







January 6, 2020

The Honorable Gavin Newsom
Governor, State of California
State Capitol
Sacramento, CA 95814

Senator Holly Mitchell
Chair, Sen. Committee on Budget & Fiscal Review
State Capitol, Room 5080
Sacramento, CA 95814

Assemblymember Phil Ting
Chair, Assembly Committee on Budget
State Capitol, Room 6026
Sacramento, CA 95814

Re: Budget Requests for Housing & Homelessness

Dear Governor Newsom, Senator Mitchell and Assemblymember Ting:

Building on efforts in the last two sessions to address homelessness, we urge you to build on your leadership and focus on putting California on a sustainable, coordinated, long-term strategic path toward homeless solutions. Our XXX organizations, committed to ending homelessness in California, request an ongoing budget allocation of \$2 billion to fund evidence-based solutions to homelessness, in tandem with bill language that restructures California's approach to serving this population going forward.

Homelessness is expected to increase sharply throughout the state, thanks to sharp increases in the costs of housing: 55,000 Los Angeles residents became newly homeless between January 2018 and 2019; Kern County reported a 50% jump in homelessness; and Alameda County, a 43% increase. Forty percent of our homeless population is African-American, though only 6.5% of Californians are African-American, reflecting the inequity of past housing, justice, health care, child welfare, and siting policies, inequities we must address to make headway in solving homelessness

California also needs investment to match need, along with structural changes that will coordinate state funding and promote accountability among state and local agencies. With past investment in evidence-based solutions, California has generated the largest declines in family and veteran homelessness in the U.S. These outcomes prove resources, scaled to meet need, in combination with investment in evidence-based practices, substantially reduces homelessness.

Tapping into what we know works, we offer a budget proposal that would--

- Commit ongoing funding of \$2 billion in state General Funds toward evidence-based solutions through a structure that promotes regional collaboration, innovation, and accountability;
- Make existing state programs more effective by coordinating funding, preventing people from falling into homelessness from state-funded institutional settings, and applying a single set of standards and a universal application; and
- Create the structure for future funding.

We are attaching a concept paper that identifies how funds should be allocated. For more information on these allocations, please contact Sharon Rapport at the Corporation for Supportive Housing (sharon.rapport@csh.org) or Chris Martin at Housing California (cmartin@housingca.org). Sharon and Chris will be reaching out to your offices to answer questions.

With record numbers of Californians identifying homelessness as their top concern, and more Californians falling into homelessness than ever before, we look forward to working with you to make meaningful investments, clarify a state leadership structure, and ensure funding has the greatest impact. Thank you for your commitment to supporting solutions to homelessness.

Investment Coupled with Structural Changes to Reduce Homelessness

In 2019, over 151,000 Californians experienced homelessness on any given night. Rising rents throughout California have resulted in sharp increases in homelessness: 55,000 Los Angeles residents became newly homeless between January 2018 and 2019; Kern County reported a 50% jump in homelessness; Alameda County, a 43% increase.

Though the Governor and Legislature devoted more General Funds in FY 2019-20 than ever before, the State continues to experience gaps in funding resulting from loss of redevelopment and federal disinvestment. We face—

- The highest rate of individuals experiencing homelessness (59 per 10,000 residents),
- The highest rates of chronic homelessness in the U.S. (over 40% of the nation's total), and
- Significant inequities, as African-Americans make up 40% of our homeless population, though just 6.5% of Californians.

California needs investment to match need, along with structural changes that will coordinate state funding and promote accountability at the state and local levels. With past investment in housing, California has generated the largest declines in family and veteran homelessness in the U.S. These investments included ongoing federal rental assistance coupled with state capital dollars. Outcomes proved that resources, scaled to better meet the need, works. Tapping into what we know works, CSH and Housing California urge legislation and a budget proposal to—

- Commit ongoing funding of \$2 billion in state General Funds toward evidence-based solutions through a structure that would promote regional collaboration and accountability;
- Standardize and coordinate state-funded housing and services, combine resources, and develop a universal application, making existing programs more effective; and
- Create a program that could serve as the structure for future funding.

Under the structure, the state would fund subsidies to move people out of homelessness quickly, similar to the successful Los Angeles County Flexible Housing Subsidy Pool. The success of this flexible pool has other counties—San Diego, Napa, and Sacramento, among others—clamoring to replicate the model. A subsidy structure would allow local jurisdictions to “buy into” existing and new affordable housing and help developers finance new housing through 4% tax credits. Large cities, developers in other cities, counties, and homeless Continuums of Care (CoCs) would receive allocations, with measures to foster regional collaboration.

