County of Los Angeles

Recovery Plan

State and Local Fiscal Recovery Funds

2022 Report

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GENERAL OVERVIEW

Executive Summary

The Los Angeles County (County) Board of Supervisors (Board) approved on July 27, 2021, a spending plan for the American Rescue Plan (ARP) tranche 1 funds totaling $975.0 million across three strategic pillars: (1) $567.9 million for equity-based investments to position the County to recover better than before the pandemic; (2) $239.7 million to support an equitable and inclusive recovery; and (3) $167.4 million to preserve the County's fiscal stability and shore up our safety net programs.

The spending plan responds to the COVID-19 public health emergency and its economic impacts with substantial and direct investments in hard-hit disadvantaged communities and through programs to address entrenched challenges that have only grown worse during the pandemic, ranging from homelessness and deeper levels of poverty to the unique needs of immigrants, small businesses, justice-involved individuals, and survivors of trauma, including domestic violence and hate crimes.

To date, six projects have reported expenditures to the U.S. Treasury. The projects are:

- Disaster Service Worker and Other Pandemic Related program costs
- Stay Housed LA County
- Volunteer Income Tax Assistance for Low to Mid-Income Participants
- Tenant Protections Hotline and Small Claims Advisor Program
- Small Business Rent Relief
- Safer at Work

Additional information on the six projects is included in the Project Inventory. For the remainder of the identified ARP Projects, their program design for the projects continues and/or they are ramping up to prepare for launch in Fiscal Year 2022-2023 or have launched but have yet to incur expenditures as noted in the Project Inventory. Key compliance requirements and other indicators such as those related to equity are also being identified and evaluated in accordance with the Treasury Final Rule, hence there is nothing to report related to progress, challenges, or opportunities. These elements will be reported on in the next Performance Report to the Treasury due July 30, 2023.

Uses of Funds

The County spending plan for the ARP tranche 1 funding totals $975.0 million spread across three Board-approved strategic pillars: (1) equity-based investments to position the County to recover better than before the pandemic; (2) support an equitable and inclusive recovery; and (3) to preserve the County's fiscal stability and shore up our safety net programs.

The first pillar, "Emerging from the Pandemic Better than Before through Equity-Based Investments," recognizes that the Fiscal Recovery Funds represent a once-in-a-generation opportunity to address the County's most acute and impactful inequities and proposes investments to address the social determinants which contributed to poor public health outcomes during the pandemic. These investments include housing for people experiencing homelessness including through partnerships with cities, creation of more affordable housing, bolstering the Board's "Care First, Jails Last" vision, reduce the digital divide, and disrupting the cycle of inter-generational poverty in communities historically left out of generational wealth gains. These are just some projects being developed that will be supported by ARP funds.

The second pillar, “Building a Bridge to an Equitable Recovery,” recognizes the need to deploy supportive services through an equity lens to jumpstart recovery for those who have suffered the most and are resourced the least. It provides financial and other services and programs to small businesses, entrepreneurs, and nonprofits; support for artists and professionals and organizations in the creative economy; create employment opportunities for workers and youth; protect tenants from eviction and homeowners from foreclosure; fund essential childcare, recreational, early education, and home visiting programs for families; further address trauma and violence; and additional food and nutritional resources.

The third pillar, “Fiscal Stability and Social Safety Net,” recognizes the need to ensure the County’s system of support to residents – the “safety net” – is on firm financial footing as we emerge from the pandemic. This pillar shores up the County’s disaster services worker program. It also expands the County Fire District’s Advanced Provider Response Units (APRU), which pairs a nurse practitioner with a firefighter paramedic deployed to primarily under-resourced areas, to reduce unnecessary ambulance transports and emergency room visits.

The third pillar also complements other funding by setting aside funding for ethnic and hyperlocal media and community-based outreach such as the community health worker and *promotores* program; backstops a sustained public health response to the COVID-19 emergency; and establishes funds for eligible capital costs for infrastructure that may be needed to meet the County’s most serious public health challenges.

To date, six programs have reported expenditures to the U.S. Treasury. The programs include the following:

- Disaster Service Worker and Other Pandemic Related program costs
- Stay Housed LA County
- Volunteer Income Tax Assistance for Low to Mid-Income Participants
- Tenant Protections Hotline and Small Claims Advisor Program
- Small Business Rent Relief
- Safer at Work

The Project Inventory includes an overview of each project along with additional information, including required information.

Further, as of this reporting date, our plan is to allocate revenue replacement funds to the County Indigent Aid Budget in the amount of $214,120,000. The County Indigent Aid Budget provides General Relief public assistance payments to relieve and support indigent persons as required under sections 17000-17030.1 of the California Welfare and Institution Code.

