



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Community Services
Department No.: 057
For Agenda Of: September 13, 2016
Placement: Administrative
Estimated Time: 0 minutes
Continued Item: No
If Yes, date from:
Vote Required:

TO: Board of Supervisors

FROM: Department George Chapjian, Community Services Director, 805-568-2467
Director(s)
Contact Info: A.J. Quinoveva, Senior Housing Programs Specialist, 805-568-3520
Dinah Lockhart, Deputy Director, HCD, 805-568-3520

SUBJECT: **Submission of Comment Letter to the U.S. Department of Housing and Urban Development on Alternate Funding Formula for federal homeless Continuum of Care Homeless Program Funds**

County Counsel Concurrence

As to form: Yes

Other Concurrence: Risk

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- A. Receive and file a report on a July 25, 2016 Federal Register notice from the U.S. Department of Housing and Urban Development requesting public comments on a proposed change to the formula that allocates homeless Continuum of Care funding to homeless service providers;
- B. Authorize the County Chief Executive Officer or her designee, to sign a letter (Attachment A) to HUD in support of its adopting Alternative Formula "A", which staff advises is the most beneficial for the distribution of funding to the Santa Maria/Santa Barbara Continuum of Care and the most appropriate formula in general for the distribution of CoC funding to local communities to reduce homelessness; and
- C. Determine that the proposed action is exempt from the California Environmental Quality Act (CEQA) guidelines, pursuant to Section 15378(b)(4), finding that the project is a creation of a governmental funding mechanism or other government fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment, and direct staff to file a Notice of Exemption (Attachment A).

Summary Text:

On July 25, 2016 the U.S. Department of Housing and Urban Development (HUD) published a notice in the Federal Register requesting public comment on the federal Continuum of Care funding allocation formula. The Continuum of Care program provides federal funding to local communities to address and reduce the prevalence of homelessness. The notice discussed four (4) options provided by HUD to revise the formula and requested input from local jurisdictions and other stakeholders on what impact a revised formula allocation would have on their community. The revised formula options included several new factors, such as community’s housing market, affordability, and community demographics which are known to be better correlated to the prevalence of homelessness in the community. Utilizing an on-line analysis tool provided by HUD, staff reviewed the four revised formula scenarios and determined that Alternative Formula “A” - which considers population, poverty, affordability gap, and rent-burdened extremely low income households (ELI), and the prevalence of renter-occupied housing units - would provide the greatest amount of funding for the Santa Maria /Santa Barbara Continuum of Care, with a potential annual increase in funding of \$617,032. If the Board agrees with staff’s recommendation, a letter (Attachment A) will be signed by the County Chief Executive Officer and submitted to HUD by the deadline of September 23, 2016, which documents the County’s support of this formula.

Background:

The U.S. Department of Housing and Urban Development (HUD) competitively awards funds through the Continuum of Care (CoC) Program for the provision of housing and support services to homeless individuals. The Santa Maria/Santa Barbara County CoC, the homelessness assistance planning body for Santa Barbara County, is responsible for the implementation of the CoC Program. The County of Santa Barbara (County) serves multiple roles with respect to the local implementation of the CoC Program, including preparing the Consolidated Application for the annual CoC Program Competition.

The current formula to allocate federal Continuum of Care (CoC) homeless funds is based on HUD’s 2012 interim program regulations governing the CoC program. This formula allocates to each CoC an amount of funds known as the CoC’s Preliminary Pro Rata Need (PPRN). The PPRN formula uses similar inputs as the formula used to award Emergency Solutions Grants (ESG) and the Community Development Block Grant (CDBG) Program funds. In order to calculate a CoC’s PPRN, HUD calculates two funding amounts for communities, using Formula A and Formula B, and then awards the larger of the two resulting sums, less a percent reduction to ensure the total amount allocated nationally is within the amount appropriated by Congress. The following table shows the two formula process used by HUD:

The CoC Preliminary Pro Rata Need (PPRN) Formula

Formula A	Formula B
25%* population	20%* population growth lag
50%* poverty	30%* poverty
25%* overcrowding	50%* pre-1940 housing

When HUD originally published the 2012 interim CoC program regulations, HUD received several comments from respondents living in western States, counties, and cities that indicated the PPRN formula, which was based on the older original CDBG formula, was not the appropriate basis for the PPRN homeless formula because the CDBG formula utilizes urban blight, as reflected in the age of housing stock, and population growth lag factors to allocate funds, which do not specifically measure the prevalence of homelessness in a community. Population growth lag identifies slower growing communities or communities experiencing population loss as potential indicators of communities in decline and in need of development assistance. Population growth lag and pre-1940 housing are factors more prevalent in older east coast and mid-west areas of the country.

