

Date of Hearing: April 25, 2018

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

David Chiu, Chair

AB 3171 (Ting) – As Introduced February 16, 2018

SUBJECT: Homeless Persons Services Block Grant

SUMMARY: Creates the Local Homeless Solutions Program (Program) to provide matching funds to cities to create innovative and immediate solutions to the problems of homelessness, including, but not limited to, state and local social services and healthcare systems. Specifically, **this bill:**

1) Includes the following findings and declarations:

"California is in the midst of a homeless crisis. The latest federal Department of Housing and Urban Development report shows that California experienced year-to-year increases in the homeless population by 13 percent in 2016 and nearly 14 percent in 2017. The overall statewide count has ballooned to 134,278 persons as of 2017.

Homelessness affects nearly all sizes and types of communities.

In response to this crisis, cities and counties continue to commit local funds to homeless relief efforts and have increased annual spending on these efforts by hundreds of millions of dollars statewide. These cities and counties have created unique local programs to best address local needs. Additionally, voters in many communities across California have imposed increased revenue measures devoted to homeless services and similar measures are proposed for the ballot in 2018.

These programs bridge the gap between the availability of services and the lack of utilization. They focus on preventing chronic homelessness and positioning those in need on the path to a permanent housing solution.

However, local governments, local voters, and local non-profits cannot tackle this statewide problem alone. This is a crisis that requires an all-of-the-above approach and the State of California should take steps to become a meaningful partner in combating this human tragedy."

- 2) Appropriates an unspecified amount of General Fund money to the Local Homelessness Solutions Account (account).
- 3) Directs the Controller to apportion funds in the account to cities in proportion to each city's most recent total homeless population as reported by the United State Department of Housing and Urban Development's (HUD) Continuum of Care (CoC) Program.
- 4) Requires a city to match funds received from the Program.
- 5) Provides that allowable expenditure of funds allocated to a city for the Program include, but are not limited to, the following:
 - a) Shelter diversion;

- b) Rapid rehousing;
- c) Rental assistance;
- d) Emergency shelter;
- e) Navigation centers;
- f) Bridge housing; and
- g) Permanent supportive housing.

EXISTING LAW:

- 1) Defines "housing first" to mean the evidence-based model that uses housing as a tool, rather than a reward, for recovery that centers on providing or connecting homeless people to permanent housing as quickly as possible.
- 2) Provides that "housing first" includes time-limited rental or services assistance, so long as the housing and service provider assists the recipient in accessing permanent housing and in securing longer-term rental assistance, income assistance, or employment.
- 3) Requires, after July 1, 2017, agencies and departments that implement funds, or administer a program that provides housing or housing-based services to people experiencing homelessness or at-risk of homelessness, with the exception of federally funded programs not consistent with housing first or programs that fund emergency shelters, to work with the state Homeless Coordinating and Financing Council (Council) to adopt guidelines and regulations to incorporate core components of Housing First.
- 4) Created the Council and goals for the Council, including, but not limited to the following:
 - a) To identify mainstream resources, benefits, and services that can be accessed to prevent and end homelessness in California.
 - b) To create partnerships among state and federal agencies and departments, local government agencies, and nonprofit entities working to end homelessness, homeless services providers, and the private sector, for the purpose of arriving at specific strategies to end homelessness.
 - c) To promote systems integration to increase efficiency and effectiveness while focusing on designing systems to address the needs of people experiencing homelessness, including unaccompanied youth under 25 years of age.
 - d) To coordinate existing funding and applications for competitive funding, without restructuring or changing any existing allocations or allocation formulas.
 - e) To make policy and procedural recommendations to legislators and other governmental entities.