Promoting equitable outcomes

Race, class, and place are closely linked in Los Angeles County (County) and the impact of COVID-19 has disproportionately affected individuals and families who live at the intersections of these factors for several reasons. Decades of discriminatory housing, banking and economic policies have limited the opportunities of Black, Indigenous, and Latino/Latinx residents in the County to maintain the economic security needed to consistently manage their health or weather a crisis. These communities are also at greater risk of exposure to the virus due to their increased likelihood of being essential workers, public transit-dependent, and living in overcrowded housing far from supermarkets and other essential businesses. This means they are less able to safely shelter and more vulnerable to missed paychecks. In fact, data show that County neighborhoods experiencing concentrated poverty (i.e., areas with higher percentages of residents under 200 percent of the federal poverty level) have nearly three times as many COVID-19 cases than communities with higher incomes, while plotting case and death rates over time reveals that our Native Hawaiian, Pacific Islander, Black, and Latino/Latinx populations have most consistently faced housing, food, and economic insecurity during the pandemic.

Given these disparities, the County, through its Antiracism, Diversity and Inclusion (ARDI) Initiative, created equity principles, developed a COVID-19 Vulnerability and Recovery Index (Index), applied a distribution formula based on the Index to target ARP resources toward those most impacted by the pandemic, and launched an Equity Explorer Mapping Tool and an ARP Projects Dashboard to increase transparency and accountability.

Countywide Equity Principles: Equity principles are generally values-based and incorporate and express ethical premises. They aim to articulate how to do things right (effectively) and the right thing to do (express the values basis for action). They are also generally able to be evaluated, which means it is possible to document and judge whether the principle is being followed, and document and judge what results from following the principle. ARDI recently drafted the Countywide Equity Guiding Principles with input from County departments through ARDI's Planning and Data Workgroup—established for ARDI's strategic planning—and from community partners. These principles, along with ARPA-specific budget principles, will help County departments weigh considerations throughout the budgeting process and ensure that program, policy, and funding decisions align with the Board's equity goals for ARPA fund expenditure. The Countywide Equity Guiding Principles and ARPA-specific budget principles are listed below.

Countywide Equity Guiding Principles

- Reduce racial disparities in life outcomes as well as disparities in public investment to shape those outcomes.
- Develop and implement strategies that identify, prioritize and effectively support the most disadvantaged geographies and populations.
- Authentically engage community residents, organizations and other community stakeholders to inform and determine interventions (e.g., policy and program) and investments.
- Seek to improve long-term outcomes both intergenerationally and multi-generationally.
- Use data to effectively assess and communicate equity needs and support timely assessment of progress.
- Disaggregate data and analysis within racial/ethnic and other demographic subgroup categories.
- Work collaboratively and intentionally across departments as well as across leadership levels and decision-makers.
- Act urgently and boldly to achieve tangible results.
- Align policies, processes, and practices to effectively address equity challenges throughout the County's workforce (personnel, contractors, and vendors).
- Intervene early and emphasize long-term prevention.

Additional ARPA Budget Equity Principles

- Dedicate ARPA funds and resources to programs and services that reduce and close race and gender equity gaps and address root causes and drivers of inequity.
- Lead with transparency and accountability during critical stages of program implementation by reporting out program process and seeking community input and engagement in delivering services.
- Ensure new and existing programs and services are accessible to disadvantaged communities without the fear of intimidation or judgment. Services must be culturally and linguistically accessible, near transit, available in-person/over the phone, during days and hours when working individuals can access services and delivered by trusted messengers.
- When possible, offer opportunities and the technical assistance needed to support CBOs in accessing County funds. Leverage existing contracting reform strategies and third-party administrator programs.
- Prior to the allocation of additional ARPA funding, assess the impact of the initial round of allocated ARPA funding and programs.
- ARPA funds and resources should be used to support and uplift the health and wellness needs of communities who have experienced historic disinvestment, over-policing, and been impacted most by the pandemic. Funds should not be used to advance suppression-based efforts via incarceration and policing.

The COVID-19 Vulnerability and Recovery Index (Index): The Index was developed using census tract-level data to identify communities most in need of immediate and long-term pandemic and economic relief interventions based on relative risk. The Index assesses each tract's relative risk using indicators that assess factors for COVID-19 infection, vulnerability to severe outcomes if infected, and ability to recover from the health, economic, and social impacts of the pandemic and helps stratify populations into need tiers to identify communities most impacted by the pandemic and in need of immediate and long-term pandemic and economic relief interventions.

