



TO: HACLA Board of Commissioners
FROM: Carlos Van Natter, Director, Section 8 *C. Van Natter*
THROUGH: Doug Guthrie, Present and CEO *Douglas Guthrie*
DATE: November 15, 2022
SUBJECT: Continuum of Care Funding 3rd Quarter Update

This report is intended to provide the Board of Commissioners a brief background and an update on activities for the Continuum of Care (CoC) program.

Background

Formerly called Shelter Plus Care (S+C) program, the S+C multi-years grants were transitioned to CoC annual renewal grants beginning in 2016 based on HUD guidance. The CoC program serves the most difficult to house clients in HACLA's portfolio of homeless programs: chronically homeless, high acuity individuals and families with mental health, substance abuse and HIV/AIDS conditions who require intensive case management services. CoC grants are assigned to local program partners/sponsors that refer clients for leasing and provide the case management services which enable clients to get housed and remained housed over time. HACLA administers the overall program, including partner performance monitoring, client eligibility determination and execution/maintenance of Housing Assistant Payment (HAP) contracts.

Continuum of Care (CoC) Utilization

Over the last few years, HACLA has made a concerted effort to work closely with our sponsors to increase utilization of each grant by maximizing leasing of units. Utilization trends have been on a steady upward trajectory since 2016. As of October 2022, our overall utilization was 90%. The chart below shows the progression of our leasing effort through the years.

YEAR	Continuum of Care		
	Allocated	Leased	Percentage
2016	3932	2577	66%
2017	3977	2675	67%
2018	3941	2896	73%
2019	4001	3157	79%
2020	4001	3503	88%
2021	3953	3674	93%
2022	3953	3558	90%

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Program exits and attrition also play a major role in utilization. The Covid-19 pandemic was one large factor that had an impact on this program during the last year. About 40% of those exiting the program were a result of the participants passing away. One way we mitigated this was by collaborating with our partners to increase referrals. The chart below illustrates the ongoing leasing along with End of Participation (EOP)/exits from the program.

Year	Total Leased Up	Total EOP	Net Leased
2016	154	291	-137
2017	171	255	-84
2018	410	261	149
2019	594	304	290
2020	610	200	410
2021	520	255	265
2022	277	235	42

Our CoC team meets regularly with the grant service providers to follow up on all aspects of the program, including but not limited to application referrals, lease up strategies, vacancies and abatements, staff trainings, and to talk through any outstanding concerns. These standing meetings are focused on ensuring that grant utilization remains a priority. It also helps to build rapport and strong relationships between agencies, keeping our lines of communication open and improving our ability to quickly solve problems.

Continuum of Care (CoC) Spend-down

HUD funds new and renewal CoC grants at the area’s Fair Market Rent (FMR). The contract rents that HACLA pays out to sponsors and landlords on the program are oftentimes lower than the FMR amount and are based on rent comparables for similar units in the same geographic area. In addition, the portion of the rent that CoC tenants pay to their landlords is based on their income, which varies from tenant to tenant. This amount further reduces the amount of housing assistance payments (HAP) needed to be paid to landlords. This results in the funding received by HUD for each unit being greater than the amount HACLA must pay out in HAP according to HUD regulations, meaning that HACLA receives excess funds for the grants that must later be returned.