- f) To identify and seek funding opportunities for state entities that have programs to end homelessness and to facilitate and coordinate those state entities' efforts to obtain that funding.
 - g) To broker agreements between state agencies and departments and between state agencies and departments and local jurisdictions to align and coordinate resources, reduce administrative burdens of accessing existing resources, and foster common applications for services, operating, and capital funding.
 - h) To serve as a statewide facilitator, coordinator, and policy development resource on ending homelessness in California.
 - i) To report to the Governor, federal Cabinet members, and the Legislature on homelessness and work to reduce homelessness.
 - j) To ensure accountability and results in meeting the strategies and goals of the council.
- 5) Defines the core components of Housing First to include:
- a) Tenant screening and selection practices that promote accepting applicants regardless of their sobriety or use of substances, completion of treatment, or participation in services;
 - b) Applicants are not rejected on the basis of poor credit or financial history, poor or lack of rental history, criminal convictions unrelated to tenancy, or behaviors that indicate a lack of "housing readiness;"
 - c) Acceptance of referrals directly from shelters, street outreach, drop-in centers, and other parts of crisis response systems frequented by vulnerable people experiencing homelessness;
 - d) Supportive services that emphasize engagement and problem solving over therapeutic goals and service plans that are highly tenant-driven without predetermined goals;
 - e) Participation in services or program compliance is not a condition of permanent housing tenancy;
 - f) Tenants have a lease and all the rights and responsibilities of tenancy, as outlined in California's Civil, Health and Safety, and Government codes;
 - g) The use of alcohol or drugs in and of itself, without other lease violations, is not a reason for eviction;
 - h) In communities with coordinated assessment and entry systems, incentives for funding promote tenant selection plans for supportive housing that prioritize eligible tenants based on criteria other than "first-come-first-serve," including, but not limited to, the duration or chronicity of homelessness, vulnerability to early mortality, or high utilization of crisis services;
 - i) Prioritization may include triage tools, developed through local data, to identify high-cost, high-need homeless residents;

- j) Case managers and service coordinators who are trained in and actively employ evidence-based practices for client engagement, including, but not limited to, motivational interviewing and client-centered counseling;
 - k) Services are informed by a harm-reduction philosophy that recognizes drug and alcohol use and addiction as a part of tenants' lives, where tenants are engaged in nonjudgmental communication regarding drug and alcohol use, and where tenants are offered education regarding how to avoid risky behaviors and engage in safer practices, as well as connected to evidence-based treatment if the tenant so chooses; and,
 - l) The project and specific apartment may include special physical features that accommodate disabilities, reduce harm, and promote health and community and independence among tenants. (Welfare and Institutions Code Section 8255)
- 6) Requires a local jurisdiction to give public notice of a hearing whenever a person applies for a zoning variance, special use permit, conditional use permit, zoning ordinance amendment, or general or specific plan amendment.
- 7) Enacted, in 1987, the federal Stuart B. McKinney Homeless Assistance Act (McKinney-Vento), which authorized federal funding for homeless assistance programs administered by several federal agencies, including the U.S. Departments of HUD, Health and Human Services, Labor, Education, and Veterans Affairs. HUD operates two programs through McKinney-Vento, the Federal Emergency Shelter Grant Program and the Continuum of Care Program.
- 8) Enacted the federal Homeless Emergency Assistance and Rapid Transition to Housing Act (2009), which reauthorized and made changes to McKinney-Vento, including increasing the priority on homeless families with children and increasing prevention resources.

FISCAL EFFECT: Unknown.

COMMENTS:

Purpose of this bill: According to the author, "Many cities have invested significant local resources to address the homeless crisis. These new resources are bridging the gap in service needs, preventing chronic homelessness, and positioning those in need on the path to a permanent housing solution. City and county voters have seen the need and also stepped up, with voters in metropolitan areas across California passing revenue measures devoted to homelessness services in 2016 and there will likely be additional measures in 2018 elections. On the state level, we have enacted efforts regarding affordable housing and homelessness, including SB 2 (Atkins), SB 3 (Beall), and the No Place Like Home Initiative. However, the problems our cities face today are dramatic and we need immediate intervention to stem the tide.

This bill creates the Local Homelessness Solutions Program, which will provide matching funds to cities with programs to combat homelessness. These funds must be matched by the recipient city and may be spent on a range of homelessness activities, including shelter diversion, rapid re-housing, rental assistance, emergency shelter, navigation centers, bridge housing, and permanent supportive housing. The bill will seek up to \$1.5 billion in one-time state funding for the program."

