\$588,800	\$606,463	\$624,657	\$643,397	\$662,699	\$682,580	\$703,057	\$724,149	\$745,874
Managed Pipeline - Operating	\$1,223	\$14,676	3%	\$15,116	\$15,570	\$16,037	\$16,518	\$17,014	\$17,524	\$18,050	\$18,591	\$19,149	\$19,723
Managed Pipeline - Services	\$517	\$6,204	3%	\$6,390	\$6,582	\$6,779	\$6,983	\$7,192	\$7,408	\$7,630	\$7,859	\$8,095	\$8,338
LAHD Affordable - Capital		\$555,000	3%	\$571,650	\$588,800	\$606,463	\$624,657	\$643,397	\$662,699	\$682,580	\$703,057	\$724,149	\$745,874
LAHD Affordable - Operating	\$1,270	\$15,240	3%	\$15,697	\$16,168	\$16,653	\$17,153	\$17,667	\$18,197	\$18,743	\$19,306	\$19,885	\$20,481
Rapid Re-Housing/Ramp-to-market - Operating	\$1,223	\$14,676	3%	\$15,116	\$15,570	\$16,037	\$16,518	\$17,014	\$17,524	\$18,050	\$18,591	\$19,149	\$19,723
Rapid Re-Housing/Ramp-to-market - Services		\$4,352	3%	\$4,483	\$4,617	\$4,756	\$4,898	\$5,045	\$5,197	\$5,352	\$5,513	\$5,678	\$5,849
Interim Housing - Capital		\$42,000	3%	\$43,260	\$44,558	\$45,895	\$47,271	\$48,690	\$50,150	\$51,655	\$53,204	\$54,800	\$56,444
Interim Housing - Operating	\$110	\$40,150											
Interim Housing - Leasing		\$64,363	3%	\$66,294	\$68,283	\$70,331	\$72,441	\$74,614	\$76,853	\$79,158	\$81,533	\$83,979	\$86,498

Attachment B: Closing the Gap Presentation

Closing the Gap: A Homelessness Solutions Cost and Resources Analysis for the City of Los Angeles



KAREN BASS
MAYOR OF LOS ANGELES

The Homelessness Solutions Gaps Analysis is a tool to model citywide housing investments & calculate costs to scale up so they can reduce homelessness



Recommended investments over 10 years, including balance of interim & permanent housing investments



Uses current available data on homelessness, construction costs, and funding streams



A guide to gauge progress & set advocacy goals with partners as conditions change

This analysis draws on the latest data about housing and homelessness to calculate how much we need to invest.

Data Inputs

- Current housing units available
- New units produced by program type
- Funding sources
- Point in Time (PIT) Count

Outputs & Recommendations:

- Total interim and permanent units generated
- Total investments needed to scale up
- Potential impact on rate of homelessness
- Projected funding gaps
- Dollars potentially leveraged

We're rehousing more people than ever, but people continue to fall into homelessness.

