

County of Los Angeles **Recovery Plan**

State and Local Fiscal Recovery Funds

2023 Report

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County of Los Angeles
2023 Recovery Plan

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GENERAL OVERVIEW

Executive Summary

The Los Angeles County (County) Board of Supervisors (Board) approved on July 27, 2021, a spending plan for the American Rescue Plan (ARP) tranche 1 funds totaling \$975.0 million across three strategic pillars: (1) \$567.9 million for equity-based investments to position the County to recover better than before the pandemic; (2) \$239.7 million to support an equitable and inclusive recovery; and (3) \$167.4 million to preserve the County's fiscal stability and shore up our safety net programs. On September 13, 2022, the Board approved the Phase Two spending plan for ARP tranche 2 funds totaling \$975 million, for a total investment of \$1.95 billion, which provides an additional \$401.1 million to equity-based investments to position the County to recover better than before the pandemic; an additional \$79.8 million to support an equitable and inclusive recovery; and an another \$494.1 million to shore up the County's safety net programs.

The spending plan responds to the COVID-19 public health emergency and its economic impacts with substantial and direct investments in hard-hit disadvantaged communities and through programs to address entrenched challenges that have only grown worse during the pandemic, ranging from homelessness and deeper levels of poverty to the unique needs of immigrants, small businesses, justice-involved individuals, and survivors of trauma, including domestic violence and hate crimes (collectively, ARP Projects).

To date, 32 ARP projects have reported expenditures to the U.S. Treasury. Additional information on these projects is included in the Project Inventory. For the remainder of the identified ARP Projects, they continue to work on/refine their project design for implementation and/or they are ramping up to prepare for launch in Fiscal Year 2023-2024 or have launched but have yet to incur expenditures as noted in the Project Inventory. Key compliance requirements and other indicators are being identified and evaluated in accordance with the Treasury Final Rule and is addressed in the Project Inventory. A major challenge to note during this reporting period is vendor registration on SAM.gov. We have received feedback from some of our vendors participating in the ARP projects that registration can take up to eight weeks.

Uses of ARP Funds

The County spending plan for the ARP tranche 1 and 2 funding totals \$1.9 billion spread across three Board-approved strategic pillars: (1) equity-based investments to position the County to recover better than before the pandemic; (2) support an equitable and inclusive recovery; and (3) to preserve the County's fiscal stability and shore up our safety net programs.

The first pillar, "Emerging from the Pandemic Better than Before through Equity-Based Investments," recognizes that the Fiscal Recovery Funds represent a once-in-a-generation opportunity to address the County's most acute and impactful inequities and proposes investments to address the social determinants which contributed to poor public health outcomes during the pandemic. These investments include housing for people experiencing homelessness including through partnerships with cities, creation of more affordable housing, bolstering the Board's "Care First, Jails Last" vision, reduce the digital divide, and disrupting the cycle of inter-generational poverty in communities historically left out of generational wealth gains. These are just some projects being developed that will be supported by ARP funds.

The second pillar, “Building a Bridge to an Equitable Recovery,” recognizes the need to deploy supportive services through an equity lens to jumpstart recovery for those who have suffered the most and are resourced the least. It provides financial and other services and programs to small businesses, entrepreneurs, and nonprofits; support for artists and professionals and organizations in the creative economy; create employment opportunities for workers and youth; protect tenants from eviction and homeowners from foreclosure; fund essential childcare, recreational, early education, and home visiting programs for families; further address trauma and violence; and additional food and nutritional resources.

The third pillar, “Fiscal Stability and Social Safety Net,” recognizes the need to ensure the County’s system of support to residents – the “safety net” – is on firm financial footing as we emerge from the pandemic. This pillar shores up the County’s disaster services worker program and backstops a sustained public health response to the COVID-19 emergency. It also expands the County Fire District’s Advanced Provider Response Units (APRU), which pairs a nurse practitioner with a firefighter paramedic deployed to primarily under-resourced areas, to reduce unnecessary ambulance transports and emergency room visits.

To date, thirty programs have reported expenditures to the U.S. Treasury. The Project Inventory includes an overview of each project along with additional information, including required information.

Further, as of this reporting date, our plan is to allocate revenue replacement funds totaling \$532,600,950.45 as follows: 1) \$439,120,000 to the County Indigent Aid budget, which provides General Relief public assistance payments to relieve and support indigent persons as required under sections 17000-17030.1 of the California Welfare and Institution Code; 2) \$93,389,000 to the County Indigent Defense program, which provides felony and misdemeanor representation for individuals who qualify for public defender representation pursuant to section 987.2 of the California Penal Code; and, 3) \$91,950.45 to the County Fire District, which provides life safety emergency services pursuant to the County Charter, Article VI, Section 24 1/3 (a)-(j) and County Code section 2.20.