Homelessness in California: California is facing an affordable housing and homelessness crisis. In 2017, based on local point in time counts (PIT), 134,000 people are homeless in California on any given night. Already home to the largest homeless population in the country, from 2016 to 2017, California experienced the largest increase in the number of residents experiencing homelessness nationwide – over 16,000 individuals. California accounted for nearly half of all unsheltered people in the country in 2017 (49% or 91,642 people). The City and County of Los Angeles have the highest number of homeless people in the state with 55,188 people. Nearly one of every four people experiencing homelessness did so in New York City or Los Angeles. Of those experiencing homelessness in Los Angeles, only 25% were sheltered in 2017.

Nationwide, the number of people experiencing homelessness increased in major cities and decreased elsewhere between 2016 and 2017. The number of people experiencing homelessness in major cities increased by just over 5% between 2016 and 2017, driving the increase in homelessness nationwide. More specifically, increases in unsheltered homelessness in major cities drove the national increase with 17,139 more unsheltered people.

Chronic homelessness: California has 42% of the nation's population of people experiencing chronic homelessness. Chronic homelessness occurs when a person with a disabling condition has either been continuously homeless for a year or more, or has had at least four episodes of homelessness in the past three years. People experiencing chronic homelessness are more likely to use emergency rooms for medical care and end up in the criminal justice system, resulting in rising local costs.

Researchers have found that patients with housing have shorter hospital stays than homeless patients and that homeless patients have high readmission rates following an inpatient stay, with 70% of hospitalizations resulting in either another inpatient admission, observation status stay, or emergency department visit within thirty days of hospital discharge. A study of supportive housing in Los Angeles found that spending across public agencies in the county was 79% lower for residents with supportive housing than for homeless people. The majority of those savings came from reductions in spending on health care services, including a 91% reduction in average spending per month per person on certain inpatient hospitalizations and an 89% reduction in spending on emergency department services for individuals in supportive housing compared to spending for homeless individuals.

Affordable housing shortage: According to the Legislative Analyst, California needs to produce approximately 180,000 units of housing per year to keep up with population growth – we produce less than half that amount. The lack of affordable housing has the most significant impact on low-income renter households. In the current market, 2.2 million extremely low-income and very low-income renter households are competing for 664,000 affordable rental units. Of the 6 million renter households in the state, 1.7 million are paying more than 50% of their income toward rent. The National Low Income Housing Coalition estimates that the state needs an additional 1.5 million housing units that very-low income Californians can afford.

Poverty: According to the Supplemental Poverty Rate (U.S. Census), California has the highest poverty rate in the nation (20.6%) when housing costs are factored into cost of living. Poverty was highest among children (21.6%) and lower among adults age 18–64 (19.0%) and those age 65 and older (18.1%). Los Angeles (24.9%) and Santa Cruz (24.8%) Counties had the highest poverty rates.

Housing First: Housing First approaches homelessness by providing permanent, affordable housing for families and individuals, and then providing supportive services in order to help people avoid returning to homelessness. Housing First is premised on the idea that housing should not be denied to anyone, even if they are abusing alcohol or other substances. Under Housing First, supportive services are offered to maximize housing stability and prevent returns to homelessness, as opposed to addressing predetermined treatment goals prior to providing housing. Housing First has been shown to reduce the overall local costs incurred when localities provide social services to people where they are, rather than allowing them to continue to cycle through emergency rooms, jails, and treatment centers.

The federal government has moved to a Housing First model over the last decade that prioritizes permanent supportive housing. Chronic homelessness in the nation decreased by 27% between 2010-2016 after our federal response adopted the Housing First model. California embraced a Housing First model in 2015. SB 1380 (Mitchell), Chapter 847, which created the Housing Coordinating and Financing Council to coordinate the state's response to homelessness, requires all state agencies or departments that operate programs that provide housing or housing-related services to people experiencing homelessness or at risk of homelessness to adopt guidelines and regulations to include Housing First policies.

Permanent supportive housing: Decades of research show that supportive housing with a Housing First requirement – a stable, affordable place to live with no limit on that stay, along with services that promote housing stability – ends homelessness among people who experience chronic homelessness. Supportive housing lowers public health costs, reduces blight and improves property values, and decreases recidivism in our local jails and state prisons. For these reasons, the state has invested millions of dollars in leveraging federal and local dollars to create more supportive housing.