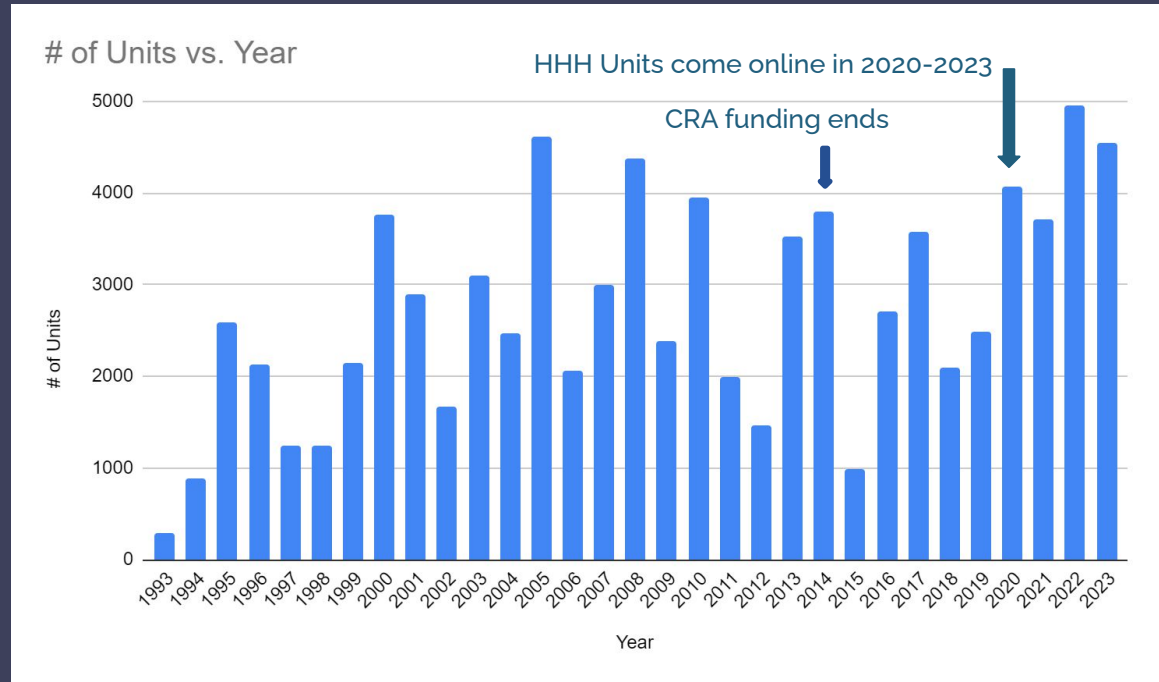
The 2024 point-in-time count of 45,252 unhoused Angelenos shows improvement. Moving 4,000 households into Measure HHH-funded homes, and building an “encampment to home pipeline” through Inside Safe led to declines in homelessness.



For 30 years, supportive housing production has been inconsistent & insufficient to address the rate of rising homelessness

From 1993 to 2019, the City built an average of only **2,498 units per year** of Low Income Housing Tax Credit (LIHTC) housing, the primary source of housing available for people who are unhoused or at risk of being unhoused.

HHH-funded units started coming online in significant numbers in 2020, boosting the yearly average to **4,316 units per year** — a significant improvement, but not nearly enough to reverse a massive crisis created by decades of underinvestment.



Our city and region have made key investments to address the homelessness crisis, and we're gaining a deeper understanding of how to resolve it.



Interim Housing

- Inside Safe
- Congregate Shelter
- Bridge Home
- Tiny homes
- Safe sleep
- Safe parking

Permanent Housing

- Supportive housing
- Project Homekey
- Extremely low income affordable subsidized
- Higher levels of care
- Section 8 Vouchers

Housing & Homelessness

Initiatives

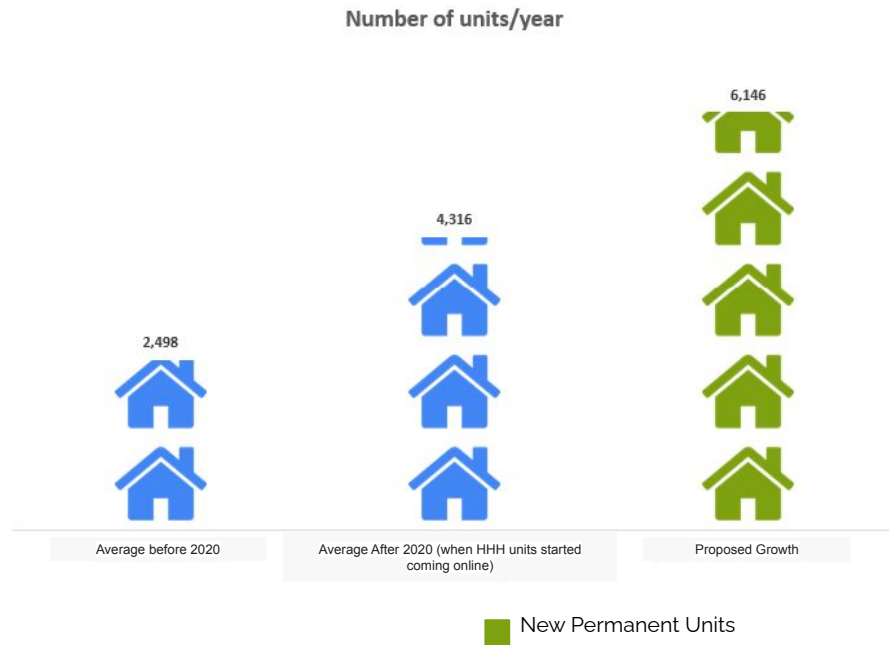
- Inside Safe
- Right to Counsel
- Keep LA Housed
- United to House LA
- Tiny Home Villages
- Safe Sleep
- Safe Parking
- Project Homekey
- HHH units
- LAHD Funded Extremely Low Income Affordable
- Incentivized Affordable (TOC, Density)
- Street Engagement and Other Services
- Domestic Violence Shelters
- Safe Landing
- Vouchers