Promoting equitable outcomes

Race, class, and place are closely linked in the County and the impact of COVID-19 has disproportionately affected individuals and families who live at the intersections of these factors for several reasons. Decades of discriminatory housing, banking and economic policies have limited the opportunities of Black, Indigenous, and Latino/Latinx residents in the County to maintain the economic security needed to consistently manage their health or weather a crisis. These communities are also at greater risk of exposure to the virus due to their increased likelihood of being essential workers, public transit-dependent, and living in overcrowded housing far from supermarkets and other essential businesses. This means they are less able to safely shelter and more vulnerable to missed paychecks. In fact, data show that County neighborhoods experiencing concentrated poverty (i.e., areas with higher percentages of residents under 200 percent of the federal poverty level) have nearly three times as many COVID-19 cases than communities with higher incomes, while plotting case and death rates over time reveals that our Native Hawaiian, Pacific Islander, Black, and Latino/Latinx populations have most consistently faced housing, food, and economic insecurity during the pandemic.

Given these disparities, the County, through its Anti-Racism, Diversity and Inclusion (ARDI) Initiative, created equity principles, developed a COVID-19 Vulnerability and Recovery Index, applied a distribution formula based on the Index to target ARP resources toward those most impacted by the pandemic, and launched an Equity Explorer Mapping Tool and an ARP Projects Dashboard to increase transparency and accountability.

Countywide Equity Principles: Equity guiding principles are generally values-based and incorporate and express ethical premises. They aim to articulate how to do things right (effectively) and the right thing to do (express the values basis for action). They are also generally able to be evaluated, which means it is possible to document and judge whether the principle is being followed, and document and judge what results from following the principle. ARDI recently drafted the Countywide Equity Guiding Principles with input from County departments through ARDI's Planning and Data Workgroup—established for ARDI's strategic planning—and from community partners. These principles, along with ARP-specific budget principles, will help County departments weigh considerations throughout the budgeting process and ensure that program, policy, and funding decisions align with the Board's equity goals for ARP fund expenditure. The Countywide Equity Guiding Principles and ARPA-specific budget principles are listed below.

Countywide Equity Guiding Principles

- Reduce racial disparities in life outcomes as well as disparities in public investment to shape those outcomes.
- Develop and implement strategies that identify, prioritize and effectively support the most disadvantaged geographies and populations.
- Authentically engage community residents, organizations and other community stakeholders to inform and determine interventions (e.g., policy and program) and investments.
- Seek to improve long-term outcomes both intergenerationally and multi-generationally.
- Use data to effectively assess and communicate equity needs and support timely assessment of progress.
- Disaggregate data and analysis within racial/ethnic and other demographic subgroup categories.
- Work collaboratively and intentionally across departments as well as across leadership levels and decision-makers.
- Act urgently and boldly to achieve tangible results.
- Align policies, processes, and practices to effectively address equity challenges throughout the County's workforce (personnel, contractors, and vendors).
- Intervene early and emphasize long-term prevention.

Additional ARP Budget Equity Principles

- Dedicate ARPA funds and resources to programs and services that reduce and close race and gender equity gaps and address root causes and drivers of inequity.
- Lead with transparency and accountability during critical stages of program implementation by reporting out program process and seeking community input and engagement in delivering services.
- Ensure new and existing programs and services are accessible to disadvantaged communities without the fear of intimidation or judgment. Services must be culturally and linguistically accessible, near transit, available in-person/over the phone, during days and hours when working individuals

can access services and delivered by trusted messengers.

- When possible, offer opportunities and the technical assistance needed to support Community-Based Organizations (CBOs) in accessing County funds. Leverage existing contracting reform strategies and third-party administrator programs.
- Prior to the allocation of additional ARP funding, assess the impact of the initial round of allocated ARP funding and programs.
- ARP funds and resources should be used to support and uplift the health and wellness needs of communities who have experienced historic disinvestment, over-policing, and been impacted most by the pandemic. Funds should not be used to advance suppression-based efforts via incarceration and policing.

The COVID-19 Vulnerability and Recovery Index (Index): The Index was developed using census tract-level data to identify communities most in need of immediate and long-term pandemic and economic relief interventions based on relative risk. The Index assesses each tract's relative risk using indicators that assess factors for COVID-19 infection, vulnerability to severe outcomes if infected, and ability to recover from the health, economic, and social impacts of the pandemic and helps stratify populations into need tiers to identify communities most impacted by the pandemic and in need of immediate and long-term pandemic and economic relief interventions.

