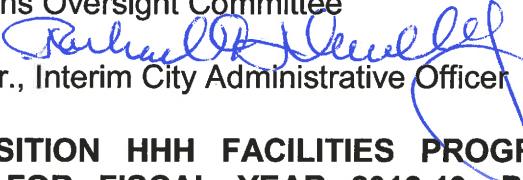


REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: April 18, 2017

To: Proposition HHH Citizens Oversight Committee

From: Richard H. Llewellyn, Jr., Interim City Administrative Officer 

Subject: **PROPOSED PROPOSITION HHH FACILITIES PROGRAM REQUEST FOR PROPOSALS (RFP) FOR FISCAL YEAR 2018-19, PROPOSED FEE FOR STAFFNG COSTS AND REPORTING GUIDELINES FOR THE HOUSING AND FACILITIES PROGRAMS**

RECOMMENDATIONS

That the Citizens Oversight Committee review and propose the following recommendations to the Administrative Oversight Committee:

- a. APPROVE the proposed policy recommendations for the Proposition HHH Facilities Program RFP for Fiscal Year 2018-19;
- b. AUTHORIZE the City Administrative Officer to release a Request for Proposals (RFP) for Fiscal Year 2018-19 for the acquisition or improvement of facilities used to provide supportive services or goods to, or otherwise benefit, those who are homeless, chronically homeless, or at risk of homelessness, as described in this report, pending City Attorney review as to form and legality; and
- c. APPROVE the assessment of an underwriting fee to each Proposition HHH funded project, for both the Proposition HHH Housing Program and the Proposition HHH Facilities Program, to cover City staff costs that are unambiguously necessary and incidental to the acquisition and construction of the project.

SUMMARY

This report provides summary data describing proposals received under the expedited RFP for Fiscal Year 2017-18, outlines policy recommendations for Proposition HHH (Prop HHH) Facilities Program Request for Proposals (RFP) for Fiscal Year (FY) 2018-19, provides a recommendation on staffing costs, and reiterates reporting requirements for departmental sponsors.

BACKGROUND

At its inaugural meeting on February 17, 2017, the Prop HHH Citizens Oversight Committee (COC) considered and approved a report from the City Administrative Officer (CAO) on the Prop

HHH Facilities Program, Proposed Request for Proposals for FY 2018-19, and Proposed Expedited Request for Proposals for FY 2017-18. The CAO committed to providing additional information on the Proposed Prop HHH Facilities Program RFP for FY 2018-19 after the conclusion of the Expedited RFP for FY 2017-18.

At its March 17, 2017 meeting, the COC also requested summary information on the proposals received under the FY 17-18 Expedited RFP, including the geographic distribution of the proposed facilities.

EXPEDITED RFP FOR FISCAL YEAR 2017-18 RESULTS

On Friday, February 24, 2017, the CAO issued an expedited RFP for Fiscal Year 2017-18 to identify homeless facilities that were ready to start construction in Fiscal Year 2017-18 and that demonstrated full funding commitments from other sources, except for a funding gap that could be filled by Prop HHH. Proposals were due on Friday, March 10, 2017. Twenty-five (25) proposals were submitted for a total of request of \$78,214,916. Five of the proposals, representing \$34,594,700, did not meet basic threshold requirements. The twenty (20) remaining proposals, representing \$43,620,216 in total requests, were reviewed. The total recommended funding amount for FY 2017-18 for the Facilities Program was \$12,004,219. This included \$3.1 million recommended for a City-sponsored facility.

The twenty-five (25) proposals received were spread over eight (8) Council Districts. A map showing the location of each proposal is included in Attachment 1. (Note that the confidential addresses of proposed domestic violence shelters are not included in this count or on the map.)