Equity Funding Formula (Formula): Based on the Index, which stratifies communities into five Index categories, ranging from highest to lowest need, the Formula suggests corresponding percentages of allocated resources; the higher the Index need category, the higher the percentage of resources allocated based on community need and population size. This ensures that the majority of funding will go towards the communities that were most impacted by COVID-19 and that will need the most support to recover. The Formula allocates 40% of the ARP resources to communities in the Highest need communities. The percentages for the lower need Index categories cascade down to 35% for High need communities, 20% for Moderate need communities, and 5%, total, for Low and Lowest needs communities. This ensures that Highest, High, and Moderate need regions receive a higher concentration of targeted resources due to the intensity of the pandemic felt in those communities, while still allocating resources to communities in Low and Lowest need areas.

Equity Explorer Mapping Tool: All this data is depicted visually on a map called the Equity Explorer Mapping Tool, and the mapping tool shows planners where are the communities with the greatest needs and/or how great the needs are in their areas of planned investments. The Equity Explorer also features economic, health, environmental, education, demographic, and justice filters that allow users to access summary statistics for geographies down to the census tract level to further target communities in need.

Departments and programs with ARP funding use the Equity Explorer to geographically locate the highest, high, and moderate need communities and to prioritize their program services in these areas based on the Formula. By applying the Formula, departments and programs can calculate allocations to concentrate resources in Highest and Higher need communities, while also considering individuals and families who reside in Low and Lowest need communities but who are uninsured, unemployed, and in overcrowded housing. Once funding is equitably allocated, departments and programs must demonstrate accountability by using budget documents to track which communities are being served by the ARPA-funded programs and services. Tracked data will include, but may not be limited to:

- The amount of funding and staff time allocated to the identified communities;
- The number of residents, families and/or businesses served;
- The number of jobs created and sustained; and
- Program outcomes achieved.

American Rescue Plan Projects Dashboard and Map: The ARP Equity Dashboard reports the County's ARP expenditures and outcomes by project and department. As projects launch, the Dashboard is updated with data on the amount allocated, use of ARP funds, projected outcomes, number of residents served, jobs created, grants provided, and outcomes achieved. The Dashboard features equity metrics, including but not limited to the percentage of funds allocated to highest need communities. The Dashboard also features public contact information and links to the websites of approved projects so users can access additional information on ARP services and/or contracting opportunities. The ARP Projects Map features the service areas and locations of ARP projects that have been approved to launch. Users can select projects to view their service areas or click the map to see what projects are serving that location. The map is updated weekly with new projects as they launch.

Community Engagement

The primary objectives of ARP-related engagement activities include the following:

1. Ensure eligible businesses, CBOs, and community members are informed of, have access to, and can apply for and receive opportunities to contract, subcontract, and receive grant opportunities;
2. Invest in and provide resources to communities that have historically experienced inequitable outcomes and were the hardest hit during the pandemic; and
3. Create and expand a vast communication network to widely share critical information and funding opportunities, particularly with hard-to-reach and non-traditional partners.

Most recently, the County released a Request for Statement of Qualifications (RFSQ) for the ARP Support Services Master Agreement and posted the opportunity on the American Rescue Plan Act and Care First Community Investment: Contracting Opportunities website and the Doing Business with Los Angeles County website. A virtual Proposer's Conference was held and offered in multiple languages in addition to English, including Armenian, Mandarin (Chinese), Korean, Spanish, Tagalog, and Thai. The Conference provided background on ARP, an explanation of the streamlined solicitation process and general vendor information on how to receive future solicitation opportunities with all County departments. More than 300 individuals registered, and 174 registrants attended. Of the 174 attendees, 29 percent indicated that they have never contracted with the County.

To increase notification of available funding opportunities to small businesses and community-based organizations, the Chief Executive Office has also continued to leverage multiple communication channels that broaden the County's reach and increase the visibility of solicitation opportunities. In addition to the Proposer’s Conference on the RFSQ for the ARP Support Services Master Agreement, ARDI developed a social media toolkit with sample tweets, posts, and graphics to promote and guide audiences to the American Rescue Plan Act and Care First Community Investment: Contracting Opportunities website for more information about funding opportunities. The toolkit was translated into six additional languages, including Armenian, Korean, Mandarin, Spanish, Tagalog, and Thai, to expand the communication’s reach to limited English proficient communities. In development are two one-page fact sheets on ARP-related contracting and grant opportunities, which will also feature a companion social media toolkit to instruct potential vendors on the steps needed to become eligible and begin the process of responding to a contract solicitation from the County.