Equity Funding Formula (Formula): Based on the Index, which organizes communities into five Index categories, ranging from highest to lowest need, the Formula suggests corresponding percentages of allocated resources; the higher the Index need category, the higher the percentage of resources allocated based on community need and population size. This ensures that the majority of funding will go towards the communities that were most impacted by COVID-19 and that will need the most support to recover. The Formula allocates 40% of the ARP resources to communities in the Highest need communities. The percentages for the lower need Index categories cascade down to 35% for High need communities, 20% for Moderate need communities, and 5%, total, for Low and Lowest needs communities. This ensures that Highest, High, and Moderate need regions receive a higher concentration of targeted resources due to the intensity of the pandemic felt in those communities, while still allocating resources to communities in Low and Lowest need areas.

Equity Explorer Mapping Tool (Equity Explorer): All this data is depicted visually on a map called the [Equity Explorer Mapping Tool](#), and the mapping tool shows planners where are the communities with the greatest needs and/or how great the needs are in their areas of planned investments. The Equity Explorer also features economic, health, environmental, education, demographic, and justice filters that allow users to access summary statistics for geographies down to the census tract level to further target communities in need.

Departments and programs with ARP funding use the Equity Explorer to geographically locate the highest, high, and moderate need communities and to prioritize their program services in these areas based on the Formula. By applying the Formula, departments and programs can calculate allocations to concentrate resources in Highest and Higher need communities, while also considering individuals and families who reside in Low and Lowest need communities but who are uninsured, unemployed, and in overcrowded housing. Once funding is equitably allocated, departments and programs must demonstrate accountability by using budget

documents to track which communities are being served by the ARP-funded programs and services. Tracked data will include, but may not be limited to:

- The amount of funding and staff time allocated to the identified communities;
- The number of residents, families and/or businesses served;
- The number of jobs created and sustained; and
- Program outcomes achieved.

ARP Project Dashboard and Map (ARP Dashboard): The [ARP Project Dashboard](#) (ARP Dashboard) reports the County's ARP expenditures and outcomes by project and department. As projects continue to launch and ramp up, the ARP Dashboard is updated with data on the amount allocated, use of ARP funds, projected outcomes, number of residents served, jobs created, grants provided, and outcomes achieved. The ARP Dashboard features equity metrics, including but not limited to the percentage of funds allocated to highest need communities across all the funded projects, as well as the metrics identified by each project to show progress on program activities and outcomes. The ARP Dashboard also features public contact information and links to the websites of approved projects so users can access additional information on ARP services and/or contracting opportunities.

In order to showcase program outcomes and maintain transparency on how the County is using ARP funds, departments are required to systematically enter program information into the County's ARP Tracking and Reporting System. This backend system serves as the central repository where data for each project is collected and organized, including program outcomes upon the project's completion. The system also populates the ARP Dashboard with project information and continuously updates the site in real time as new information is entered into the system. This ensures that the publicly displayed data on the ARP Dashboard remains current.

Additionally, the ARP Dashboard features program information that helps individuals assess their eligibility, such as its target population(s), languages offered, and eligibility criteria. By clearly outlining these criteria, individuals can quickly assess whether they meet the eligibility requirements to participate in a program. This saves time and effort by eliminating the need to navigate through complex program guidelines. It ensures that people can select the program that will best address their unique circumstances and maximize the benefits they receive.

The [ARP Projects Map](#) features the service areas and locations of ARP projects that have been approved to launch. Users can select projects to view service location areas or click the map to see what projects are serving the specified location.

Community Engagement

The primary objectives of ARP-related engagement activities include the following:

1. Ensure eligible businesses, CBOs, and community members are informed of, have access to, and can apply for and receive opportunities to contract, subcontract, and receive grant opportunities;
2. Create and expand a vast communication network to widely share critical information and funding opportunities, particularly with hard-to-reach and non-traditional partners; and
3. Invest in and provide resources to communities that have historically experienced inequitable outcomes and were the hardest hit during the pandemic.

Outreach and Engagement on Funding Opportunities: On April 29, 2022, the County released a Request For Statement of Qualifications (RFSQ) for the ARP Support Services Master Agreement (MA) and posted the opportunity on the [American Rescue Plan Act and Care First Community Investment: Contracting Opportunities website](#) and the [Doing Business with Los Angeles County website](#). A virtual Proposer's Conference was held on May 11, 2022, and offered in multiple languages in addition to English, including Armenian, Mandarin (Chinese), Korean, Spanish, Tagalog, and Thai. The Conference provided background on ARP, an explanation of the streamlined solicitation process, and general vendor information on how to receive future solicitation opportunities with all County departments. More than 300 individuals registered, and 174 registrants attended. Of the 174 attendees, 29 percent indicated that they have never contracted with the County. The solicitation remains open and continuous to ensure vendors have the opportunity to qualify as a contractor under the MA.

