

October 7, 2021

To: Lilly Simmering, Deputy County Executive Officer

From: Lala Oca Ragen, Director, Performance Management and Policy

Subject: **Department Responses to the Final Report of the Performance Audit of Grant Funding for Affordable Housing and Homelessness**

The following are the responses of Health Care Agency/Office of Care Coordination, OC Community Resources/Housing & Community Development, and County Executive Office Legislative Affairs to the recommendations contained in the Final Report of the Performance Audit of Grant Funding for Affordable Housing and Homelessness received on May 28, 2021, and performed by Measurement Resources Company. Although the report has recommendations scattered throughout, the collective County team has decided to address only the Strategic Recommendations. All other recommendations in the report is found in Table 8 and will also be addressed as stated in the response below.

Strategic Recommendation #1: Review the County organizational structure and staffing levels with consideration of the most effective and efficient way to leverage cross-department staff resources and expertise

This recommendation should be implemented to support the application for and implementation of new funding opportunities, as well as to increase competitiveness in grant applications. Increase staffing and/or contracting with other partners/consultants to support applying for and implementing new affordable housing and homelessness programs. This process should begin with selecting a leader to guide the review process, ensuring cross-department engagement throughout the process.

Response

CONCUR:

Applying for funding for affordable housing, especially for those experiencing homelessness, consistently require collaboration from Health Care Agency/Office of Care Coordination (OCC), OC Community Resources/Housing and Community Development (HCD), and County Executive Office/Legislative Affairs (CEO-Leg). Sometimes, other County departments or service areas such as HCA/Behavioral Health Services or CEO/ Real Estate are also needed. Examples include the partnership between HCA/Behavioral Health Services in seeking No Place Like Home and Mental Health Services Act (MHSA) funding.

The funding processes are intricate and complex, and the funding requirements are ever evolving; therefore, each funding application is assembled with great care and strategic planning. However, it cannot be ignored that in the six years since OCC was created by the Board of Supervisors, the amount of funding and number of programs for affordable housing projects have increased significantly. Managing the whole funding process from beginning to end is labor-intensive and recent conversations

with federal agencies have demonstrated that perhaps, it is time for the County to re-think the current organizational structure and staffing levels.

Because majority of the staffing level challenges are within OCC, OCC will work with CEO to determine potential solutions and as applicable involve OCCR/HCD when larger housing initiatives need additional. Given that most homeless housing programs are fairly new at the state level, CEO-Leg has devoted a considerable amount of time into advocating for the County's position and ensuring that state and federal delegations understand County programs. To address the workload, CEO-Leg has hired a full-time Legislative Analyst to assist departments with legislative and grants advocacy strategies for the County. Priority areas for this analyst are funding and legislation for those experiencing homeless, housing, and behavioral health programs.

Strategic Recommendation #2: Increase availability of sustainable sources of local funds to support affordable housing and homelessness needs through partnership

Next steps towards this recommendation should include review of funding options to increase availability of sustainable local and private sources for the development of affordable housing/homeless programs. Options may include a review of existing efforts of local and state organizations that are supporting the implementation of a local bond and understanding key barriers, strengths, and resources in the community for a bond, philanthropic supports, or other sustainable funding and the potential to partner in those efforts.

Response

CONCUR:

While pursuing bonds has been a successful strategy for other counties, whether the County should pursue a bond to fund homelessness reduction efforts is a decision for the Board of Supervisors.

Staff agrees with the finding that counties with a reliable source of local funding for affordable housing efforts (e.g. local ballot measures) are more competitive at the state level. Given that those counties enjoy a competitive edge over those that do not, County staff is reliant on feedback from the state in order to improve the competitiveness of the County's applications. However, substantive feedback from the state about unsuccessful applications is erratic. These factors culminate in challenges beyond staff control.

Until these issues are resolved, the County staff has implemented much of what is recommended under Strategic Recommendation #2 through other means. The County has allocated a large amount of local funds from its General Fund and MHSA to invest in major affordable housing efforts such as the OC Housing Trust Fund (OCHFT), Project Homekey, and Whole Person Care. To date, the housing strategy is mainly on track to reach its goal of developing 2,700 additional affordable supportive housing units by June 2025.

