

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: December 6, 2024

CAO File No. 0220-05151-0623
Council File No. 23-1348
Council District: Citywide

To: The City Council

From: Matthew W. Szabo, City Administrative Officer



Reference: Interim Housing Bed Rates

Subject: **INTERIM HOUSING BED RATES ADJUSTMENT SUPPLEMENTAL REPORT**

SUMMARY

On October 2, 2024, the Office of the City Administrative Officer (CAO) released a report with recommendations of interim housing bed rates that were mutually agreed upon between the City, County, and LAHSA. The report was brought before the Housing and Homelessness Committee on November 1, 2024. On December 3, 2024, Council approved the amended report and instructions to the CAO to report back on a strategy that will implement an increase to bed rates to go into effect January 1, 2025.

RECOMMENDATION

That the City Council, subject to approval by the Mayor:

1. CONSIDER establishing the interim housing bed rate of \$80 per bed per night, as applicable, to be effectuated January 1, 2025;
2. INSTRUCT the CAO to identify funding and include the necessary authorities to execute new or amend existing contracts to effectuate the increased bed rates in a future report;
3. AUTHORIZE the CAO to:
 - a. Prepare Controller instructions or make necessary technical adjustments, including to the names of the Special Fund accounts recommended for this report, to implement the intent of these transactions, and authorize the Controller to implement these instructions.

BACKGROUND

Interim Housing (IH) is an intervention within the homeless service system that provides short-term, emergency shelter for people experiencing homelessness (PEH). Homeless service providers have expressed concerns that the IH cost reimbursement rates (i.e. bed rates) have been a challenge in recent years as they do not address their true operating costs. In response to this feedback, the Los Angeles Homeless Services Authority (LAHSA), along with support from the County of Los Angeles, procured a consultant, Abt Associates, to conduct a cost study on the IH portfolio across Los Angeles County, which results were released in August 2023.

In immediate response, the City Council approved a new interim bed rate on January 9, 2024, that went into effect on January 1, 2024. After the initial increase went into effect, a collaborative working group was formed to discuss and develop the recommended IH bed rate formula to ensure transparency in funding. This group, which includes members from CAO, CLA, County CEO-HI and other County departments, LAHSA and Abt Associates also considered an instruction from Council to consider a living wage of \$25/hour for all on-site interim housing workers (C.F. 23-1348; Soto-Martinez-Yaroslavsky) in coordination with contract analysis instructions, including metrics, key performance indicators (KPIs), and cost of living adjustments (C.F. 23-1245; Raman-Soto-Martinez-Yaroslavsky).

Throughout the development process, CAO, CLA, and LAHSA provided verbal updates to the Housing Strategy Committee and the Housing and Homelessness Committee. On August 7, 2024, CAO and CLA attended the Housing and Homelessness Committee where members provided their individual questions to be addressed prior to adopting the bed rate. This report addresses the Housing and Homelessness Committee members' questions and presents the updated proposed bed rates and their funding components.

On October 2, 2024, this Office released a report with recommendations for additional adjustments to the Interim Housing Bed Rates that were mutually agreed upon between City, County, and LAHSA representatives (C.F. 23-1348) and based on a formula developed between Abt Associates and the aforementioned representatives. This report recommended that the increases to interim housing bed rates be implemented in two phases based on the number of beds available per site. The first phase would go into effect on January 1, 2025, which consisted of the current staffing level at all interim housing sites with no change to the Scope of Required Services (SRS). The second phase would go into effect on July 1, 2025, which represented increased funding to support additional staff on site that were not previously accounted for in the \$55 bed rate, such as janitorial, kitchen, and maintenance staff. These rates were intended to encompass the baseline services to be provided at all interim housing sites, which would be included in an updated SRS. Any services in addition to the baseline would be an additional cost. The report recommended the following rates and effective dates:

Table 1: Proposed Bed Rates in CAO Report dated October 2, 2024

Site Size	January 1, 2025	July 1, 2025
50 Beds or Less	\$79	\$116
51 Beds or More	\$69	\$89

The CLA released a parallel report (C.F. 23-1348; September 27, 2024) that discusses the development of the Proposed Scope of Required Services (SRS) and KPIs for interim housing, which supports the Proposed Interim Housing Bed Rate Formula. The report discusses the base level of services that would be expected at every interim housing site by Service Providers. On September 26, 2024, LAHSA released a memo outlining the re-procurement for the Adult Interim Housing portfolio, which would utilize the bed rates approved by the Council once approved.