In addition to the ARP Act and Care First Community Investment: Contracting Opportunities website, the ARP Dashboard serves as another centralized location where local businesses and community organizations can find information about various ARP-related government contracts, requests for proposals (RFPs), and other procurement opportunities. Consolidating these solicitations in one place ensures that eligible candidates have equal access and a fair chance to compete for ARP-related government contracts. It promotes transparency and enhances the efficiency of the procurement process by streamlining the dissemination of information.

The County also leverages multiple communication channels to increase the visibility of solicitation opportunities posted online. The County developed a social media toolkit with sample tweets, posts, and graphics to promote and guide audiences to the ARP Act and Care First Community Investment: Contracting Opportunities website for more information. The toolkit was translated into six additional languages, including Armenian, Korean, Mandarin, Spanish, Tagalog, and Thai, to reach limited English proficient communities. It contains one-page fact sheets on ARP-related contracting and grant opportunities and features a companion social media toolkit to instruct potential vendors on the steps needed to become eligible, as well as begin the process of responding to a contract solicitation from the County.

Other outreach and engagement methods to promote funding opportunities have included:

- An "Interest Form for Potential Vendors" that allows prospective applicants to subscribe for updates about upcoming ARP-funded County solicitations and contract opportunities;
- County social media posts, listservs, newsletters, print materials, and mailers to reach multiple distribution audiences;
- Community navigators who engage directly with small businesses and CBOs to offer both information and technical assistance; and
- Integration of ARP outreach into a broader and ongoing strategy that effectively engages and provides technical assistance to small business and CBOs.

The County also hosted events and partnerships with local chambers of commerce, CBOs, coalitions, collaboratives, and other entities to leverage their communications channels and/or networks to promote funding opportunities and the availability of capacity building support to procure funds. More than 100 information sessions focused on ARP funding opportunities,

business and contracting information, and/or technical assistance for businesses and individuals have taken place. For example, the County collaborated with philanthropic and community partners to outreach to community and faith-based organizations interested in learning more about potential ARP funding and pursuing contract opportunities with the County. The session was offered in English with Spanish interpretation. One hundred and fourteen (114) participants attended with 61 percent of participants representing small to very small organizations with operating budgets of under one million dollars or less. Of the 77 percent of attendees who responded to an in-session poll, more than one-third (35 percent) had no prior experience with County funding. Engaging these organizations helps diversify the pool of qualified contractors and supports the County's goals of equitably distributing ARP and other County funds to support the communities most negatively impacted by the COVID-19 pandemic and becoming more inclusive of smaller organizations that tend to serve underserved communities.

Outreach and Engagement on Program Services: The County is committed to ensuring its constituents receive the support they need to access relief programs that can help them weather the economic downturn caused by the COVID-19 pandemic. To ensure program services are widely promoted and accessible to highly impacted communities, departments are expected to submit a community engagement plan as part of their program design for their individual projects. Engagement strategies will differ depending on the project and target population.

The Board also dedicated funds for community outreach and promotion of ARP-funded contracts, grants, and services, including the Ethnic and Hyperlocal Media and Community Navigators programs. The Ethnic and Hyperlocal Media program invests in and outreaches to hyperlocal and ethnic media outlets to push critical pandemic and recovery information to all communities and sustain ethnic media competencies and connections established by the LA County Joint Information Center. The Community Navigators program funded in the Phase Two Spending Plan will help to ensure that residents who work, serve, and live in vulnerable communities receive notice of and can access ARP-related contracts, grants and services. The program will focus on reaching communities that require more targeted outreach and engagement strategies beyond the County's typical communication channels due to social, geographic, and/or digital isolation. The program aims to link participants to the resources they need to regain or further economic and social stability through a hub and spoke model; a program administrator will act as the "hub" and partner with trusted community organizations as "spokes" to promote access to ARP- and other County-funded contracts, grants, and services among their networks.