Promoting Local Flexible Pools for Housing & Services through a 60% Allocation to Counties Applying Jointly with Homeless CoCs

Restructured state funding should provide for an easy, streamlined application process, while also holding local governments accountable for results. The Department of Housing & Community Development (HCD) would administer the program in consultation with the Health & Human Services Agency (HHS) to align existing and new housing funding and existing services dollars available through multiple Department of Social Services and Medi-Cal programs.

Counties would be expected to match at least 25% of the state's funding and identify collaborate with any large cities within their jurisdictions to fund evidence-based solutions to homelessness. Following local models, such as flexible pools for housing and services, which pool resources from across county departments and private investment, counties would—

- Create a mechanism to pool state, local, and private homelessness resources,

- Implement plans to scale multi-system leadership to prevent exits from institutional settings to homelessness,
- Standardize and design robust services plans that offer housing navigation, transition, and sustaining services,
- Develop a plan and training curriculum to build capacity of staff, and
- Identify plans for sustaining robust services and housing supports.

Counties/CoCs would be able to use state funding for—

- Rental assistance,
- Operating subsidies in new or existing affordable and supportive housing,
- Landlord incentives to promote private-market landlords to lease or master lease,
- Move-in assistance and diversion services,
- Services that augment existing services funding,
- Up to 30% on operating funds for interim interventions or an “innovations fund” that can pay for housing not otherwise described or support for adult residential facilities, and
- Systems changes needed to implement a coordinated, regional approach.

Counties/CoCs would be able to commit up to 15 years of a capitalized operating reserve to “buy into” affordable and supportive housing projects, and could commit to 5-year contracts for rental assistance. Funding would offer incentives for counties and CoCs to serve one or more populations who are underserved in the state, including people experiencing chronic homelessness, youth experiencing homelessness, domestic violence survivors, people with high-acuity health conditions, people exiting prison or jail, and older adults.

Allocations to Large Cities

Thirty percent of funding would be allocated by formula to cities with populations of 300,000 or larger (“Large Cities”) for—

- Capitalized operating subsidy reserves for projects in the local pipeline of projects to “write down” rents so they can serve people experiencing homelessness,
- Capital funds for development, acquisition, or preservation to be used for affordable housing with set asides for households experiencing homelessness,
- Capital funds for motel conversion to affordable and/or supportive housing, and
- Up to 30% on interim interventions (based on an assessment of need each year, and taking into consideration commitments made over the last 5 years for beds) and/or an “innovations fund” that can pay for housing not otherwise described or for capital or operating funding to support adult residential facilities.

Cities must meet threshold criteria that would promote collaboration with counties and homeless continuums of care (CoCs). Cities would also be required to match 25% of state funding for the same purpose, and would be prohibited from supplanting existing programs with state dollars. If cities commit at least 50% of their allocations on supportive housing units, counties would prioritize a portion of their funding to provide operating and services in units created.

Allocation of 10% to Developers Operating in Small & Medium Cities

Ten percent of a one-time budget allocation would develop housing affordable to people experiencing homelessness and supportive housing for people experiencing significant barriers to housing stability in areas outside of large cities. California has no development program that targets resources to people experiencing homelessness who do not need supportive housing. Most affordable housing projects are

unaffordable to people experiencing homelessness, even if the project is targeted to households with extremely low-incomes (30% of area median income). Resources would be funneled through the existing Multifamily Housing Program.

Eligible uses would include:

- Capitalized operating subsidy reserves for households experiencing homelessness,
- Capital development for affordable housing dedicated to people experiencing homelessness,
- Capital development for people needing supportive housing, and
- Capital funding for conversion of motels into affordable and/or supportive housing.

Standardizing & Streamlining Housing Production & Service Delivery

A goal of the program would be to streamline and expedite the way the state funds housing and services. The new structure would require local jurisdictions to streamline the development of projects and would exempt projects and policies created through this funding from CEQA. Unlike current programs that reward projects with more sources of funding, funding under this allocation would be awarded to projects built quickly. HCD will work with HHS to match services under programs like Medi-Cal to housing created by large cities and developers.

People experiencing homelessness or who were homeless when entering an institutional setting and are facing discharge from an institution would be eligible.

Funding would adopt Housing First core components and follow quality standards that ensure habitability, integration of formerly homeless residents into their community, and dignity and privacy of tenants. Counties and cities could offer shared housing to people who would like to live with others in a single family home or multi-room apartment, so long as tenants have their own rooms with lockable doors and their own leases.