Reasons for underspending

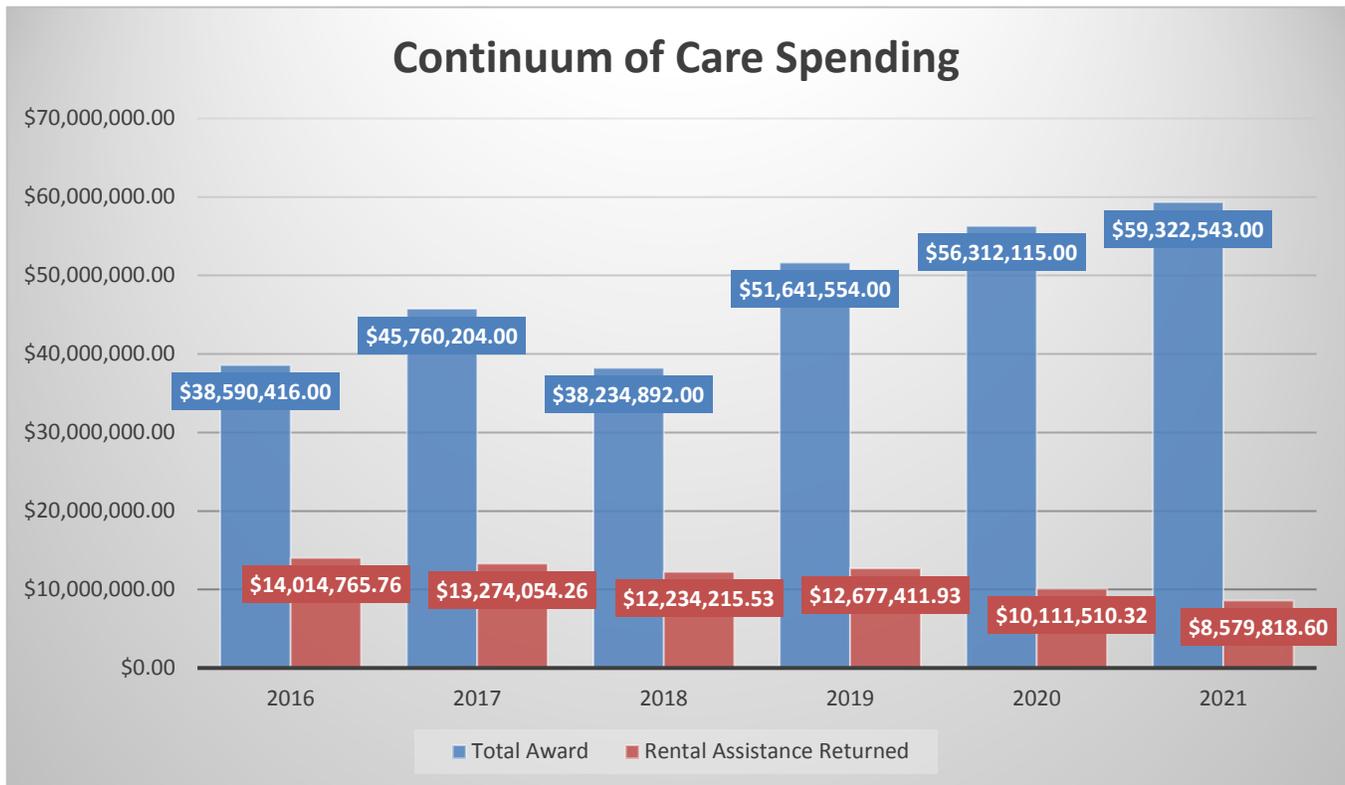
There are several key challenges to housing the chronically homeless, high acuity target population of the CoC program often resulting in the turnover rate of existing clients exceeding the rate of new leasing.

- Landlords choose not to rent to CoC clients because of their homeless and high acuity statuses.
- The rental market in the city is extremely tight, with rents high and vacancies low, less than 3%.
- Housing search assistance from program partners is not sufficient for clients to find units.
- Difficulties of program partners remaining connected with homeless applicants.
- Intensive case management is often not available on a long-term consistent basis from program partners to keep current participants housed.
- There is a high rate of unit turnover, at about 10% annually, among CoC tenants due to abandonments,

evictions, voluntary withdrawals, non-compliance, incarcerations and deaths. This rate is more than twice that of the Housing Choice Voucher program.

- Low referrals of new applicants from program partners who rely on the Coordinated Entry System managed by the Los Angeles Homeless Services Authority (LAHSA).