Rapid rehousing: Rapid rehousing is a housing model designed to provide temporary housing assistance to people experiencing homelessness moving them quickly out of homelessness and into permanent housing. Rapid rehousing is provided through short-term intervention to pay housing expenses – rental arrears, ongoing rent, and moving costs – and case management focused on housing stability. Rapid rehousing is a relatively new response to homelessness that became more prominent after the Great Recession. There has been limited research on rapid rehousing and its effectiveness. A study done by the Urban Institute found that rapid rehousing is a successful intervention for families. It has low barriers to entry, high placement rates, and low rates of return to shelter. However, rapid rehousing does not solve long-term housing affordability problems. After families exit rapid rehousing, many experience high rates of residential instability. Many move again or double up with in a year and face challenges paying for rent and household necessities. These problems are common among low-income households in general. The report recommends more research on the effectiveness and cost of rapid rehousing as compared to other interventions, its success in tight markets, and its impact on ending homelessness among families.

Funding for housing and homelessness: Existing state and federal funding for homelessness typically goes to counties and to local Continuums of Care (CoCs). CoCs are planning bodies responsible for coordinating the full range of homelessness services in a geographic area, which may cover a city, county, or metropolitan area. The federal CoC Program provides funding for 1) housing and related supportive services for people moving from homelessness to independent, supportive living; 2) rental assistance in connection with matching supportive services; and 3)

rental assistance in connection with rehabilitation of residential properties that will contain upgraded single occupancy units for individuals who are homeless.

The state provides some funding to address homeless through the following programs:

California Emergency Solutions Grant Program (ESG) – provides funding to local CoCs to engage homeless individuals and families living on the street, rapidly re-house homeless individuals and families, help operate and provide essential services in emergency shelters for homeless individuals and families, and prevent individuals and families from becoming homeless. This program is administered by HCD.

Bringing Families Home (BFH) – provides funding to child welfare agencies and targets families involved with the child welfare system that are experiencing homelessness. It is designed to offer housing supports in order for families to successfully reunify. County programs are required to utilize a Housing First model, including Rapid Rehousing or Supportive Housing, depending on the family's level of need. This program is administered by Department of Social Services (DSS).

Housing for a Healthy California (H4HC) – provides grants to developers and/or counties to create supportive housing for chronically homeless Medi-Cal recipients. Grants can be used for long-term rental assistance, capital and operating costs, and/or capitalized operating reserves. The health care costs of individuals receiving housing will be tracked to determine the impact of supportive housing on health care costs. This program is administered by HCD. The guidelines for the program are required to be complete by January 1, 2019

CalWORKs Housing Support Program – provides funding to counties and is an evidence-based rapid rehousing support program for CalWORKs families that are experiencing homelessness or housing instability. Included in the Program are rental assistance and security costs, caseworker engagement with the client's landlord, home finding, credit repair, and financial literacy. This program contains core components of Housing First. This program is administered by DSS.

CalWORKs Homeless Assistance Program – provides funding to counties to offer temporary shelter assistance and permanent housing assistance to homeless families under the CalWORKs program. This program is administered by DSS.

Multi-family Housing Program (MHP) – provides non-profit housing developers long-term loans to construct affordable and supportive housing for very low-income and low-income Californians. This program is operated by HCD.

No Place Like Home – provides funding to developers to acquire, design, construct, rehabilitate, or preserve permanent supportive housing for persons who are experiencing homelessness, chronic homelessness, or who are at risk of chronic homelessness, and who are in need of mental health services. Funds are currently not available, pending a court validation action of the program. This program is administered by HCD.

Transitional Housing Program-Plus (THP-Plus) – administered by county departments of social services and provides a transitional housing program for young adults who exited from

foster care (including those supervised by probation) on or after their 18th birthday who are not yet 24 years of age. This program is administered by DSS.

The state and local communities have made investments in increasing the supply of affordable housing and housing for those who are homeless. In 2016 the Legislature passed No Place Like Home, creating \$2 billion in new funding for construction of supportive housing units. On the November 2018 ballot, voters will consider approving a \$4 billion bond to fund affordable housing that includes \$1.5 billion for affordable housing developments. SB 2 (Atkins, Chapter 364, Statutes of 2017) will generate ongoing funding for affordable housing, including significant funding in the first year to address homelessness.