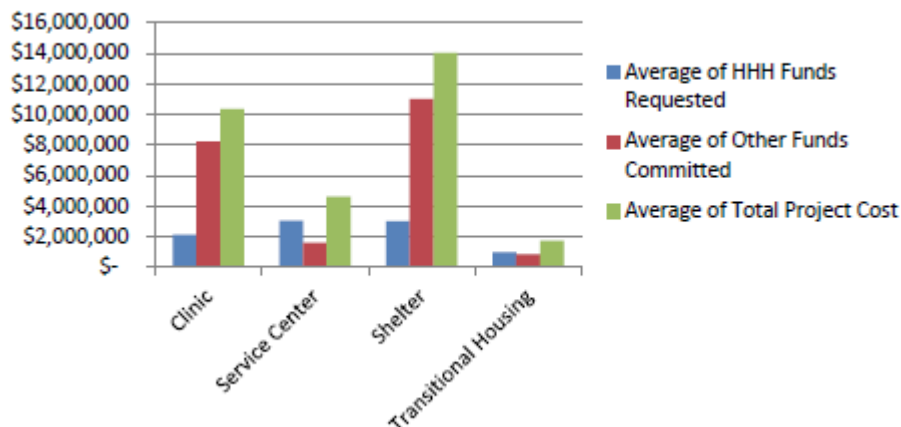
Of the proposals that met threshold requirements, specific client populations were distributed as follows: nine (9) proposals were for multiple populations (e.g. families and veterans), five (5) for veterans, four (4) for individuals affected by domestic violence, one (1) for families and one (1) for youth.

Table 1 and Figure 1 summarize the average Prop HHH Facilities Program request, other funds committed (leverage amount) and total project cost by project type.

Table 1: Prop HHH Facilities Program 2017-18 Requests by Project Type

Project Type	Average of HHH Funds Requested	Average of Other Funds Committed	Average of Total Project Cost	% HHH Funds/ Total Project Cost
Clinic	\$ 2,128,600	\$ 8,222,201	\$ 10,350,801	21%
Service Center	\$ 3,044,382	\$ 1,592,067	\$ 4,636,449	66%
Shelter	\$ 3,019,220	\$ 11,008,305	\$ 14,027,525	22%
Transitional Housing	\$ 991,653	\$ 872,205	\$ 1,737,042	57%
Grand Total	\$ 2,181,011	\$ 5,159,507	\$ 7,296,132	30%

Figure 1: Prop HHH Facilities Program 2017-2018 Requests by Project Type



The average funding request by project type ranged from \$1 million (transitional housing) to \$3.0 million for Service Centers and Shelters. Prop HHH requests as a percentage of total project costs also varied by project type: Prop HHH requests for Clinics and Shelters were on average approximately 22% total project cost. These project types also had the largest average total project cost (\$10.4 million for Clinics and \$14.0 million for Shelters). Service Centers had an average Prop HHH request of \$3.0 million, representing 66% of their total project cost; however their total project costs were also lower at \$4.6 million on average. Requests for Transitional Housing facilities had the lowest average request and lowest average total project cost.

The CAO conducted an appeals process for projects not recommended for funding. Out of fifteen (15) such projects, five (5) proposers submitted appeal letters. None of these appeals were granted. One project did not meet threshold requirements to be eligible for scoring. The other four proposals scored below 80 out of 100 possible points. All of the projects recommended for the FY 2017-18 Project Expenditure Plan (PEP) scored at least 95 points. All appellants were notified of the opportunity to apply under the next RFP.

PROPOSED PROP HHH FACILITIES PROGRAM RFP FOR FISCAL YEAR 2018-19

Based on the proposals received, and lessons learned through the expedited RFP process, the CAO recommends the following policy changes for the Proposed Prop HHH Facilities Program RFP for FY 2018-19:

1. Cap for the Prop HHH Facilities Program

The twenty-five (25) responses to the expedited RFP totaled over \$78 million, confirming high demand for homeless facilities funding. However, as stated in our initial report, the CAO recommends that Prop HHH proceeds be prioritized for permanent supportive housing units. Therefore, we propose a cap on total funds available for non-City facilities of five percent (5%) for the first five (5) issuances. This amounts to \$60 million of the \$1.2 billion authorized by Prop HHH. The cap could be re-evaluated as the next four (4) issuances progress. If this recommendation is approved, there would be \$47.9 million remaining under this cap for the next four issuances. Again, this cap would only apply to non-City homeless facilities projects.

2. Required Minimum Leverage

Many of the proposals received under the Expedited RFP requested 100% of the total development costs for the project from Prop HHH. Projects recommended for funding through the expedited RFP provided approximately 15% of total project costs or greater as leverage. In order to ensure that service providers bring some funding to Prop HHH-funded projects and to allow the City to maximize the number of facilities projects funded, we recommend requiring a minimum of 15% leverage per project, regardless of project type.

3. Minimum/Maximum Request

Based on the range of funding requests received through the Expedited RFP, it is clear that guidance on the minimum and maximum funding amounts would be helpful for applicants. Such a requirement would also help to ensure a greater number of projects can be funded under the proposed cap for the facilities program. We recommend that the minimum Prop HHH funding request be set at \$100,000 and a maximum request be set at \$3.5 million.