Engaging Non-geographically Concentrated Communities: To ensure the County is increasing access to program services for all communities highly impacted by the COVID-19 pandemic, the County drafted a tentative workplan for a participatory mapping project. This project is aimed at augmenting the County's Equity Explorer through data collection and visualization of where non-geographically concentrated communities are located across the County. The first phase involves developing a study design for the collection of data. The second phase focuses on convening various non-geographically concentrated communities to conduct focus groups, administer surveys, and other data collection methods to identify and locate established networks with long-term trusted partners. This will facilitate the County's ability to deliver services to these communities and/or improve the County's existing service delivery protocols. In the final phase of the process, the County will analyze the geospatial and other data and create additional map layers on the Equity Explorer that correspond with where, and potentially how, to best serve these communities. ARDI is also working with the same community leaders and AIAN experts to create

a list of data metrics and indicators to help minimize the amount of misleading, inadequate, and/or inaccurate data often collected for this population.

The County has been developing relationships with community leaders, as well as experts with knowledge of best practices on collecting data from communities with the unique histories and challenges encountered by non-geographically concentrated groups. As the County continues to deepen these relationships and identify more partners and community leaders, the workplan will be updated and finalized. The projected start date for data collection is approximately September 2023.

In addition to the participatory mapping efforts, the County is working with immigrant and transgender, gender non-conforming, and intersex (TGI) communities to receive feedback on ways to serve these populations better with the ARP Dashboard, the ARP Project Finder, and the Equity Explorer tool. Based on recommendations from immigrant advocacy groups, the County updated the program information on the ARP Dashboard to indicate when services require prior appointments, in-person appearances at appointments, Wi-Fi access to participate in the program or services, or are closely located near public transit for in-person service sites. The County is also in the process of including eligibility requirements, location of services, and other helpful information in the Project Viewer for immigrant communities.

Similarly, the County is working with stakeholders to increase access to ARP services for TGI communities. Only one ARP program specifically serves TGI communities; therefore, community members recommended a more inclusive and culturally responsive outreach approach to promote ARP services, since many funded programs serve the broader public or are already inclusive of TGI individuals through other qualifying eligibility requirements. The County will use this feedback to inform the implementation of the County's Community Navigators program to increase engagement of TGI communities who were highly impacted by COVID-19 and can benefit from ARP-funded resources and other County services. Additional stakeholder recommendations are also in the process of implementation, including updates to the ARP Dashboard and ARP Project Viewer to identify programs that require a government-issued identification to access services, have onsite security and gender-neutral bathrooms publicly available at service delivery locations, and are equipped to serve TGI communities in a culturally appropriate manner.

Language Access: Efforts to expand outreach activities and strengthen the County's capacity to serve limited English proficient communities are underway. County hosted an ethnic media briefing on January 26, 2023. Its purpose was to promote ARP-funded grants, contracts, and services among limited English proficient communities. Interpretation was offered through six language lines, including Spanish, Korean, Mandarin, Armenian, Vietnamese, and Tagalog. One hundred and sixty (166) participants attended the event with more than half of attendees calling through the language lines. The County also updated the ARP Dashboard to allow users to search and filter ARP Projects by languages offered. Most recently, the County dedicated funds to support a Countywide Language Access Initiative, which will pilot two innovative strategies to centralize language support services in order to increase access to ARP-funded opportunities. The two strategies include the development of a centralized Language.LACounty.gov online language services hub and an in-person ARP grant or contract opportunity application submission event for limited English proficient attendees. The Language.LACounty.gov Service Hub will centralize the provision of resources and training opportunities to support the integration of

linguistic and cultural sensitivity into the planning, implementation, and promotion of ARP Projects to increase language accessibility. The second funded pilot strategy will be an ARP application submission event designed to provide tailored support for immigrant and other community applicants to successfully submit applications for a grant opportunity.

Branding and Communication: To unify the branding across all these outreach and engagement efforts, an ARP logo in the form of a badge and a style guide were created to ensure a consistent look and feel for ARP-related communications. The badge is used on ARP-funded graphics, social media, and websites. ARP-branded materials have also been ordered for departments to use as outreach incentives. These include car magnets, stickers, EZ-ups, podium signs, step-and-repeats, and business window clings. This unified branding strategy is designed to enhance the multiple outreach communication efforts to raise awareness of and ensure access to ARP-funded contracts, grants, and services.

Labor Practices

The County will not be utilizing ARP funds for any infrastructure projects. This section does not apply. However, in other categories, the County has some of the strongest labor and minimum wage laws in California and is a leader in ensuring best practices to protect employees.

Use of Evidence

The County continues to work diligently to implement ARP compliant projects. As of this report and as noted in the Project Inventory, there are 52 ARP Projects that are planning to do an evaluation, 9 are planning to use evidence-based interventions, and one project is still to be determined as they work through the project design. All departments were required to input their evaluation plan into the County's online data and reporting system as part of their initial project design and to identify indicators and outcomes directly related to their projects' goals and objectives.