Upstream Systems

- Reentry
- Transitional Aged Youth Housing
- Evolution of Measure H
- Homelessness Prevention Unit
- Prevention — Eviction Defense
- Prevention — Problem Solving & Diversion
- Affordable Housing
- Vouchers

The Gaps Analysis estimates the production needs and costs to build, operate and provide services to permanent housing for unhoused and housing-vulnerable Angelenos.

- **Permanent housing production would rise** from 2,498 units to 6,000 units per year for people experiencing homelessness — more than 2x the current rate of production.
- **The number of Higher Level Of Care Beds would increase by** 9,167 beds over 10 years
- **The number of vouchers would increase** by 22,600 over 10 years



Current Permanent and Interim Available Funding Sources

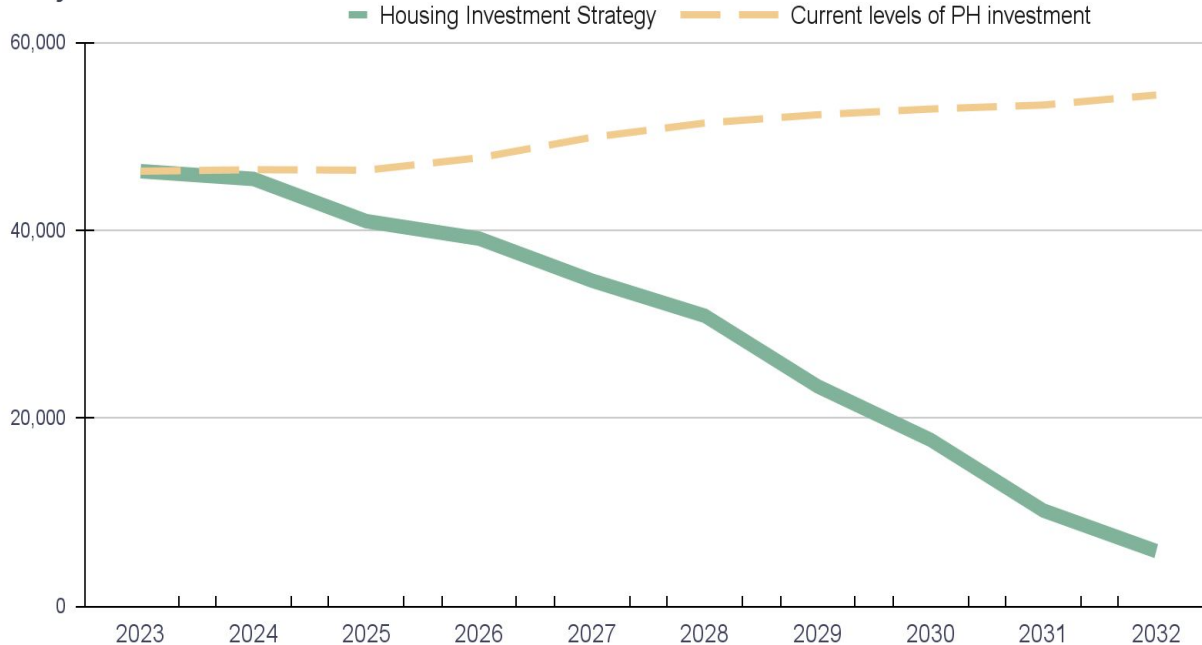
Jurisdiction	Sources & Timing	Interim	Permanent
City	<ol style="list-style-type: none"> 1. HHH, fully expended FY2024 2. United To House LA (ULA), on going 3. General Fund (GF) 	GF	HHH, ULA
County	<ol style="list-style-type: none"> 1. Settlement Funds, one time 2. Housing Trust Fund, on-going 3. Measure H, expires FY2027 4. Mental Health Services Account (MHSA), on-going 	Settlement Funds	Housing Trust Fund
State	<ol style="list-style-type: none"> 1. Homelessness Emergency Assistance Program (HEAP), expires 2026 2. Homeless Housing Assistance Program (HHAP), expires 2026 3. Multifamily Housing Program (MHP), on-going 4. Affordable Housing Sustainable Communities (AHSC), on-going 5. Senate Bill 2 (SB2), on-going 6. Project Homekey (PHK), budget dependent 	HEAP, HHAP, PHK	MHP, AHSC, SB2, PHK
Federal	<ol style="list-style-type: none"> 1. HOME Investment Partnership Program (HOME), on-going 2. Low Income Housing Tax Credits (LIHTC), on-going 3. Project Based Vouchers (PBVs), on-going 4. Emergency Solutions Grant (ESG), on-going 	ESG	HOME, LIHTC, PBVs

