



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: June 17, 2021

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City Council Docket Date: June 22, 2021

Item Number: 331

Review of Request to Approve Homelessness State Grant & Discussion of FY 22 Homelessness Funding

On June 22, 2021, Council will be considering a request to accept, appropriate, and expend a second round of Homeless Housing, Assistance, and Prevention funding (HHAP-2) in the amount of \$10.6 million. This is a multi-year State grant that must be spent by June 30, 2026. In this report we review the details of this request and identify a few issues to consider, including:

- 1) While we support approving the appropriation of the HHAP-2 grant, we note concerns that there is limited detail in the staff report on which specific programs the grant will be supporting and how much of the grant is estimated to be used in FY 2022. After consulting with staff, we provide this information in Attachment 1 to this report.
- 2) If Council chooses to allow funding reallocations to occur without additional approval, as requested, staff should report to the appropriate Council Committee biannually to provide an update on homelessness programs and the progress of spending multi-year grant funds, including reallocation of resources.
- 3) We recommend prioritizing the expenditure of remaining unallocated COVID-19 related Emergency Solutions Grant funds before using HHAP-2 funding.

This report also provides additional information on total funding available for homelessness in FY 2022. We believe this is necessary because, as stated in [our Office's review of the FY 2022 Proposed Budget](#), there is not a clear picture of FY 2022 homelessness programs because the budget did not include projected expenditures for many programs that would be supported by the City's State grant funding, including HHAP-2. Having a clear, publicly available spending plan enables the Council and public to monitor program expenses, ensure that existing funds are being maximized, and provides transparency regarding the City's efforts to address homelessness.

REVIEW OF HHAP ROUND 2 FUNDING

In recent years, the City has been able to significantly expand homelessness services due to a series of one-time multi-year State grants, which are summarized in the table below. As shown, the first grant is closing out on June 30, 2021, but programs will be sustained with the use of the other two HHAP grants.

State Grant	Amount (in millions)	Spending Availability
Homeless Emergency Aid Program (HEAP)	\$ 14.1	Council approved on December 4, 2018 Deadline to spend is June 30, 2021
HHAP-1	\$ 22.5	Council approved on June 16, 2020 Deadline to spend is June 30, 2025
HHAP-2	\$ 10.6	Pending Council approval on June 22, 2021 Deadline to spend is June 30, 2026

¹ HHAP grants are likely to be expended much sooner than the spending deadline.

Council will be asked to consider approving the appropriation, acceptance, and expenditure of HHAP-2 on June 22, 2021. The staff report includes the following breakdown of proposed allocations:

Eligible Use Category	Total
Operating Subsidies	\$ 5,937,122
Prevention & Diversion	1,707,514
Delivery of Permanent Housing	333,333
Rapid Rehousing	410,262
Street Outreach	1,500,000
Administrative	744,275
Total	\$ 10,632,506

While we support approving the appropriation of the HHAP-2 grant, we are concerned that there is limited detail in the staff report about which specific programs the grant will be supporting and how much of the grant is estimated to be used in FY 2022. Specifically, it is difficult to know which programs make up the Operating Subsidies, Prevention & Diversion, and Delivery of Permanent Housing categories in the table above. We also note that one requirement of the grant is that at least 8% of the allocation, or 850,600, be spent on homelessness youth services. These activities are not detailed in the staff report either. As a result, it remains difficult to get a clear picture of what homelessness programs will be provided in FY 2022 and at what cost.

Our Office sought clarification from the Homelessness Strategies and Solutions Department (Department) and San Diego Housing Commission (SDHC) on specific HHAP-2 allocations and we provide that information in Attachment 1 to this report. We very much appreciate their time working with our Office.