To support the execution of these evaluation plans and conduct a meta-analysis on the efficacy of ARP funding in achieving an equitable recovery from the COVID-19 pandemic, the County is in the process of contracting with an organization to assist the ARP programs with evaluation and data reporting. The contractor will be responsible for: overseeing the evaluation design, including key research questions being evaluated and metrics to collect; managing the collection and reporting of qualitative and quantitative data to the County's online data and reporting system; providing consultation on how to showcase the reported data on the County's public ARP Dashboard; and providing consulting and technical assistance to County departments and external partners on reporting their ARP project outcomes as part of their project evaluations. The contractor will also develop the Countywide comprehensive evaluation report. Metrics to measure successful implementation of ARP will cover uses of funds, the promotion of equitable outcomes, community engagement, labor practices, and use of evidence. The County has also onboard technical assistance providers to ensure departments are entering their outcome and other evaluation data into the County's online data and reporting system, which populates the ARP dashboard with expenditures and outcomes by project and department.

Performance Report

To date, 32 ARP Projects have reported expenditures to the U.S. Treasury. The Project Inventory includes an overview of each project along with additional information. All other ARP projects listed in the project inventory note whether they are still in project design or are working to compile performance metrics, including performance indicators, output and outcome measures, and relevant data.

PROJECT INVENTORY

All ARP Projects are listed in the attached excel document and include the required information. In addition, attached are required justification forms for related capital projects utilizing ARP Act funds.



AMERICAN RESCUE PLAN PROPOSAL CAPITAL EXPENDITURES



Project Homekey 1.0 - Baldwin Park/A Community of Friends

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Worksheet 1 – Initial Eligibility Screening

Worksheet 2 - Detailed Capital Project Program Justification (fillable form)

Worksheet 3 – Written Justification/Reporting Documentation (fillable form)

II. INSTRUCTIONS FOR COMPLETING THE CAPITAL EXPENDITURES ELIGIBILITY WORKSHEETS IN THIS DOCUMENT:

1. Worksheet 1 - Initial Eligibility Screening:

Complete Worksheet 1 as the initial screening for eligibility of a capital project/expenditure. If your answer is NO to any questions on the Initial Eligibility Screening, or you are not sure, contact your County Counsel for further discussion on eligibility. If your answer to 1, 2, 4, and 5 is YES, move to Detailed Capital Project ~ Program Justification (Worksheet 2).

2. Worksheet 2 - Detailed Capital Project Program Justification:

Complete Worksheet 2 if your answer to 1, 2, 4, and 5 is YES on the Initial Eligibility Screening Worksheet 1. This form will provide further details to support eligibility.

3. Worksheet 3 - Written Justification/Reporting Documentation:

Complete Worksheet 3 only if the capital project is preliminarily approved to proceed or as directed. Worksheet 3 is required as a written justification by the U.S. Treasury and may be required to be submitted as part of the County's reporting obligations for the American Rescue Plan Funding.

III. BASIC ELIGIBILITY FOR CAPITAL PROJECTS – TWO-PART TEST:

Part 1. Capital Expenditures must respond to an eligible public health impact of COVID-19, or a negative economic response caused by COVID-19.

- An eligible **public health response** is defined as a response to a negative public health impact or harm experienced by individuals or a class. The Final Rule lists 4 types of public health problems demonstrating a public health response to the public health emergency. (FR pg. 20)
 - 1) COVID-19 Mitigation and Prevention
 - 2) Medical Expenses
 - 3) Behavioral Health, and
 - 4) Preventing and Responding to Violence
- The Final Rule describes "responding to" the public health emergency as addressing the SARS-CoV-2 virus itself, supporting efforts to prevent or decrease spread of the disease, and addressing other impacts of the pandemic on public health. (FR pgs. 53-54) (See the Eligible Projects from FR on Pages 3, 4, 5, and 6 below.)
- An eligible **response to the negative economic impacts of the pandemic** is designed to respond to a harm or impact experienced by a beneficiary or a class of beneficiaries to whom the capital expenditure will benefit. Tends to address a need of individuals, businesses or nonprofits that were disproportionately impacted or impacted by the pandemic.
- For Capital Expenditures, the Final Rule identifies potentially eligible projects from all categories but primarily eligibility falls in two categories: 1) Mitigation and Prevention of COVID-19; and 2) Responding to the Negative Economic Impacts of COVID-19. All enumerated eligible uses from the Final Rule are listed on the Enumerated Eligible Projects List on Pages 3, 4, 5, and 6 below.