HUD reviewed the existing research literature on causes of homelessness, and determined there are 3 related categories of factors which influence, and are more highly correlated to the incidence of homelessness in communities, including: 1) housing market factors; 2) economic conditions; and 3) housing affordability. HUD also conducted statistical analysis to determine other population factors which more highly correlated with the prevalence of homelessness. As a result, HUD created 4 formula options and weighted each factor to influence how these factors might impact potential funding.

Four Proposed Alternate CoC Funding Formulas

Formula A	Formula B	Formula C	Formula D
10%* population	25%* poverty	25%* population	25%* poverty
15%* poverty	25%* affordability gap	25%* poverty	25%* affordability gap
25%* affordability gap	25%* rent-burdened	50%* hybrid factor	50%* hybrid factor
25%* rent-burdened	ELI households		
ELI households	25%* rental units		
25%* rental units			

“Affordability gap” measures the gap between the demand for and supply of rental units that are both affordable and available to extremely Low Income (ELI) rent households. “Rent burdened” households are those ELI households that pay more than 30% of their gross income for housing. “Rental units” factor is based on the rental units as a percentage of all occupied housing units. “Hybrid factor” is a combination of a weighted housing affordability factor with a housing market factor (renter occupied housing units).

HUD posted to its website, a listing of each CoC’s FY 2015 PPRN amount (as determined using the existing formula) as well as the amount that each CoC’s PPRN might receive using each of these 4 proposed formulas. Staff reviewed each formula and the funding that might be allocated to the Santa Maria/Santa Barbara CoC if the revised formula were adopted for use by HUD. These following are the results of staff’s analysis:

	FY 2015 PPRN	Alt Formula "A"	Alt Formula "B"	Alt Formula "C"	Alt Formula "D"
Santa Maria/Santa Barbara County	\$ 1,577,428	\$ 2,194,460	\$ 2,167,418	\$ 2,025,451	\$ 2,078,621
Permanent Housing Bonus	\$ 236,614	\$329,169	\$ 325,113	\$ 303,818	\$ 311,793

CoC Planning	\$ 47,323	\$ 65,834	\$ 65,023	\$ 60,764	\$ 62,359
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The Permanent Housing Bonus amount is new funding designated to create either new permanent supportive housing projects or ‘rapid rehousing’ type projects. The CoC Planning amount is new funding that can carry out a variety of activities consistent with federal regulations 24 CFR578.7, such as establishing performance targets, monitor subrecipient performance, evaluate outcomes of projects funded under the Emergency Solutions Grants (ESG) and CoC programs, or establish a coordinated assessment system, among other eligible uses. Both the Permanent Housing Bonus and the CoC Planning amount are new additional funds for the County, in addition to the PPRN amount. Staff has determined that Alternative Formula “A”, which considers population, poverty, affordability gap, rent burdened ELI households, and the prevalence of rental units would provide the greatest CoC funding allocation. Additionally HUD research found that these factors are more highly correlated with the prevalence of homelessness in a community. Staff has prepared a letter for signature by the County CEO which states the County’s support for this alternative formula.

Fiscal and Facilities Impacts:

None.

Santa Barbara County received over \$1.6 million in federal Continuum of Care funds in 2015 and received the 2nd highest score out of thirteen (13) Continuums of Care in Southern California. The County’s 2015 CoC application received 173.25 points out of a possible 203 points (85.34%) on scored application categories such as HMIS, System Performance, Accessing Mainstream Resources, Leveraging, overall CoC Application Score, and Early Submission Bonus Points. The FY 2015 award represented an 11% increase (\$159,519) over the FY 2014 CoC award of \$1.4 million. While homeless service providers have made great progress in addressing homelessness in the County, additional resources are still needed. The 2016 Point in Time homeless count identified 923 homeless persons, compared to 839 persons counted in 2015. HUD’s adoption of any of the four alternate funding formulas would potentially increase the County’s Continuum of Care allocation by \$448,023 (under Formula C) to \$617,032 (under Formula A). For this reason staff recommends the submission of a letter to HUD recommending HUD adopt Alternate Formula “A” for the allocation of federal Continuum of Care funds.

Special Instructions:

Provide a signed copy of the attached letter to Dinah Lockhart to provide to HUD before September 23, 2016.

Attachments:

1. Letter to HUD
2. CEQA