One action being requested of Council is the ability for the Mayor to "...reallocate any portion of the HHAP-2 grant funds allocated to one category to one or more eligible uses within a separate category without the need for further Council approval if the reallocation is approved by HCFC's¹ HHAP-2 Grant Manager, or designee, in writing, before expending money pursuant to an

¹ California Homeless Coordinating and Financing Council

alternative budget.” This expands the authority provided for previous grants which allowed reallocations between categories for only up to 20% of the estimated amount without requiring additional Council approval. In the past, Council was updated on the progress of spending State grant and other funding in the City’s quarterly budget monitoring reports, but that practice stopped in FY 2021. **Therefore, we recommend that if Council chooses to allow funding reallocations to occur without additional approval, the Department should report to the appropriate Council Committee biannually and provide an update on homelessness programs and the progress of spending multi-year grant funds, including reallocations of resources.**

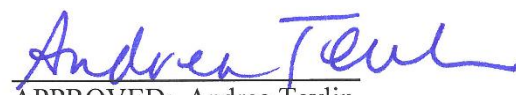
Finally, we note that there is still some remaining funding from the second round of COVID-19 Emergency Solutions Grant (ESG-CV2) that was allocated to the City but has yet to be appropriated. When Council approved ESG-CV2 funding on October 13, 2020, staff requested that \$3.6 million be left unallocated with the intent to identify a use for those funds at a later date. Because ESG-CV2 must be used to prevent, prepare for, or respond to the COVID-19 emergency, **we recommend prioritizing the expenditure of ESG-CV2 funding before using HHAP funding.**

FY 2022 HOMELESSNESS PROGRAMS AND FUNDING

In [our Office’s review of the FY 22 Proposed Budget](#), we noted that there was not a clear view of the homelessness programs that would be offered in FY 2022 because the budget did not include projected expenditures for many programs that would be supported by HHAP-1 and HHAP-2 funds. Therefore, our Office has attempted to provide a comprehensive listing of *all* planned expenditures for homelessness in FY 2022 in the table on the following page (Attachment 1). Having a clear, publicly available spending plan is critical in being able to monitor program expenses, ensuring that existing funds are being maximized, and to provide transparency regarding the City’s efforts to address homelessness.

Homelessness funding involves several City departments, and much of the City’s funding is transferred to the SDHC to administer. The SDHC also allocates significant funding of its own towards homelessness, as reflected in the [agency’s FY 2022 Proposed Budget](#), which are among the resources captured in the table’s “Other” column. As shown, activities are broken up by major components of the homeless service system, consistent with those identified in the [Community Action Plan on Homelessness](#) so that discrete programs can be seen as components of a larger system. Additionally, we worked with City and SDHC staff to identify planned expenditures for HHAP-1 and HHAP-2 in FY 2022. Although there were minor discrepancies between City and SDHC estimates, our Office used our best judgment to complete the table below. It is important to note that there will likely be changes to some allocations as staff identify carryforward funding from the close out of FY 2021 and as anticipated additional funds come online in FY 2022. Despite these expected changes, we hope that the funding breakdown can serve as a useful resource to Council and the public.