Part 2: Capital Expenditures must be related and reasonably proportional to the harm identified. (FR pgs. 57, 192)

- Reasonably proportional refers to the scale of the response (i.e. project) to the scale of the harm. (FR pg. 91) The cost cannot be grossly in excess of the amount needed to address the harm, or the negative economic impact.
- Examples in the Final Rule include affordable housing projects that increase the supply of affordable housing for low-income individuals. While there may be less costly alternatives, targeted increase in supply could still be cost effective. (FR pg. 106.)
- Capital projects under \$1 million are presumed proportional so long as they respond to a harm caused or exacerbated by the pandemic. (FR pg. 193)
- However, the Final Rule also cites as an example of a lack of proportionality that a capital project used to expand a public building to increase social distancing compared to other less time-consuming and resource intensive alternatives would not be proportional. (FR pg. 194)

ENUMERATED CAPITAL PROJECTS/EXPENDITURES; INELIGIBLE PROJECTS; AND GENERAL RULES

Below is the list of Treasury's enumerated and potentially eligible capital expenditures (page numbers refer to the Final Rule (FR)) as long as the projects are related and reasonably proportional responses to the harm identified:

MITIGATION & PREVENTION OF COVID-19

- ☐ Affordable Housing (FR pg 6, 106, 108)
- ☐ Childcare facilities (FR pg 6)
- ☐ Schools (FR pg 6)
- ☐ Hospitals (FR pg. 6)
- ☐ Ventilation improvements in congregate settings, healthcare settings or other key locations (FR pg. 56)
- ☐ Enhancements in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics or adaptations to public buildings to implement COVID-19 mitigation tactics (FR pg. 56)
- ☐ Improvements or construction of COVID-19 testing sites and laboratories, and acquisition of related equipment (FR pg. 60)
- ☐ Improvements or construction of COVID-19 vaccination sites (FR pg. 60)
- ☐ Improvements or construction of medical facilities generally dedicated to COVID-19 treatment and mitigation (e.g., emergency rooms, intensive care units, telemedicine capabilities for COVID-19 related treatment) (FR pg. 60)
- ☐ Expenses of establishing temporary medical facilities and other measures to increase COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or other emergency services equipment (FR pg. 61)
- ☐ Acquisition of equipment for COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or emergency services equipment (FR pg. 61)
- ☐ Improvements to or construction of emergency operations centers and acquisition of emergency response equipment (e.g., emergency response radio systems) (FR pg. 61)
- ☐ Installation and improvements of ventilation systems (FR pg. 61)
- ☐ Costs of establishing public health data systems, including technology infrastructure (FR pg. 61)
- ☐ Adaptations to congregate living facilities, including skilled nursing facilities, other long-term care facilities, incarceration settings, homeless shelters, residential foster care facilities, residential behavioral health treatment, and other group living facilities, as well as public facilities and schools (excluding construction of new facilities for the purpose of mitigating spread of COVID-19 in the facility) (FR pg. 61)
- ☐ Mitigation measures in small businesses, nonprofits, and impacted industries (e.g., developing outdoor spaces) (FR pg. 61)
- ☐ Physical plant changes to enable greater use of outdoor spaces or ventilation improvements (FR pg. 64)
- ☐ Establishing an outdoor patio for restaurants (FR pg. 64)
- ☐ Behavioral health facilities and equipment (FR pg. 69)
- ☐ Inpatient or outpatient mental health or substance abuse use treatment facilities, crisis centers, diversion centers (FR pg. 69)