Local funding initiatives to address homelessness: Several counties have passed local funding measures to support homelessness or affordable housing. Los Angeles passed HHH to provide \$1.2 billion in bonds to pay for the construction of 10,000 new supportive housing units. The City of Los Angeles also adopted an ordinance to expedite production by streamlining the process and removing regulatory barriers for permanent supportive housing. Alameda County passed a \$580 million bond that includes \$425 million to create and preserve affordable rental housing for vulnerable populations. San Diego is considering a \$900 million bond funded through a \$0.75 parcel tax that the city estimates could produce 7,500 subsidized affordable housing units.

Arguments in support: This bill is sponsored by Mayors from the following cities: San Francisco, Los Angeles, San Diego, San Jose, Fresno, Long Beach, Sacramento, Oakland, Bakersfield, Anaheim, and Santa Ana. Cities are asking for state funds to support innovate programs to address homelessness that are largely funded from their General Funds. The City of Sacramento writes in support, "AB 3171 would provide desperately needed funding to cities to continue addressing gaps in our current homeless care systems and provide targeted services and housing options. It will help cities implement innovative programs, such as rental assistance to prevent people from becoming homeless in the first place and building tiny homes that can more immediately meet the needs and concerns of all our residents."

Support if amended: Statewide advocacy organizations representing counties support this bill if it is amended to include counties as eligible to receive funding from the Program. They write, "While we are supportive of providing additional funds to local governments to help address the homelessness crisis, this bill focuses only on cities and fails to include counties in this important effort. Homelessness is a complex issue that crosses city and county boundaries, and the needs of the homeless are many. Counties are tasked by the state with providing the core services needed to address homelessness including food benefits, housing assistance, behavioral health services, shelter, and health care to the homeless in our communities."

Support in concept: Statewide housing advocacy organizations support this bill in concept an investing a third of the state surplus in reducing homelessness. They urge the funding go to providing permanent housing for people experiencing chronic homelessness based on decades of experience that have shown that emergency solutions like building more shelters and providing more temporary assistance do not reduce homelessness. They write, "When homelessness emerged in the United States in the 1980s, our recently developed homeless systems responded by building emergency shelters. Three decades later, we know what works to solve homelessness: a safe, decent, affordable place to live without limits on length of stay known as

'permanent housing.' The creation of permanently affordable housing is the only evidenced-based intervention that allows people to exit homelessness. While some interim interventions keep people safe while homeless, they do not solve homelessness. Study after study shows a permanent housing response, not a shelter response, reduces homelessness, while also decreasing the costs of maintaining homelessness." In addition, they urge that the bill be expanded to include funding for state housing development program to construction housing affordable to low-income Californians to address the underlying cause of homelessness.

Policy Considerations: This bill proposes to provide matching grants to cities to fund innovative and immediate solutions to the problems caused by homelessness. Cities would spend these funds on shelter diversion, rapid rehousing, rental assistance, emergency shelters, navigation centers, bridge housing, and permanent supportive housing. The Controller would apportion funds to each city based on the city's most recent PIT count.

The committee may wish to consider the following issues when evaluating this proposal:

- 1) What local entity is best equipped to receive funding for homelessness and use it quickly and efficiently? Many counties and cities are actively pursuing solutions to address homelessness. Counties receive the lion's share of funding for social services and health care and provide the majority of services to people experiencing homelessness. However, the growth in the number of people experiencing homelessness is occurring in the cities. The committee may wish to consider allowing both cities and counties to apply for block grants. If both the city and county in an area meet the threshold requirements to receive funding, then the city would receive the allocation for the number of homeless people living in the city based on the 2017 PIT.
- 2) What type of activities should be funded through this program? The federal and state government has moved toward an evidence-based, Housing First model that promotes permanent supportive housing. To respond quickly and effectively to homelessness, the state should fund models that have a proven track record of working and where programs exist that can be funded quickly. Permanent supportive housing has been proven to reduce chronic homelessness. The committee may wish to consider prioritizing a significant amount of funding for this new program toward activities that will support permanent supportive housing. These include long term rental assistance, capitalized rental assistance for up to 15 years, paying for the operating costs of affordable and supportive housing developments, and landlord incentives to accept homeless individuals as tenants. Although all individuals experiencing homelessness may not need services to stay permanently housed, the state should fund models that have the greatest likelihood of keeping people permanently housed. The committee may wish to provide flexibility to local jurisdictions by authorizing a percentage of funding to go toward emergency solutions that move people into permanent housing solutions. Emergency solutions include rapid rehousing, shelters, navigation centers, motel vouchers, bridge housing, recuperative or respite care, shelter diversion, homeless prevention, and homeless outreach.
- 3) What state entity should allocate funding? This bill would direct the Controller to allocate block grants to cities based on the PIT count. Although the bill does not currently require an applicant to submit a plan on how the funds will be spent, the committee may wish to consider adding that requirement. The Controller may not be equipped to evaluate local plans and the committee may wish to consider whether one of the state's housing entities – the