In partnership with a philanthropic organization, the County is additionally collaborating on the Equitable Recovery Initiative to provide equitable access to ARP funding opportunities through capacity building support for organizations led by and that predominately serve communities highly impacted by the COVID-19 pandemic. The initiative will offer a variety of support based on needs identified by the organizations, such as:

- Education to better understand funding opportunities and eligibility;
- Tools to identify what is needed to pursue government grants and submit complete proposals;
- Added capacity to enhance infrastructure, systems, processes, and controls to successfully manage funding; and
- System to track short-term and longer-term results related to successful implementation of programs.

Interventions will be provided at different levels of intensity based on the identified need, ranging from group seminars on managing government funds and small group coaching, to customized project implementation support. Sessions took place during the end of May 2022 to orient interested organizations on upcoming ARP contracting opportunities and available resources to help organizations understand what is required, tools to assess organizational capacity to pursue these contracts, and supports for those who decide to apply for funds.

Other outreach and engagement activities have included:

- Working closely with the Economic and Workforce Development branch of the Los Angeles County Department of Workforce Development, Aging and Community Services (now the Department of Economic Opportunity as of July 2022) to integrate ARP outreach into a broader and ongoing strategy for effective small business and CBO engagement and technical assistance. This will subsequently increase the uptake of programs and services, as well as County contracting, subcontracting, and grant opportunities, by these small businesses and CBOs. The efforts will also ensure that eligible businesses, organizations, and community members have access to, and can successfully apply for, ARP contract, grant, and subrecipient opportunities.

- Creating an “Interest Form for Potential Vendors” to allow prospective applicants to sign up for updates about solicitations and contract opportunities for upcoming County contracts funded by ARP.
- Posting a glossary of contracting definitions and terms online to increase people’s understanding of contracting language and processes.
- Outreach including hosting events and partnering with chambers of commerce, CBOs, coalitions, collaboratives, and other entities to leverage their communications channels and/or networks to promote funding opportunities and availability of capacity building support to procure funds.
- Promoting information and opportunities through the Office of Small Businesses 40k+ subscribers and partners.
- Conducting presentations on ARP-related contracting opportunities and broader County efforts at community meetings and other public sessions.
- Developing print materials and mailers to reach businesses and individuals without digital access for greater distribution of information.
- Investigate other forms of information distribution, including print ads and radio spots, targeting ethnic media for access to small and micro-businesses and CBOs.
- Linking contracting efforts to existing OneLA Regional Collaborative and Equity in County Contracting Initiatives.
- Funding and deploying community navigators as street teams to engage directly with small businesses and CBOs, offering both information and technical assistance.

In addition, departments are expected to submit a community engagement plan as part of their program design for their individual projects. Engagement strategies will differ depending on the project and target population. This is noted in the Project Inventory where it has been developed but for the projects still in the design phase, this will be noted as “To Be Determined.”

Labor Practices

The County will not be utilizing ARP tranche 1 funds for any infrastructure projects. This section does not apply. However, in other categories, the County has some of the strongest labor and minimum wage laws in California and is a leader in ensuring best practices to protect employees.

Use of Evidence

The County continues to work diligently to design and implement ARP compliant projects. As of this report and as noted in the Project Inventory, there are 27 programs that are planning to do an evaluation, 15 are planning to use evidence-based interventions, and 13 projects are still to be determined as they work through the project design. More information on the use of evidence-based versus evaluation will be provided in the next Performance report due July 2023.

Performance Report

To date, six programs have reported expenditures to the U.S. Treasury. The programs include the following:

- Disaster Service Worker and Other Pandemic Related program

- Stay Housed LA County
- Volunteer Income Tax Assistance for Low to Mid-Income Participants
- Tenant Protections Hotline and Small Claims Advisor Program
- Small Business Rent Relief
- Safer at Work

The Project Inventory includes an overview of each project along with additional information. All other ARP projects listed in the project inventory note whether they are still in project design or are working to compile performance metrics, including performance indicators, output and outcome measures, and relevant data.

PROJECT INVENTORY

All ARP projects are listed in the attached excel document and include the required information. In addition, attached are required justification forms for related capital projects utilizing American Rescue Plan Act funds.

WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION
(Required by U.S. Department of Treasury)

Department: CEO
Program/Expense/Service Title: Project Homekey 2.0 - The Wiengart Greenleaf
Amount Requested: $10.2M

Written Justification and Reporting the Justification to Treasury: (Recipients must provide reports on Capital Projects in the mandatory ARP reporting as required below.) (FR pg. 201)

If a project has total expected capital expenditures of	**and the use is enumerated by Treasury as eligible, then**	**and the use is beyond those enumerated by Treasury as eligible, then**
Less than $1 million	No Written Justification required (Supporting documentation must still be maintained.)	No Written Justification required (Supporting documentation must still be maintained.)
Greater than or equal to $1million, but less than $10 million	Written Justification but recipients are not required to submit as part of regular reporting to Treasury	Written Justification required and recipients must submit as part of regular reporting to Treasury
$10 million or more	Written Justification required and recipients must submit as part of regular reporting to Treasury	

Provide supportive details to the following questions:

1. **Describe the Public Health harm or Negative Economic Impact need to be addressed**: (Recipients should provide a description of the specific harm or need to be addressed, and why the harm was exacerbated or caused by the public health emergency. When appropriate, recipients may provide quantitative information on the extent and type of harm, such as the number of individuals or entities affected. (FR pgs. 196-197)

   People experiencing homelessness were heavily impacted by COVID-19 due to limitations on homeless and other supportive services, reduced housing capacity, and fewer economic opportunities. The homelessness crisis in Los Angeles County pre-dates the pandemic, but was exacerbated by the pandemic, both due to the economic impacts on communities and because many people experiencing homelessness are in poor health or having underlying conditions that make them more vulnerable to COVID-19. According to data from the most recently completed Greater Los Angeles Homeless County, there are more than 66,000 people experiencing homelessness in Los Angeles County. Further, between the 12-month period preceding the first reported COVID-19 death of a person experiencing homelessness in Los Angeles County (April 1st, 2019-March 31st, 2020) and the 12-month pandemic period that followed (April 1st, 2020-

March 31st, 2021), the overall number of deaths among people experiencing homelessness increased by 56%, from 1,271 to 1,988 deaths.

2. **Explain why a capital expenditure is appropriate**: (Recipients should provide an independent assessment demonstrating why a capital expenditure is appropriate to address the specified harm or need. (FR pg. 197)

The most effective response to homelessness is to provide housing to people experiencing homelessness. Los Angeles County has a deficit of affordable housing. According to the California Housing Partnership, nearly 500,000 low-income households in LA County do not have access to an affordable home. According to the Los Angeles Homeless Services Authority (LAHSA), the County has a shortfall of more than 20,000 permanent supportive housing units. Even with the more than 10,000 permanent supportive housing units in the pipeline, there remains a shortfall of nearly 12,000 units.

a. **Explain why existing capital equipment, property or facilities would be inadequate to address the harm or need.**

As noted, there is a shortfall in affordable and supportive housing, so existing capital properties would not meet the need.

b. **Explain why policy changes or additional funding to pertinent programs or services would be insufficient without the corresponding capital expenditure.**

Additional funding would not on its own, without capital expenditures, increase the supply of housing. Leasing facilities is also not a viable option, since the ongoing cost of leasing is extremely high, costing at least $100 per unit per night, or $36,000 per unit per year.

3. **Provide a comparison of the proposed capital expenditure <u>against alternative capital expenditures</u>:** (Recipients should provide an objective comparison of the proposed capital expenditure against <u>at least two alternative capital expenditures that could be made.</u> Use quantitative data when available, or supplement with qualitative information and narrative description. Analyses with little to no quantitative or qualitative data must provide an explanation for doing so. (FR pgs. 197-198)

a. **Assess the proposed capital expenditure against at least two alternative types or sizes of capital expenditures that are potentially effective and reasonably feasible.**

Alternative 1: New construction
Building permanent supportive housing (PSH) from the ground up – new construction – is considerably more expensive than a motel conversion. According to a report issued by the City of Los Angeles Controller, the average cost per unit for PSH built using Proposition HHH is between $531,711 (projects under construction) and $558,847 (projects in pre-development). Therefore, the average cost per unit, taking into account

the HHH costs for projects under construction and projects in pre-development, is $545,279. In comparison, the per unit cost for the Weingart Greenleaf project proposed here is $408,465. Further, without the legislative exemptions provided in the HOMEKEY program, potentially years long entitlement and CEQA review process may be required before any such project could begin. This will significantly delay services to this vulnerable population.