As of May 2021:

Total number of supportive housing units built: 306 units

Total number of supportive housing units currently under construction: 339 units

Total number of supportive housing units in progress of funding approval (i.e., in the pipeline): 535 units

In terms of identifying other funding sources outside of the County, the County has strong partnerships with philanthropies such as United Way and local municipalities. Moving forward, the Office of Care Coordination is looking at ways to develop a more strategic approach to leveraging resources from its partners to increase its competitiveness at the state level. Additionally, the COVID-19 pandemic and Project Homekey have increased dialogue and collaboration with local municipalities, which the staff will continue to build upon moving forward.

Strategic Recommendation #3: Improve funding application competitiveness

In addition to increasing availability of local match funds, next steps to increase the County's competitiveness include:

- Establish a strategy and framework for reviewing funding applications and scores and integrate feedback into future funding opportunities or recommendations to revise scoring criteria.
- Focus on improving performance year to year on key measures in all strategic areas identified in NOFAs (Notice of Funding Availability); and having concrete, actionable, time-bound, and measurable plans to improve that can be communicated to HUD and other funders. The County should focus efforts around the following strategic areas: reaching specific target populations including the most vulnerable populations, leveraging/committing additional funding/financing, demonstrating evidence-based practices, project readiness and feasibility, and past performance and experience (for specific details, reference Table 8 on page 45).

Improve funding application competitiveness by incorporating specific metrics/evidence to support claims, clearly specifying how proposed programs/projects are aligned to evidence-based practices and identifying key barriers or inefficiencies the County has experienced with specific details of how the County is working to overcome them.

Response

CONCUR:

As mentioned in the response for Strategic Recommendation #2, the state tends to favor counties with local funds such as bond measures when awarding funds. The absence of a local bond measure, however, is not a deterrent to the County in implementing other strategies to increase the competitiveness of its applications. In the past year, the County developed and launched its Care Plus Program to provide enhanced care coordination to the county's most vulnerable. Imperative to that effort is the System of Care Data Integration System (SOCDIS) that integrates data points relevant to care coordination from nine County databases to help tailor care plans for homeless individuals. This will allow the County to not only quantify the scope of the need, but eventually, the cost of care. This will be especially important for grant funding and tracking progress.

Additionally, County staff will be working on a strategic advocacy campaign to tell the County's homeless story and to advocate within all branches of state government for more transparency into the grant evaluation process and pursue consistent and substantive feedback on failed applications.

Furthermore, CEO-Leg will be working on a funding package that connects all major County investments on addressing homelessness, affordable housing and mental health for Board approval before launching a campaign to secure funding for the package through other channels besides state grants.

And finally, OCC is undergoing an extensive effort to evaluate the Homeless System of Care under the Commission to End Homelessness. Through this effort, gaps and needs will be identified and from this, a more strategic approach can be presented to external stakeholders on what they can do to assist. There are plans to match this effort with the results from the 2022 Point-In-Time Count.

Strategic Recommendation #4: Develop a unified homeless and affordable housing plan for the County

The first step is to develop a strategic plan that is internal to the County departments/OCHFT: What is the County’s internal three-to-five-year vision related to homelessness and affordable housing? Using this performance audit as a guiding document, the County should develop strategies, strategic goals, and action steps that the County will commit to internally. The County’s strategic plan will also need to specifically identify what action steps/strategic goals are within the County’s control and which action steps/strategic goals require partnership.