HCD or the California Housing Finance Agency (CalHFA) – is better equipped to fill this function.

- 4) What else can be done to increase the supply of affordable housing? The homelessness crisis is fueled in large part by the scarcity of affordable housing to low and very-low income households. In the current market, 2.2 million extremely low-income and very low-income renter households are competing for 664,000 affordable rental units. The state has taken steps to increase the supply of affordable housing, but these measures are not secure – No Place Like Home is tied up in the court validation action and SB 3 the Veterans Housing and Affordable Housing Act is subject to voter approval and the earliest funds will be available is next year, 2019. The committee should consider adding an additional \$500 million to this bill to fund HCD's Multi-Family Housing Program to increase the supply of affordable housing units for low and very-low income families.

Committee amendments:

- 1) Allow both cities and counties to apply. If both meet the threshold requirements of the bill, the city would receive funding based on the 2017 PIT.
- 2) Allow matching fund to come from SB 2 funds or locally controlled resources. Funds should not supplant existing funding and shall not be used to supplant existing local, state, or federal funding.
- 3) Require 75% of funds to go to permanent supportive housing with supportive services to address the needs of chronically homeless people, including individuals, families, transition-aged youth, and domestic violence victims. Funding can be used for long term rental assistance, operating subsidies and capital reserves for affordable and supportive housing projects, investment in local flexible housing subsidy pools, capital grants for supportive housing developments, and landlord engagement and incentives.
- 4) Allow up to 25% of funds to be used for emergency responses to homelessness that move people to permanent housing. Funding can be used for interim housing while someone waits to move to permanent housing, may include shelters, navigation centers, motel vouchers, bridge housing, recuperative or respite care to temporarily house, shelter diversion, homeless prevention and homeless outreach.
- 5) Allow an applicant to apply for a waiver to use up to 25% of the 75% of funds available for permanent supportive housing for emergency responses to homelessness that move people to permanent supportive housing. To qualify, an applicant must provide evidence that it is spending existing General Fund dollars of at least an amount equal to the sum requested on supportive housing for people experiencing chronic homelessness. An applicant's plan must provide evidence of both the need for the specific request of funding for emergency interventions, as well as the ability to move people out of interim housing and into permanent housing. The applicant must have a demonstrated track record of successfully moving individuals from homelessness to permanent housing.
- 6) Require grant recipients to submit an expenditure plan to receive funding and authorize the state auditor to audit funding to determine the number of people who moved into permanent housing without a limit on stay.

- 7) Increase the appropriation in the bill to \$2 billion and allocate \$500 million to the MHP program at HCD to increase the supply of affordable rental housing for low-income individuals and families.

REGISTERED SUPPORT / OPPOSITION:

Support

American Planning Association, California Chapter
BRIDGE Housing
California Apartment Association
California Asian Pacific Islander Chamber of Commerce
California Association of Local Conservation Corps
City of Long Beach
City of Oakland
City of Sacramento
City of Santa Monica
City of West Sacramento
LeadingAge California
National Association of Social Workers, California Chapter
Steinberg Institute
United Way of California

Support if Amended

California State Association of Counties
California State Association of Public Administrators, Public Guardians and Public Conservators
County Behavioral Health Directors Association
County Health Executives Association of California
Rural County Representatives of California
Urban Counties of California

Support in Concept

California Housing Consortium
California Housing Partnership Corporation
California Rural Legal Assistance Foundation
Corporation for Supportive Housing
Housing California
Western Center on Law and Poverty

Opposition

None on file

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