Alternative 2: Acquire building outside of the State of California Homekey Program The State of California allocated $1.45B to the Homekey Program for fiscal year 2021-2022. This program provides funding to acquire and develop homeless housing, with local jurisdictions providing matching funds. For the Weingart Greenleaf, the California Department of Housing and Community Development has awarded $30.8M for the acquisition and renovation of the property. ARP funds of $10.2M will be used to complete the acquisition and renovations. If the County of Los Angeles pursued this acquisition outside of the Homekey program, it would need to contribute more than 4 times the amount of capital funding for this project, or approximately $41M. Moreover, the legislation that established the Homekey program includes language that streamlines the entitlement and environmental review processes, enabling the project to be completed faster than it otherwise would be - thus allowing the County to serve this vulnerable population sooner.

b. If relevant, compare the proposal against the alternative of improving of improving existing capital assets already owned or leasing other capital assets.

Improving existing capital assets would not result in increased housing availability or supply because the improvements would not yield additional units of housing at the scale created by the new acquisition in this project. Leasing other capital assets would be much more costly in the long term, with leasing costs amounting to approximately $36,000 per unit per year or more, ongoing.

4. Consider the following factors in comparing this proposal to other alternatives:

a. **Compare the effectiveness of capital expenditures in addressing the harm identified.** (Recipients should generally consider the effectiveness of the capital expenditures in addressing the harm over the useful life of the capital asset and may consider metrics such as the number of impacted or disproportionately impacted individuals or entities served. (FR pg. 198)

   While the alternatives discussed above would ultimately address the same harms, those alternatives would be much costlier, thus resulting in less funding available for other critical interventions to serve people experiencing homelessness, and would take potentially years longer to implement, thus delaying help to this vulnerable population.

b. Identify the relevant time horizons of the project, and describe any uncertainties or risks involved with the capital expenditures.

For the proposed project construction will be complete by December 2022 and occupancy will begin immediately.

Alternative 1 would take significantly longer both because new ground up construction will take a significantly longer period of time to complete compared to modifying an existing structure, and because the County may first have to comply with the entitlement and CEQA review process, potentially adding a year or more to the process.

Alternative 2 (independently acquiring a motel to refurbish/reconfigure) might take a similar amount of time for the construction work but may first have to comply with the entitlement and CEQA review process, potentially adding a year or more to the process.

c. **Compare the expected total cost of the capital expenditures.** (Recipients should consider the expected total cost of the capital expenditure required to construct, purchase, install, or improve the capital assets intended to address the public health or negative economic impact of the public health emergency. Predevelopment costs should be included in the calculation and may choose to include information on ongoing operational costs – although not required. (FR pg. 198)

- Alternative 1: Expected costs would be approximately $55M (assuming the average HHH unit cost of $545,279, for the 101 units in this project)
- Alternative 2: Expected County contribution (ARP) would increase by $31M because the County would bear the entire cost of the project rather than just the local match.

d. **Demonstrate how the proposed capital expenditure is superior (i.e. effectiveness).** (Recipients should balance the effectiveness and costs of the proposed capital expenditure and against alternative and demonstrate that their proposed capital expenditure is superior. Recipients should choose the most cost-effective option unless it substantively reduces the effectiveness of the capital investment in addressing the harm identified. Additional factors impacting effectiveness include when the facilities will become operational etc. See examples of the analysis pgs. (FR 198-199).

The State of California's report on the first round of Homekey funding, which supported motel and hotel conversions to homeless housing, as well as other innovative housing types, found that it promoted expedient, cost-effective housing solutions. Similarly, the Homekey Round opportunity, which this project is partially funded through, presents a similar opportunity for highly cost-effective and impactful development of homeless housing. Motel conversions are faster and lower in cost than new construction. Moreover, the funding offered through Homekey provides a once in a generation opportunity for local jurisdictions like LA County to considerably increase the availability of homeless housing and address the homelessness crisis.

WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION
(Required by U.S. Department of Treasury)

Department: CEO
Program/Expense/Service Title: Homekey 2.0 – HOTV 818
Amount Requested: $10M

Written Justification and Reporting the Justification to Treasury: (Recipients must provide reports on Capital Projects in the mandatory ARP reporting as required below.) (FR pg. 201)

If a project has total expected capital expenditures of	and the use is enumerated by Treasury as eligible, then	and the use is beyond those enumerated by Treasury as eligible, then
Less than $1 million	No Written Justification required (Supporting documentation must still be maintained.)	No Written Justification required (Supporting documentation must still be maintained.)
Greater than or equal to $1million, but less than $10 million	Written Justification but recipients are not required to submit as part of regular reporting to Treasury	Written Justification required and recipients must submit as part of regular reporting to Treasury
$10 million or more	Written Justification required and recipients must submit as part of regular reporting to Treasury	

Provide supportive details to the following questions:

1. **Describe the Public Health harm or Negative Economic Impact need to be addressed**: (Recipients should provide a description of the specific harm or need to be addressed, and why the harm was exacerbated or caused by the public health emergency. When appropriate, recipients may provide quantitative information on the extent and type of harm, such as the number of individuals or entities affected. (FR pgs. 196-197)

   People experiencing homelessness were heavily impacted by COVID-19 due to limitations on homeless and other supportive services, reduced housing capacity, and fewer economic opportunities. The homelessness crisis in the County of Los Angeles ("County") pre-dates the pandemic, but was exacerbated by the pandemic, both due to the economic impacts on communities and because many people experiencing homelessness are in poor health or having underlying conditions that make them more vulnerable to COVID-19. According to data from the most recently completed Greater Los Angeles Homeless County, there are more than 66,000 people experiencing homelessness in Los Angeles County. Further, between the 12-month period preceding the first reported COVID-19 death of a person experiencing homelessness in Los Angeles County (April

1st, 2019-March 31st, 2020) and the 12-month pandemic period that followed (April 1st, 2020-March 31st, 2021), the overall number of deaths among people experiencing homelessness increased by 56%, from 1,271 to 1,988 deaths.

2. **Explain why a capital expenditure is appropriate**: (Recipients should provide an independent assessment demonstrating why a capital expenditure is appropriate to address the specified harm or need. (FR pg. 197)

The County has a shortage of housing units, including interim housing. Interim housing is an important component of the continuum of care for people experiencing homelessness. It provides a safe environment and the stability needed to plan for and obtain permanent housing. With more than 48,000 people experiencing unsheltered homelessness in the County, there is a critical need for shelter options to bring people inside immediately. Moreover, the Project offers non-congregate shelter. There are very few permanent non-congregate shelters in the County, with most being temporary programs created during the pandemic, which will terminate in the coming year. Non-congregate shelters are well suited for people experiencing homelessness who are vulnerable to communicable diseases because they provide the ability to self-isolate when needed. Further, for many people experiencing homelessness, the privacy afforded by non-congregate shelter is much more desirable than congregate shelter, making it more likely that they will come inside and begin their pathway to exiting homelessness.

Further, the State of California’s report on the first round of Homekey funding, which supported motel and hotel conversions to homeless housing, as well as other innovative housing types, found that it promoted expedient, cost-effective housing solutions.

a. **Explain why existing capital equipment, property or facilities would be inadequate to address the harm or need.**

As noted, there is a shortage of housing units in the County and there are very few permanent non-congregate shelters available for people experiencing homelessness. Existing non-congregate shelters are leased from hoteliers, who will soon return them to their usual use after Project Roomkey concludes.

b. **Explain why policy changes or additional funding to pertinent programs or services would be insufficient without the corresponding capital expenditure.**

Project Roomkey provided emergency housing to many people experiencing homelessness amid the pandemic. As the Project Roomkey program ramps down, the non-congregate interim housing supply is also dwindling. Additional funding to continue to lease hotels/motels, if hoteliers were willing, would not meet the need because the cost of leasing vacant hotel/motel rooms as non-congregate shelter would be so high that it would lead to the County reducing homeless services and investments in other areas, which would negatively impact the homeless population. Leasing costs are approximately $100/per room/per night in the County.

WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION
(Required by U.S. Department of Treasury)

3. **Provide a comparison of the proposed capital expenditure against alternative capital expenditures:** (Recipients should provide an objective comparison of the proposed capital expenditure against at least two alternative capital expenditures that could be made. Use quantitative data when available, or supplement with qualitative information and narrative description. Analyses with little to no quantitative or qualitative data must provide an explanation for doing so. (FR pgs. 197-198)

   a. **Assess the proposed capital expenditure against at least two alternative types or sizes of capital expenditures that are potentially effective and reasonably feasible.**

   Alternative 1: Leasing hotels/motels for use as interim housing

   During the first two years of the COVID-19 pandemic, the County of Los Angeles leased hotels as a part of Project Roomkey, in order to provide non-congregate shelter to people experiencing homelessness who are vulnerable to serious illness or death if infected with COVID-19. Leasing hotels in this manner would be an alternative to acquisition and rehabilitation of the 818 Hotel.

   The per unit total development cost for the proposed ARP funded project (818 Hotel) is approximately $385,500 per unit. The cost for the Project Roomkey leases was approximately $100/unit per night, or approximately $36,000 per unit per year. At this rate, the cost of leasing a hotel would match the cost of acquiring the 818 Hotel within fewer than 11 years. Since there will be a 15-year affordability covenant on the 818 Hotel upon completion of renovations, it is known that it will be used for interim housing for at least 15 years, and likely beyond. In addition to leasing costs, the County incurred costs for damages and biohazard cleanings while leasing the sites, which would further increase the cost of leasing. Therefore, within the 15 year period that the site must be used for interim housing, the County would expend more funds on leasing than it would have for this acquisition.