Summary of Gaps: City, County, State and Federal

SUMMARY OF GAPS: CITY, COUNTY, STATE AND FEDERAL					
	Program Area	Funding Source	Total Identified Funding 2023-3032	Total Gap 2023-2032	Total Cost 2023-2032
City	IH Operating & Services	General Fund	\$ 294,729,337		
	PH Operating	PHK (City)	\$ 36,418,449		
	PH Capital	ULA	\$ 802,125,000		
	PH Capital	PHK (City), HHH, AHTF	\$ 292,055,110		
	PH Capital	New Source, e.g. Measure A, other	\$ -	\$ 3,324,590,638	
		Total	\$ 1,425,327,896	\$ 3,324,590,638	\$ 4,749,918,533
County	IH Operating & Services	County	\$ 120,000,000		
	PH Services	Tenant-Based PSH - Services, HHH, Managed Pipeline - Services, Project Homekey 2.0 - Services	\$ 588,702,809		
	PH Services	New or Expanded Source, e.g. Measure A, other	\$ -	\$ 2,473,280,844	
	Higher Level of Care	New Source, e.g. funding for Higher Level of Care beds	\$ -	\$ 2,658,497,543	
		Total	\$ 708,702,809	\$ 5,131,778,386	\$ 5,840,481,195
State	PH Capital	PHK (State), PLHA (SB2), HHAP-3, HHAP-4, HHAP-5	\$ 603,522,017		
	PH Operating	PHK (State)	\$ 23,069,464		
	IH Operating & Services	HHAP-3, HHAP-4	\$ 104,583,991		
	IH Capital	HHAP-3, HHAP-4	\$ 68,855,991		
	PH Capital	LIHTC (Identified)	\$ 1,848,119,238	\$ 2,862,114,259	
	PH Capital	New Source and/or increased LIHTC	\$ -	\$ 2,862,114,259	
	IH Operating & Services	New Source	\$ -	\$ 807,262,996	
	Total	\$ 2,648,150,701	\$3,669,377,256	\$ 6,317,527,957	
Federal	PH Capital	HOME	\$ 362,000,000		
	PH Capital	HOME ARP	\$ 20,000,000		
	IH Services	ESG, CDBG	\$ 36,091,622		
	IH Operating & Services	ESG	\$ 9,414,178		
	PH Operating	Vouchers	\$ 1,130,111,698	\$ 1,247,821,844	
	PH Capital	New Source	\$ -	\$ 2,010,142,659	
	Total	\$ 1,557,617,498	\$ 3,257,964,504	\$ 4,815,582,002	
TOTAL		\$ 6,339,798,904	\$ 15,383,710,783	\$21,723,509,687	