4. Ensuring the Applicant's Ability to Provide Proposed Services

The Expedited RFP generated proposals from variety of facilities, providing a variety of services. Since Prop HHH funds cannot be used for operating costs, it is critical that any facility funded with Prop HHH demonstrates operational stability and capacity to provide services. Because many of the other proposal reviewers were not familiar with homeless services funding, the support Los Angeles Services Authority (LAHSA) provided during the proposal review process was invaluable. As such, we recommend a new threshold requirement that applications include a letter of good standing from LAHSA (or other service funding agency, if service funding is not provided through LAHSA).

5. Coordinating with HCID on Projects Applying to Both Prop HHH Programs

Two of the projects being recommended under the FY 2017-18 bond issuance are receiving awards from both the Prop HHH Permanent Supportive Housing and Facilities Programs. To ensure coordination between the two Prop HHH departmental sponsors early in the review process, the Facilities Program RFP will require proposers to indicate whether they are applying for Prop HHH Permanent Supportive Housing funds as well.

6. Multiple Proposals

A number of service providers submitted more than one proposal under the Expedited RFP. While we do not recommend limiting the number of applications a proposer may submit, it is important to ensure that any project selected for funding can be effectively implemented. Therefore, we recommend that any agency submitting more than one proposal include a plan for carrying out multiple projects within required timeframes, should more than one project be awarded funding.

7. Bonus Points

In order to promote an appropriate geographic distribution of facilities providing homeless services, we propose that the FY 2018-19 Prop HHH Facilities Program RFP provide bonus points for projects in areas with high need but a lack of appropriate services. Proposals will be required to demonstrate that the project will provide services in an area with high established need and a documented lack of currently available/appropriate level of services.

8. Mandatory Attendance for Proposers Conference

Many of the proposals received in the expedited FY 17-18 RFP were not project-ready as outlined in the RFP, or not well-developed due to the limited time frame, resulting in many proposals receiving very low scores. To ensure proposers understand the RFP requirements, we will make attendance at the Proposers Conference mandatory. To accommodate this requirement, we will host two Proposers Conferences during the proposal period.

9. Letter of Acknowledgement from Council Office

Lastly, to ensure that Council Offices are aware of the agencies applying in their District, the RFP will require a letter of acknowledgement from the appropriate Council Office as a threshold requirement.

These recommendations are reflected in the proposed FY 2018-19 RFP outlined below.

PROPOSED FY 2018-19 RFP PROGRAM COMPONENTS

- Eligible Applicants/Proposers
 - Nonprofit entities, private entities, or other public entities that are providing services on behalf of the City and within the City boundaries. City-sponsored facilities will not be identified through the RFP process (see Page 7).
 - Applicants must have a minimum of two years of experience operating facilities similar to the one for which they are applying.
 - Applicants must be qualified to conduct business in California and in good standing with applicable regulatory oversight agencies.
 - Applicants must have attended at least one (1) Proposers Conference.

- Eligible Projects
 - Funds may be requested to rehabilitate and/or expand existing sites, or for the acquisition of property and/or the construction of new sites.
 - All facilities must be in compliance with all building and accessibility codes.
 - Applicant must demonstrate capacity and operational stability.
 - Applicant must demonstrate fiscal and budgetary capacity to operate the facility for the term of the Services and Maintenance obligation (see Section III).
 - Applicant must demonstrate site control.
 - Proposal must demonstrate that the project can begin construction during FY 2018-19.
 - Proposal must demonstrate that the project can expend all Prop HHH Facilities Program funds within twenty-four (24) months of contract execution.
 - Project must demonstrate funding commitments from other sources amounting to at least 15% of the total project cost.
 - Proposal must not request less than \$100,000 or more than \$3.5 million.
 - Applicant must include a letter of good standing from LAHSA or other service funder if LAHSA does not fund services.
 - Proposal must include a letter of acknowledgment from the Councilmember representing the district in which the project is located.

- Ineligible Uses of Prop HHH Funds
 - Funds may not be used for program and operational expenses. Applicants must secure funding for programs and operations from other sources.
 - Funds may not be used to pay for expenditures that are not “brick and mortar”-type expenditures. For example, expenditures for equipment, clothing, toiletries, and other consumable goods are ineligible.
 - Funds may not be used for costs incurred prior to the execution of the Prop HHH Facilities Program Funding Agreement.

- Bonus Points
 - Proposals will be eligible for five bonus points if the project is in an area with high need and limited services. Applicants will be required to demonstrate that the proposed project will provide services in an area with established need and a documented lack of services currently available.