Once an internal strategic plan is established, the next step is for the County to share their vision and strategies with cities and community partners to help build system alignment and stronger collaboration. There are existing plans throughout the County, across various organizations, related to affordable housing and ending homelessness (e.g., Housing Funding Strategy, OCHFT’s strategic plan, and County of Orange’s 10-Year Plan to End Homelessness). Key to engaging external partners includes discussions and plan developments around aligning these various plans to ensure partners throughout the county have shared goals and aligned efforts. The many organizations and multiple strategic plans in the County can yield much positive activity. However, intentional alignment of activities is where sustainable impact will be yielded. Further, the County should work to identify key benefits and barriers cities experience in collaborating with the OCHFT. Understanding key benefits and barriers, develop strategies, in partnership with cities, that will increase participation among the 34 cities. The County could then consider the development of a larger, collaborative strategic plan, including priority-setting, coordination of resources, and exploring the feasibility and benefits of becoming a UFA.

Response

PARTIALLY CONCUR:

The County agrees that a strategic approach can be helpful; however, it disagrees with the implication that strategies and strategic conversations have not occurred with stakeholders. The County’s preeminent affordable housing plan is its Housing Funding Strategy that outlines its goal of building 2,700 supportive housing units by June 2025. Under this strategy is also the roadmap for the OCHFT.

The OCHFT, it is a Joint Power Authority not under the direction and control of OCC. Outreach to other stakeholders and cities would best come from OCHFT or other member organizations that can provide

feedback on the benefits of OCHFT membership, reasons why remaining cities are not partnering with OCHFT, understanding key benefits and barriers for increased participation, and making it a priority to house individuals experiencing homelessness through the housing units funded by OCHFT.

OCCR/HCD is responsible for administering the County's affordable housing and community development programs, including the administration of the Orange County Housing Authority and housing successor programs and activities. Despite a very competitive rental market, Orange County Public Housing Authority (PHA), also known as the Orange County Housing Authority, has demonstrated higher than average success rate for Housing Choice Vouchers (HCVs) and in expending the amount of HCV funding available. The success rate is measured as a percent of vouchers issued that result in an actual lease.

Additionally, as of May 2021, there are a combined 2,389 affordable and supportive housing units in the pipeline, as complete, in progress of funding or under construction across the county. The County has widely disseminated its homelessness and affordable housing vision with cities and community partners, with the goal of producing 2,700 supportive housing units by June 2025.

The County's largest impediment to successfully reaching its goal lies in the lack of land use control. Siting an affordable housing development is not easy and often times, if it is within a city, the County and developers are beholden to city regulatory requirements. While more cities are becoming familiar with the County's affordable housing developments, stronger collaboration between the County and cities will go a long way in addressing concerns from residents.

Table 8- Recommendations to Increase County of Orange's Application Competitiveness

CONCUR

OCC, HCD, and CEO-Leg agree that the County can benefit from being even more strategic than it already is in approaching its affordable housing and homeless applications. The County has established several strategic and sustainable initiatives, including the Housing pipeline, OCC, System of Care Data Integration System, Room Key, and Home Key, alongside its innovative application of MHSA funds and launching of the OCHFT. Collectively, these initiatives have built a system from both programmatic and financial perspectives, assisting people in need daily while leveraging investment dollars to their fullest.

In addition, a strategic priority category will be developed for inclusion in the County's Strategic Financial Plan specific to homelessness and housing. For the past few years, the County has engaged in examining and evaluating its System of Care and the systems within it. In so doing, the County identified that those experiencing homelessness and housing are common factors among all five systems of care. Given all the investment the County has made toward addressing the needs of those experiencing homelessness and housing, creating a strategic priority category in the County's Strategic Financial Plan specific to both will help the County track all its investments. Additionally, it will catalyze the development of a strategy and action plan similar to the County's OC Cares 2025 Vision to ensure that all investments made under this strategic priority is coordinated and intentional. Groundwork for this

strategic priority is already underway with plans to use the data from the 2022 Point-In-Time Count to make data-driven decisions and put in place metrics to help the County track its progress and impacts.

Ironically, the COVID-19 pandemic has strengthened not only collaboration between County departments and service areas, but also cities. Therefore, while Orange County may not have ballot measures or certain tools that have made some counties more competitive for project funding, the performance audit has shown what other resources are available and can be used strategically to develop more affordable housing units or support homeless initiatives in Orange County. Staff will evaluate each recommendation for implementation and provide an update to the Board once that is completed.