HACLA received one large grant during 2016 which contributed to the higher amount of underspending that year as it takes up to two years for program partners to fully utilize new allocations. CoC grants are renewed each year, however the short 12-month time period makes it challenging for program partners to maintain full utilization of allocations considering the long lead time needed for clients to secure units. Despite this, HACLA’s program leasing has increased over this time period, which has reduced the amount of unspent rental assistance to be returned as shown by the chart below.



Unspent grant funds are returned to HUD after each funding period. Funding for subsequent year renewals of existing grants and new grant award submissions are made in collaboration with LAHSA each year and to date have been awarded so that funding has been recommitted to the Continuum.

Trends of Stabilization

The utilization of grant funds has improved since FY 2016. In FY 2016 41% of Rental Assistance dollars were returned since it can take up to two years for sponsors to fully utilize them. Over the period, grant funds returned were due to newly awarded grants, including the large bonus grant consisting of 547 units and funded for a little over \$10 million. At the same time, however, there has been a consistent pattern of increased drawdowns of funds. As HACLA’s CoC portfolio has stabilized and fund utilization strategies have been implemented, the returned amount decreased year by year. The chart below shows the percentages returned throughout the years.

YEAR	Total Award	Rental Assistance Returned \$	Rental Assistance Returned %
2016	\$38,590,416.00	\$14,014,765.76	41%
2017	\$45,760,204.00	\$13,274,054.26	31%
2018	\$38,234,892.00	\$12,234,215.53	34%
2019	\$51,641,554.00	\$12,677,411.93	26%
2020	\$56,312,115.00	\$10,111,510.32	19%
2021	\$59,322,543.00	\$8,579,818.60	16%

As CoC grants have start dates throughout the calendar year, it is difficult to determine the amount of underspending at this point, however, with the increase in utilization and current processing of rent increases, we are projecting a continued decrease in unspent rental assistance.

Innovation and Improvement

In an effort to continue to improve our spend-down of funds, we have created tenant-based component expansion units associated with grants that have excess dollars. Of the 52 grants we administer we have created 322 expansion units as a way to maximize spending. As sponsors reach close to full utilization of the allocated unit amounts, HACLA awards expansion units that allow the sponsor to assist more homeless individuals as the grant funds allow. This can result in over leasing the allocation which is allowable by HUD as long as the grant funds can support the additional units.

Additional steps that HACLA is taking include providing rent increases to Project-Based CoC buildings to maximize the amount of rent paid out. The increase in rent will allow the properties to maintain their buildings and to provide security for the residents where needed.

HACLA is also working with these Project-Based CoC partners to award project-based expansion units to other units within their housing portfolios and even some beyond them at other properties.

Continuum of Care Funding 3rd Quarter Update

During the third quarter from July to September 2022, we receive the referrals below across all of our grants.

Month	Total Referrals
July	31
August	51
September	44

All applications are in various stages of completion from eligibility determination through housing search to contract execution.

The CoC team conducts frequent meetings to ensure success of the program and to identify areas of improvement. The team has facilitated the following meetings with the various sponsors during this period from July to September 2022. 66 meetings have been conducted to discuss utilization, vacancies, and referrals as follows:

Meeting Type or Sponsor	Frequency of Meetings
DMH/DHS	Monthly (3)
DMH CoC Bonus	Bi-Weekly (6)
SRO Housing Corp	Bi-Weekly (6)
Skid Row Housing Trust	Bi-Weekly (6)
San Fernando	Monthly (3)
The People Concern	Bi-Weekly (6)
A Community of Friends	Bi-Weekly (6)
St. Joseph Center	Monthly (3)
Special Services for Groups	Monthly (3)
Alcott Center	Bi-Weekly (6)
Moving-On Program	2 Occurrences
HUD Monitoring Meeting	5 Occurrences
HACLA CoC Advisory Meeting	2 Occurrences
LAHSA Program Meeting	9 Occurrences