   As the County recovers from COVID-19, fewer motel and hotel owners are willing to lease their sites and are moving back toward their typical tourism functions. The return of tourism will also likely push up the lease rates owners would demand for their properties.

   Alternative 2: Acquire building outside of the State of California Homekey Program

   The State of California allocated $1.45B to the Homekey Program for fiscal year 2021-2022. This program provides funding to acquire and develop homeless housing, with local jurisdictions providing matching funds. For the 818 Project, the state is providing $28.5M of the total $38.5M costs. If the County of Los Angeles pursued this acquisition outside of the Homekey program, it would need to contribute more than 3 times the amount of capital funding for this project, approximately $38.5M.

Moreover, the legislation that established the Homekey program includes language that streamlines the entitlement and environmental review processes, enabling the project to be completed faster than it otherwise would– allowing the County to serve this vulnerable population quickly – and allowing the County to serve this vulnerable population quickly.

b. If relevant, compare the proposal against the alternative of improving of improving existing capital assets already owned or leasing other capital assets.

In the County of Los Angeles, most of the existing interim housing sites are congregate sites, so adding or improving existing sites would not meet the need because they are not set up to be used a non-congregate shelters and are already providing shelter to others. See the comparison to leasing in "Alternative 1."

4. Consider the following factors in comparing this proposal to other alternatives:

a. Compare the effectiveness of capital expenditures in addressing the harm identified. (Recipients should generally consider the effectiveness of the capital expenditures in addressing the harm over the useful life of the capital asset and may consider metrics such as the number of impacted or disproportionately impacted individuals or entities served. (FR pg. 198)

Alternative 1:
Leasing hotels/motels for use as interim housing

The cost of leasing hotels/motels would exceed that of acquiring the 818 Hotel within 11 years. Therefore, leasing would result in reduced availability of County funds for other purposes related to serving people experiencing homelessness – including for acquisition or lease of additional properties – which would hinder the County's ability to address the harms identified.

Alternative 2: Acquire building outside of the State of California Homekey Program
This alternative is costlier and would result in less funding available for other critical interventions to serve people experiencing homelessness.

b. Identify the relevant time horizons of the project, and describe any uncertainties or risks involved with the capital expenditures.

Alternative 1 would not require time for construction, but the time needed to identify properties for lease could be significant. As the County recovers from COVID-19, fewer motel and hotel owners are willing to lease their sites and are moving back toward their typical tourism functions.

Alternative 2 might take a similar amount of time, but may first have to comply with the entitlement and CEQA review process, potentially adding a year or more to the process.

c. **Compare the expected total cost of the capital expenditures.** (Recipients should consider the expected total cost of the capital expenditure required to construct, purchase, install, or improve the capital assets intended to address the public health or negative economic impact of the public health emergency. Predevelopment costs should be included in the calculation and may choose to include information on ongoing operational costs – although not required. (FR pg. 198)

- Alternative 1: The cost of leasing ($36,000 per year per unit or more) would exceed the cost of acquisition and rehabilitation of the 818 Hotel ($385,500 per unit) within 11 years, which is less than the length of the affordability covenant required for this acquisition (15 years). As such, leasing is more expensive in the medium term. The County expects to have an ongoing need for this type of interim housing for the foreseeable future.
- Alternative 2: Expected County contribution (ARP) would increase from $10M to $38.5M.

d. **Demonstrate how the proposed capital expenditure is superior (i.e. effectiveness).** (Recipients should balance the effectiveness and costs of the proposed capital expenditure and against alternative and demonstrate that their proposed capital expenditure is superior. Recipients should choose the most cost-effective option unless it substantively reduces the effectiveness of the capital investment in addressing the harm identified. Additional factors impacting effectiveness include when the facilities will become operational etc. See examples of the analysis pgs. (FR 198-199).

The State of California's report on the first round of Homekey funding, which supported motel and hotel conversions to homeless housing, as well as other innovative housing types, found that it promoted expedient, cost-effective housing solutions. Similarly, the Homekey Round 2 opportunity, which this project is partially funded through, presents a similar opportunity for highly cost-effective and impactful development of homeless housing. Motel conversions are faster and lower in cost than new construction. Moreover, the funding offered through Homekey provides a once in a generation opportunity for local jurisdictions like the County of Los Angeles to considerably increase the availability of homeless housing and address the homelessness crisis.