

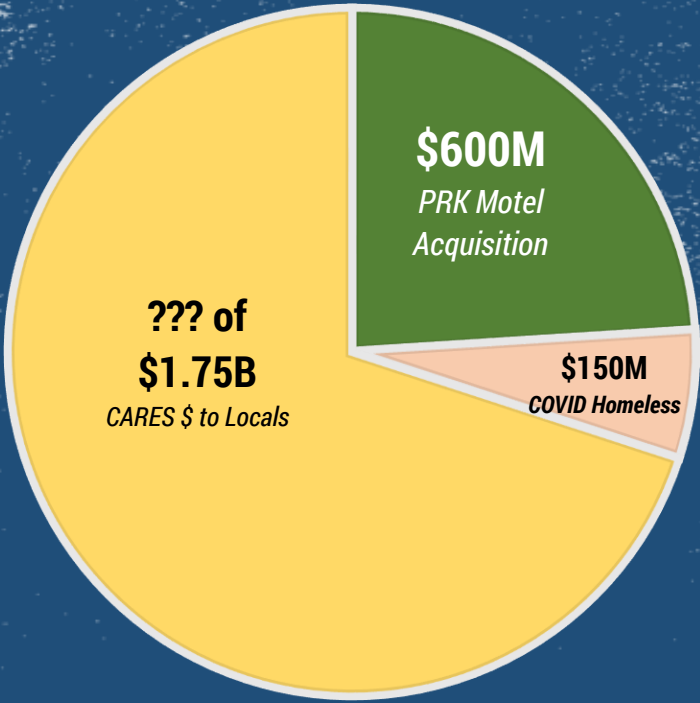
# California COVID Rehousing & Resiliency Innovation Fund

We appreciate the Governor's continued focus on ending homelessness in California. Our response strengthens the Governor's proposed budget to ensure that **100%** of persons who came inside to Project Roomkey are not forced back to the street. It accomplishes this within the new budget reality and leverages one-time federal funds with one-time/minimal state investment on a nearly 4:1 basis. Three primary components of our proposal:

- 1. EXPAND** the types of housing that can be acquired/created with \$600M CARES Act funding to take advantage of market conditions and ensure no money is left on the table by December 31.
- 2. ELIMINATE** the fatal operational funding gap that is built into the current proposal.
  - *Create a new non-CARES Act source of funds to provide critical operating funding for the housing acquired with \$600M CARES-Act funds. This could be structured as a one-time \$400M capitalized operating subsidy reserve (COSR) or as a 15-year obligation of \$30M/year.*
- 3. INCENTIVIZE** local governments to use their CARES Act funding to combat homelessness.
  - *Create a new \$250M state-held fund with Coronavirus Relief Funds that can be used flexibly by local governments for homelessness response. This \$250M + the \$600M for Housing Creation would be matched locally with CARES Act and/or other funding.*



Governor's Office FY 2020-2021  
**Proposed** Homelessness Budget



Summary of Proposed Budget

- **Acquisition:** The funding is for the acquisition of hotels/motels by local governments, who would seek state funding.
- **Operating & Services:** It's unclear what funds local government would use to pay for the ongoing expenses associated with the motels, as options are limited since CRF cannot be effectively used b/c of the expenditure deadline.
- **Risk:** It's clear that without an identified funds for operations, many local governments will not be willing to take on this risk.
- **COVID Homeless Funding:** This amount has already been allocated and will be unavailable in FY20-21.
- **Local Share of State CRF:** The Gov. has stated that locals should use a portion of the state-provided CRF for homelessness response but no guidelines have yet been proposed.

PROJECT ROOMKEY ACQUISITION PROGRAM

STATE SHARE  
\$600M

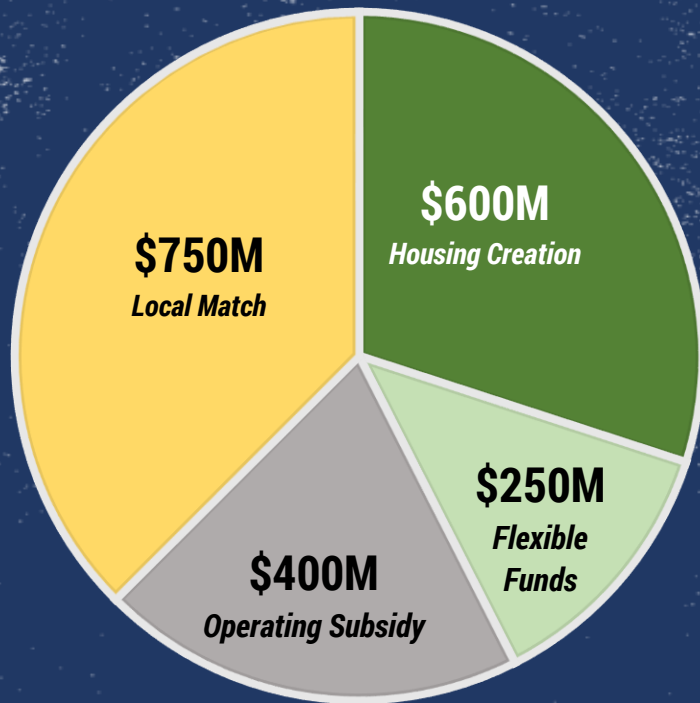
LOCAL SHARE  
???