Before they are scored, program applications will be screened to ensure compliance with threshold requirements, including, but not limited project eligibility requirements described above. Applications will be scored based on the following criteria:

	Evaluation Criteria	Maximum Points
I	Proposed Services & Service Plan	20
II	Demonstrated Capacity & Operational Stability of Applicant	30
III	Fiscal & Budgetary Review	35
IV	Project Implementation	15
	Total	100
	Bonus Points (Area of high need/limited services)	5
	Maximum Total Points with Bonus Points	<u>105</u>

Once the review process is complete, the CAO will report to Council with the list of projects for review. Following Council review, the CAO will prepare and present the Fiscal Year 2018-19 Project Expenditure Plan (PEP) to the COC for review and recommendation to the Administrative Oversight Committee (AOC). The PEP will set forth the list of qualified projects, including a description of each project, its location, and population(s) served. The PEP will describe project costs proposed for Prop HHH General Obligation (GO) bond financing including loan amounts and eligible City staff costs directly tied to project construction. Further, in order to ensure that the projects adhere to applicable City, State, and Federal guidelines, project descriptions will detail how non-eligible costs will be financed. Following COC review, the PEP will be submitted to the Prop HHH AOC. The AOC will forward the final recommendations to the City Council and Mayor for final approval and for bond issuance approval, as outlined in Table 2 below.

Table 2 - RFP Implementation Calendar, Fiscal Year 2018-19

<u>Task</u>	<u>Estimated Date</u>
RFP is released on BAVN	July 14, 2017
1st Proposers Conference	July 26, 2017
2nd Proposers Conference	August 23, 2017
Business Inclusion Program (BIP) Outreach Deadline	October 20, 2017
Proposal Due Date	November 3, 2017
Proposers Notified of Determination	Early December 2017
Appeals Process	Mid-December 2017
Council Review complete	January-February 2018
PEP to COC	March 16, 2018
PEP to AOC	March 29, 2018
PEP to Council	April-June 2018
City Council and Mayor approve PEP and bond issuance	By June 15, 2018

FUNDING PROCESS FOR CITY PROJECTS

City-sponsored facilities projects will not be identified through the RFP process. The CAO recommends using the existing process for identifying City-sponsored facilities. This process begins when a Councilmember introduces a motion identifying a site for a potential facility. The Council Office, LAHSA, the Board of Public Works Bureau of Engineering (BOE), the Office of the Chief Legislative Analyst and the CAO evaluate the construction costs and service funding required to establish the proposed facility. Once the facility is determined to be viable, staff will recommend that the CAO include the project in the next Prop HHH Facilities Program Project Expenditure Plan presented to the COC.

STAFFING COSTS FOR PROP HHH HOUSING PROGRAM AND PROP HHH FACILITIES PROGRAM

As outlined in previous reports, this is the first time that the City will use GO bonds for housing and facilities that are not owned and operated by the City. One of the questions that our City Attorney and Bond Counsel have been assessing is how bond proceeds can pay for staff time directly linked to the construction of a housing or facility project funded by Prop HHH. The State Constitution requires that the proceeds of voter approved GO bonds must be used for the acquisition or improvement of real property. To ensure that the City complies with this requirement, bond counsel recommends that the City assess an underwriting fee to each Prop HHH funded project to cover City staff costs that are unambiguously necessary and incidental to the acquisition and construction of the project. Applicants will be permitted to include this fee as a cost of the project for which they seek Prop HHH funds.

REPORTING

The Prop HHH departmental sponsors, HCID and CAO will submit their first report to the CAO Debt Group and the COC and AOC six months after the first issuance and quarterly thereafter. At minimum, these reports should describe projects that have closed (executed loan documents/agreements), including, but not limited to, expenditures per project, explanations of any unforeseen delays, and the estimated date of completion.

The City Controller will conduct an annual financial audit for each fiscal year bonds are outstanding or any bond proceeds that remain unspent. The first audit will be conducted one year after the first issuance of GO bonds and will be made available to the public. Audits will monitor the use of proceeds to ensure that funds are spent in a timely manner and on eligible costs as permitted under State and Federal regulations.

Attachment 1 – Prop HHH Facilities Program Fiscal Year 2017-18 Expedited RFP Proposals Received by Council District

Attachment 1
Prop HHH Facilities Program Fiscal Year 2017-18 Expedited RFP
Proposals Received by Council District