This doubling of the rate of new permanent housing production is our best chance to decrease the rate of homelessness

Projected PIT



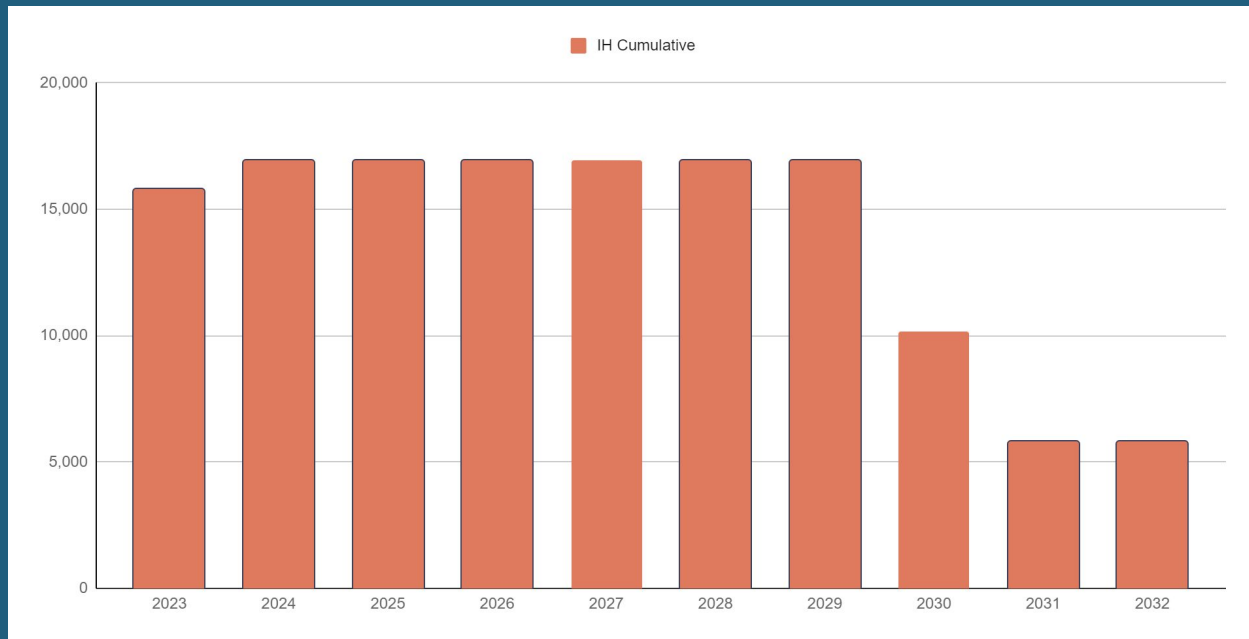
Projected PIT count with current level of permanent housing investment

Projected PIT count with Housing Investment Strategy steady decline towards functional zero over 10 years