**Present Total: \$600M**  
**Rooms Purchased: ~2,500?**

## Suggested Amendments

FY 2020-2021 - Homelessness Budget



## Overview of Amendments

- **Expand** \$600M motel conversion program to \$2B Innovation Fund to allow 15,000 Project Roomkey residents to exit homelessness.
- **Cultivate** creative solutions to creating housing beyond motel acq/rehab, including allowing manufactured housing purchase orders expended by or buying down debt on affordable housing projects, shared housing, land banking, or interim use (that would convert later to permanent housing) by 12/31
- **Solve** operating cost gap on new units with \$400M via COSR's or obligating a 15-year commitment of \$30M/year.
- **Lengthen Runway and Boost Placements to Housing** with **\$1B** in flexible uses (prepaid leases, PRK extensions + bridge/interim housing, etc.) by:
  1. Increasing the \$600M State CRF investment with **\$250M** additional state CARES Act \$'s,
  2. Leveraging **\$750M** in matching funding from locals through State CRF allocations, direct local CRF allocations, or other locally administered funds.
  3. Dedicating federal vouchers by locals for new PSH to match new state operating subsidy.
- **House:** 15,000+ COVID vulnerable households (2,500 built/bought + 12,500 leased).

## CA COVID REHOUSING & RESILIENCY INNOVATION FUND

### STATE SHARE

\$1.25B

**\$250M**

Flexible Homelessness Funds  
(Add'l State CARES Act \$)

**\$600M**

Housing Creation  
(State CARES Act \$)

**\$400M**

Operating Subsidy for Newly Created Housing  
(General Funds, Existing State Funds)

### LOCAL SHARE

\$750M

**\$750M**

Flexible Homelessness Funds  
  
(matched with state CRF allocations, direct local CRF allocations, or other local administered funds; req'd coord. w/ CoCs)

Rental Subsidy Match for additional PSH  
(commitment of local PHA vouchers for PSH)

**Total: \$2B**  
**People Housed: 15k+**

## OVERVIEW OF CALIFORNIA COVID REHOUSING & RESILIENCY INNOVATION FUND

## Cost Assumptions

*To Lease, Buy, Build 15,000 units (~2,500 units/month) from 7/1-12/31/2020*

### **\$600M: Housing Creation (2,500 Units created)**

- **Eligible Uses:** Acquisition and rehab of motels and other assets including purchase of apartments/homes, adult residential facilities, manufactured housing, buying down debt on affordable housing projects to set-aside PEH units, land acquisition.
- **Cost Per Unit:** \$240k/unit.
- **Source:** State CARES \$ (Coronavirus Relief Fund).

### **\$400M: Operating Subsidy for New Housing (Supports 2,500 Units)**

- **Cost Per Person:** \$10,666/year x 15 years.
- **Assumes:** approx. \$200-300 month in income from benefits once half of tenants are on benefits + 3% escalator for accumulated interest.
- **Source:** state general funds or existing state funding for COSR's or obligating a 15-year commitment of \$30M/year.
- **Local Match:** federal vouchers dedicated by locals for additional PSH to match new state operating subsidy.

### **\$1B: Flex Fund for Exits from Homelessness (12,500+ placements)**

- **Eligible Uses for State Share (\$250M):** leases of vacant apartments or homes or funds for operations of acquired units if used as interim housing (req'd coord. w/ CoCs).
- **Eligible Uses for Local Share (\$750M):** supplement state CRF use for administrative costs, add'l lease and acquisition, PRK extensions or for OpEx on bridge/interim housing (req'd coord. with CoCs).
- **Time Frame:** Expend by Dec. 31, 2020 including prepaid rent/services beyond 2020.
- **Cost Per Person:** \$20,000/year for lease option; approx. \$60-100/night for interim (includes lump-sum/up-front rent, deposit, furniture, services contract).
- **Sources:** State CRF \$ (State Share); State match or pass-through of CRF/ESG and/or direct allocation of local CARES \$ and/or other local funds (Local Share).

## Gaps Addressed

- ✓ **Ensures All Project Roomkey Residents Do Not Return to the Streets:** While the Governor's proposal only addresses permanent housing for approx. 2,500 of the 15,000 Project Roomkey residents statewide, these proposed changes would allow for all 15,000 residents to move into permanent housing, exiting homelessness as well as the up-to-6 month extensions required for PRK residents as other housing is prepared.
- ✓ **Pays for Operating Costs of New Apartments:** This proposal ensures funding for the costs of operating new apartments created by this Fund.
- ✓ **Allows Flexibility:** Rather than rely solely on rehabilitation of motel rooms, when many of the current hotels are not available for purchase or are not zoned appropriately, this proposal allows many more people to exit homelessness through other ways to create new housing (ARF's, manufactured housing etc.) and ensure more housing placements via rental assistance as well.
- ✓ **Allows Funding Beyond 12/31/20:** This proposal is consistent with U.S. Treasury guidance through responses to a Frequently Asked Questions document.

## Gaps Remaining

- ❑ **Operating Subsidy** for persons who are housed using CARES Flex Funds but cannot secure other subsidized or unsubsidized exits during that time. Potential for lower/shallow subsidy combined w/ expanded SSI/SSDI enrollment.
- ❑ **Services Funding:** Many of the people sheltering in Project Roomkey will need services to remain stably housed. This proposal includes some funding for services, but services funding may remain inadequate. The state can address this through enacting an ongoing funding source, future budget allocations and/or a state plan for a Medi-Cal-funded benefit in out years.

# Additional Support