On November 6, 2024, the Housing and Homelessness (H&H) Committee approved the CAO report and included amendments for Council and Mayor’s consideration (C.F. 23-1348). This supplemental report addresses the following Committee amendment:

- INSTRUCT the CAO to report to Housing and Homelessness Committee, before the next meeting, clarifying the source of funds for the existing bed rate increases, and identifying funds to potentially increase the nightly bed rate, starting January 1, 2025, to the following:
 - \$89 per bed per night for sites with 51 beds or more.
 - \$116 per bed per night for sites with 50 beds or fewer

On November 20, 2024, the H&H Committee further requested analysis on the funding impacts if a flat rate of \$89 per bed/night were applied to all eligible interim housing sites effective January 1, 2025.

On December 3, 2024, the City Council approved the amended the CAO’s report dated October 2, 2024 (C.F. 23-1348), which included new rates effective July 1, 2025, based on the Tier 1, Additional Staffing Model: \$116 per bed/ night for sites with 50 beds or less and \$89 per bed/ night for sites with 51 beds or more.

DISCUSSION

Proposed Bed Rate Effective January 1, 2025

Analysis was conducted to determine the maximum bed rate that could be implemented on January 1, 2025, while considering the funds needed to support ongoing obligations. This analysis included funding scenarios based on sites that would be impacted by various bed rate alternatives. Should the Council desire to increase the January 1, 2025 rate above the CAO recommendation of \$79/\$69, it could adopt a rate of no greater than \$80 per bed per

night for all eligible interim housing sites. Any sites with a bed rate higher than \$80 would not be impacted.

A bed rate of \$80 per bed/night would require a total of \$13,288,380, as provided in Table 2. The approximate \$11.3 million can be absorbed by the current Homeless Housing, Assistance, and Prevention (HHAP) available. The direction in this report is for this Office to return with recommendations for funding to support the General Fund portion of approximately \$2 million.

Table 2: Proposed Bed Rate effective January 1, 2025

Proposed Bed Rate	General Fund	HHAP	Total Cost
\$80 Flat Rate	\$1,972,440	\$11,315,940	\$13,288,380

Additional Rate Methodologies and Related Funding Impacts

At the request of the Housing and Homelessness (H&H) Committee, the CAO was instructed to report back on a strategy for a January 1, 2025 implementation date for the Tier 1, Additional Staffing bed rates. The primary sources of funding that will support the increased bed rates are HHAP funds, as well as General Funds for applicable projects. The table below provides the funding need based on the varying bed rate methodologies:

Table 3: January 1, 2025 Bed Rate Increase Costs Based on Rate Methodology

No.	Bed Rate Methodology	Cost	General Fund	HHAP
1	Tier 1, Level Staffing - CAO Recommendation	\$6,303,458	\$717,846	\$5,585,612
2	Tier 1, Additional Staffing - (\$89/\$116)	\$23,726,277	\$2,497,257	\$21,229,020
3	\$89 Flat Rate	\$21,308,070	\$3,107,853	\$18,200,217

The previously released CAO report (C.F. 23-1348; October 2, 2024) introduced recommendations for initial increases to interim housing bed rates based on the Proposed Interim Housing Bed Rate Formula. These increases represent a consensus between the County, LAHSA, and the City. The report recommended that, on January 1, 2025, sites with 50 beds or less will receive \$79 per bed/night, and sites with 51 beds or more will receive \$69 per bed/night, as shown in Table 1. The cost associated with this proposal is approximately \$6.3 million, as shown in Table 3.

In the H&H Committee report (C.F. 23-1348; November 6, 2024), the Committee instructed the CAO's office to clarify the source of funds for the existing bed rate increases and identify funds to potentially increase the nightly bed rate to the Tier 1, Additional Staffing Model effective January 1, 2025. In Table 3, the costs associated with this proposal is

approximately \$23.7 million. Furthermore, the Committee requested the CAO's Office to report back on the funding needed if a flat rate of \$89 per bed/night went into effect for applicable beds on January 1, 2025. Sites that are already receiving a bed rate higher than \$89 were not included in this analysis. Table 3 displays the associated cost of approximately \$21.3 million if \$89 is implemented on January 1, 2025, which would require about \$2.4 million less than the Tier 1, Additional Staffing Model. Since most of the sites that will be impacted by the proposed bed rate increases have 51 beds or more, the savings that were anticipated through a flat \$89 rate are not sizable.

The City does not have available funding to cover known and anticipated costs under the Tier 1, Additional Staffing Model rate or the \$89 flat rate beginning January 1, 2025.

FISCAL IMPACT STATEMENT

The recommendations in this report will not have an immediate impact on the General Fund. Should Council establish a flat bed rate of \$80 per bed/site beginning January 1, 2025, there is a potential future impact on the General Fund in the amount of up to \$2 million to support the increased bed rates of interim housing programs that are General Funded.

FINANCIAL POLICIES STATEMENT

Approval of the recommendations contained in this report complies with the City's Financial Policies as these General Funds are currently budgeted.