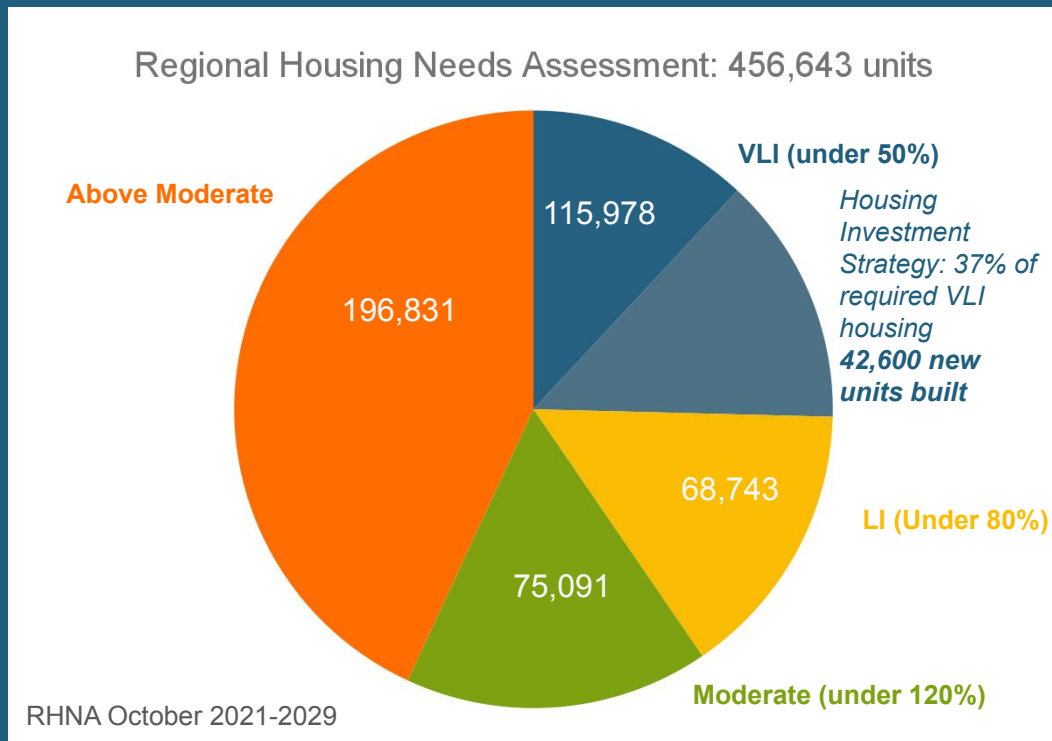
Interim Housing is a Critically Important Component

Interim Housing beds rise by 4,684 to 18,910 total beds over 6 years

After 8 years, enough permanent housing is built to reduce the city's interim housing stock, but about 6,000 beds would remain.



These investments would help address the City's overall housing production needs



- The unit production in this analysis would fulfill 37% of the City's requirement for Very Low Income (VLI) Housing.
- This gaps analysis focuses on people experiencing homelessness; a separate analysis to address the City's RHNA's overall goals would look at overall housing needs.

Fast Changes:

Right-sizing our housing mix for different levels of care

GAP

Voucher shortage

SOLUTION

Use financing tools for cross-subsidization of units to absorb the cost of fewer vouchers per building.

GAP

Not enough housing for economically displaced who are not chronically homeless.

SOLUTION

More active housing navigation to deeply affordable units from subsidized and incentivized programs.

GAP

Need more higher-level-of-care beds

SOLUTION

County expansion, with State support, of higher level of care beds. County and City to create PSH Plus. Increase caseworker to client ratio in a subset of current PH.

Maximizing Use of Public Dollars: Cost Assumptions & Streamlining Measures

- Projections assume a permanent supportive housing capital costs \$550,000 per unit, of which \$140,000 is paid by City, based on actual HHH averages.
- Executive Directive 1: streamlined processing of entitlements and permits for 100% affordable projects
- CEQA Exemptions for PSH and for Affordable Housing; AB1197 and AB1633
- Elimination of Parking Requirement Statewide; AB2097
- Improves access to California property tax exemption; AB84

Partnership Engagement

- ✓ City & County focus on higher level of care production
- ✓ Organized, Specific Advocacy
- ✓ Utilize reimbursable healthcare dollars



Recommendations:

1. Develop annual goals to measure production and resources compared to need as outlined in this report.
2. Partner with the County, the State and the Federal government to advocate for the resources outlined in this Investment Strategy
3. CLA, CAO and LAHD to collaboratively identify funding streams to cover all or a portion of the funding gap.
4. Work with the County and the State to increase the use of health plan funds for more intensive services
5. Develop a similar gaps analysis for the City's broader range of affordable housing production and preservation needs
6. Direct LAHD to report on incentive programs such as TOC with extremely low income units set aside, that could be matched to people experiencing homelessness that may not need services.
7. Direct LAHD to incorporate incentives to include housing for people experiencing homelessness that do not need supportive housing in 2024-25 NOFAs.



Thank you to



Shelter
Partnership



**and countless providers and staff that
contributed to this analysis**