To access funding, jurisdictions should have systems in place prioritizing referral to supportive housing based on functional limitation or vulnerability. However, communities can set aside funding or units for specific populations with unique needs. Communities can also use place-based approaches that prioritize people to be housed in communities where they want to live.

Formula allocations would be based on the 2019 homeless point-in-time counts, severe rent burden among extremely low-income households, and poverty. While recent formula allocations have focused on point-in-time counts alone, counts are widely regarded as an incomplete measure of a jurisdiction's homeless population, and differing methodologies prevent an accurate comparison between jurisdictions.

The state would standardize reporting requirements across allocations to measure—

- The amount of funding spent for each specific eligible activity the applicant used,
- The number of individuals and households served through each activity funded,
- The number of unsheltered and sheltered persons served and average length of time homeless,
- The number of persons moved from homelessness into permanent housing through program, and
- The number of persons exiting the program and the reasons for the exits, including returns to homelessness (or whether exited to some safety net, including permanent housing)

Jurisdictions would need to obligate funding within four years and expend within five years (jurisdictions to commit to 15 years of reserves for operating subsidies for existing or new affordable and supportive housing projects). If jurisdictions fail to obligate or expend funds within the time frames, local funding would revert to the program.

Coordinating Services & Housing Funds

Seven state departments administer programs impacting homelessness. Aside from quarterly participation in Homeless Coordinating and Financing Council meetings, department staff rarely meet. Indeed, departments fund different housing and services models that are sometimes inconsistent with evidence-based practices. Some do little oversight or monitoring. Some have no practices or procedures in place to prevent people at high risk of homelessness from falling into homelessness.

Under this proposal, department/agency staff would work very closely to—

- Standardize housing and services based on evidence-based housing and services models and standard agreement requirements,
- Fund housing navigation for people at risk of homelessness upon discharge from state-funded institutions (i.e., prisons, hospitals, nursing homes, juvenile justice), and
- Issue funding to local jurisdictions through a unified funding application, and issue applications in consideration of timing of federal funding, toward a seamless process.

Vulnerable Californians—survivors of domestic violence, older adults, people on parole, young adults and unaccompanied youth, and frequent hospital users—fall through the cracks of our siloed systems. Coordinated resources will allow local systems to implement policies to avoid discharges from systems that feed into homelessness among these populations.

State Leadership

This proposal would create a new leadership structure for the state to create an Office to End Homelessness. The structure would—

- Be led by a Secretary on Housing Insecurity/Homelessness or the current Deputy Secretary,
- Be located in the Governor's Office,
- Oversee the Homeless Coordinating and Financing Council, and
- Develop a new Funders Collaborative to do day-to-day work of standardizing housing and services funding, while also inviting philanthropy to seed innovations across the state.

The current structure for the Homeless Coordinating and Financing Council has no authority over other departments or agencies, except for HCD, and is within an Agency that has no historic role in solving homelessness. Placing this structure within one agency ignores that homelessness impacts multiple systems and departments. To take a coordinated, effective leadership role over homelessness, the state should demonstrate seriousness by committing to solving it at the highest levels of state government. The current structure does not allow, for example, for the Office of Emergency Services, the Department of Corrections and Rehabilitation, and the Department of Social Services to conform housing and services models in accordance with evidence-based practices.

The Office to End Homelessness would—

- Provide strategic direction and leadership through a state needs/gaps analysis,
- Convene staff from departments/agencies impacting Californians experiencing homelessness to develop universal guidelines and standards for housing and services,
- Create and lead a Funder's Collaborative,
- Develop a unified funding application across departments,
- Establish processes to ensure people are not leaving institutional settings to homelessness,
- Share and collect data on people becoming homeless from state-funded systems,
- Examine and promote racially equitable policies across systems,

- Coordinate state departments/agencies to reduce risk of long-term homelessness through developing specific protocols and procedures for—
 - Connecting domestic violence survivors exiting shelters/transitional housing to homeless systems through housing navigation & rental assistance,
 - Assist people reentering communities from jails and prisons, with housing navigation to move people into permanent housing,
 - Connecting older adults to Assisted Living Waiver, IHSS, PACE services, and other wrap-around and personal care services to allow people to live independently,
 - Providing people who are high-cost/high-acuity health users, such as people who could be discharged from nursing homes/hospitals, with housing and services, and
 - Creating local processes for making child-welfare services available to unaccompanied minors experiencing homelessness.

The current public interest in homelessness allows the state to take dramatic steps toward creating a truly coordinated, collaborative system to stretch and make more effective existing resources and new investments. The structure and resources in this proposal would reduce homelessness by thousands, prevent and divert people from entering homelessness, and foster collaboration and accountability.