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FY 2022 Funding for Homelessness (Subject to Change)								
System Component	City Programs	General Fund	HHAP 1.0	HHAP 2.0	CDBG / ESG	Other	Total	
Housing and Services	Permanent Housing	Federal Voucher Support	\$ -	\$ -	\$ -	\$ -	\$ 46,978,984	\$ 46,978,984
		New Permanent Supportive Housing	-	-	-	-	20,000,000	20,000,000
		CoC Permanent Supportive Housing	-	-	-	-	4,029,124	4,029,124
		Homekey Properties Supportive Svcs	-	-	-	739,532	-	739,532
		Supportive Services - 1000 Vets	-	-	-	-	264,849	264,849
		City Notice of Funding Availability	-	-	-	-	5,790,183	5,790,183
		Landlord Engagement	-	-	333,333	-	2,757,677	3,091,010
		Capacity Building	-	-	-	-	25,000	25,000
	Subtotal	-	-	333,333	739,532	79,845,817	80,918,682	
	Rapid Rehousing	Rapid Rehousing - SDHC Program	1,000,000	953,916	-	-	1,977,553	3,931,469
		Rapid Rehousing - CoC Program	-	-	-	-	1,424,018	1,424,018
		Rapid Rehousing - City Program	-	-	-	364,843	-	364,843
		Subtotal	1,000,000	953,916	-	364,843	3,401,571	5,720,330
	Prevention and Diversion	Diversion: Family Reunification	-	-	500,000	-	394,000	894,000
		Prevention and Diversion	-	500,000	-	-	1,680,739	2,180,739
Flexible Spending Pool for Housing		-	-	1,000,000	-	500,000	1,500,000	
Subtotal		-	500,000	1,500,000	-	2,574,739	4,574,739	
Crisis Response and Stabilization	Shelters	Bridge Shelters - 17th and Imperial	-	2,951,895	-	-	-	2,951,895
		Bridge Shelters - 16th and Newton	-	6,723,900	-	-	-	6,723,900
		Bridge Shelters-Golden Hall w Youth	1,970,779	4,984,442	329,807	-	-	7,285,028
		Bridge Shelters - City Ancillary Svcs	-	-	433,067	-	-	433,067
		FY 22 Interim Shelter Beds	6,300,000	-	-	-	-	6,300,000
		Bishops Shelter	565,817	-	-	189,993	-	755,810
		Connections Housing	268,106	-	-	435,211	-	703,317
		Interim Housing for Homeless Adults	1,600,000	-	-	476,988	-	2,076,988
		Family Shelter (formerly Cortez Hill)	-	-	-	970,351	-	970,351
		Youth Case Management/New Beds	-	354,821	899,674	-	-	1,254,495
		SDHC Transitional Housing	-	-	-	-	433,809	433,809
	Subtotal	10,704,702	15,015,058	1,662,548	2,072,543	433,809	29,888,660	
	Substance Use Disorder Services	Substance Use Disorder Interventions	1,400,000	-	-	-	-	1,400,000
		SMART	1,249,262	-	-	-	-	1,249,262
		Serial Inebriate Program	290,000	-	-	-	-	290,000
PLEADS		-	-	207,514	-	-	207,514	
Subtotal		2,939,262	-	207,514	-	-	3,146,776	
Engagement Services	Outreach	Homeless Outreach Team	3,551,189	-	-	-	-	3,551,189
		Person-centered Outreach	1,000,000	-	1,500,000	-	-	2,500,000
		Outreach Coordinator	-	125,000	-	-	-	125,000
		Subtotal	4,551,189	125,000	1,500,000	-	-	6,176,189
	Storage	Storage Connect Center I	-	-	1,520,405	-	-	1,520,405
		Storage Connect Center II	-	-	900,000	-	-	900,000
		Think Dignity Storage Facility	-	-	163,124	-	-	163,124
		Subtotal	-	-	2,583,529	-	-	2,583,529
	Other	Homelessness Response Center	300,000	-	-	1,000,000	250,000	1,550,000
		Day Center for Homeless Adults	-	-	-	541,250	-	541,250
		Peer Curriculum	300,000	-	-	-	187,553	487,553
		Safe Parking (2 sites)	-	-	1,166,901	-	-	1,166,901
		SDHC Various Supportive Svcs	-	-	-	-	813,520	813,520
		Subtotal	600,000	-	1,166,901	1,541,250	1,251,073	4,559,224
	Admin	Admin Costs	Homelessness Dept Positions	1,450,523	339,071	-	-	-
SDHC Admin			-	787,806	374,515	-	4,251,921	5,414,242
Real Estate Assets for Facilities			603,110	-	-	-	-	603,110
Economic Dev Dept Admin for ESG			-	-	-	15,709	-	15,709
Subtotal			2,053,633	1,126,877	374,515	15,709	4,251,921	7,822,655
Grand Total		\$21,848,786	\$ 17,720,851	\$ 9,328,340	\$ 4,733,877	\$ 91,758,930	\$145,390,784	

¹ Table does not include some homelessness-related expenses that the City incurs, such as homeless encampment abatement through CleanSD, the Police Department's Neighborhood Policing Division, or all other costs related to direct or indirect department involvement with those experiencing homelessness.

² Community Development Block Grant (CDBG)

³ ESG allocations for Homekey Supportive Services and Bishops Shelter are forthcoming.