NEGATIVE ECONOMIC IMPACTS

- ☐ Capital expenditures related to food banks and other facilities primarily dedicated to addressing food insecurity (FR pg. 81)
- ☐ Transitional shelters (temporary residences for people experiencing homelessness) (FR pg. 83)
- ☐ Capital expenditures for internet access like equipment, property, and facilities (FR pgs. 89-90)
- ☐ Improvements to or new construction of childcare, daycare, and early learning facilities are eligible capital expenditures (FR pg. 97)
- ☐ Affordable housing development projects that expand the supply of long-term housing (FR pg. 106)
- ☐ Projects that are eligible under either the National Housing Trust Fund (HTF) or the Home Investment Partnerships Program (Home) (FR pg. 106)
- ☐ Permanent supportive housing (FR pg. 108)
- ☐ Affordable housing developments targeted to specialized populations (FR pg. 108)
- ☐ Recovery housing for individuals in recovery from substance abuse (FR pg. 108)
- ☐ Rehabilitation or repair of public housing (FR pg. 108)
- ☐ Job and work force training centers (FR pg. 117)
- ☐ Improvements to existing facilities to remediate lead contaminants (removal of lead paint) (FR pg. 127)
- ☐ Primary care clinics, hospitals or integrations of health services in other settings (FR pg. 128)
- ☐ Parks, green spaces, recreational facilities, sidewalks, pedestrian safety features like crosswalks, projects that increase access to healthy foods, streetlights, neighborhood cleanup and projects to revitalize public spaces (FR pgs. 132-133)
- ☐ Vacant or abandoned property (FR pgs. 134-136):
 - ☐ Rehabilitation, renovation, maintenance, or costs to secure vacant or abandoned properties to reduce their negative impact
 - ☐ Costs associated with acquiring and securing legal title of vacant or abandoned properties and other costs to position the property for current or future productive use
 - ☐ Removal and remediation of environmental contaminants or hazards from vacant or abandoned properties, when conducted in compliance with applicable environmental laws or regulations
 - ☐ Demolition or deconstruction of vacant or abandoned buildings (including residential, commercial, or industrial buildings) paired with greening or other lot improvement as part of a strategy for neighborhood revitalization (use care not to exacerbate housing shortage)
 - ☐ Greening or cleanup of vacant lots, as well as other efforts to make vacant lots safer for the surrounding community (includes residential, commercial, or industrial buildings)
 - ☐ Conversion of vacant or abandoned properties to affordable housing
 - ☐ Inspection fees and other administrative costs incurred to ensure compliance with applicable environmental laws and regulations for demolition, greening, or other remediation activities
- ☐ Rehabilitation of commercial properties, storefront improvement, and façade improvements (FR pg. 151)
- ☐ Potential expenditures for nonprofits (FR pg. 155)
- ☐ Capital expenditures such as technology infrastructure to adapt government operations to the pandemic (FR pg. 190)

- ☐ Video-conferencing software, improvements to case management systems or data sharing resources (FR pg. 190)
- ☐ Reduce government backlogs, or meet increased maintenance needs are eligible (FR pg. 190)

SPECIFICALLY ENUMERATED CAPITAL EXPENDITURES IN CAPITAL PROJECTS SECTIONS (FR pgs. 190-206)

- ☐ Capital investments in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics (FR pg. 190)
- ☐ Adaptations to public buildings to implement COVID-19 mitigation tactics (FR pg. 190)
- ☐ Ventilation improvements in congregate settings, health care settings, or other key locations (FR pg. 190)
- ☐ Assistance to small businesses and nonprofits and aid to impacted industries to implement COVID-19 prevention or mitigation tactics, such as physical plant changes to enable social distancing (FR pg. 190)
- ☐ Affordable housing (FR pg. 190)
- ☐ Entire scope of capital project could include all activities toward a common purpose including capital expenditures, as well as expenditures on related programs, services, or other interventions (FR pg. 202)
- ☐ A project also includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment) (FR pg. 202)
- ☐ Projects that are interdependent or are of the same or similar type and would be utilized for a common purpose such as acquisition of a fleet of ambulances that would be used for COVID-19 emergency response (FR pg. 202)
- ☐ Pre-project development costs that are tied to or reasonably expected to lead to an eligible capital expenditure (FR pg. 208)
- ☐ Planning and engineering for an eligible project (FR pg. 208)

POTENTIALLY INELIGIBLE AND INELIGIBLE PROJECTS

- ☐ Large projects may be less likely to be reasonably proportional to the harm (e.g., construction of a new, larger public facility for the purpose of increasing the ability to socially distance generally as less time and resource-intensive options maybe be available. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well. (FR pgs. 194-195, 205)
- ☐ Infrastructure Projects are not in the scope of capital projects (FR pg. 195)
- ☐ Brand new correctional facilities are generally not eligible (Capital Expenditures must be related and proportional to the harm – i.e., not proportional to the rising crime rate in relation to the pandemic. FR pgs. 199-200)
- ☐ Construction of new congregate facilities are generally not proportional to the response to mitigate or prevent COVID-19 because it is generally more costly than other alternatives (FR pg. 200)
- ☐ Large capital expenditures intended for general economic development or to aid in travel, tourism, and hospitality centers like convention centers and stadiums on balance are generally not proportional to addressing negative economic impacts (FR pg. 200)

OTHER GENERAL RULES ON CAPITAL PROJECTS FROM TREASURY:

- Capital Expenditures are not presumed to be reasonably proportional in response to the harm and must be demonstrated. (FR pgs. 57, 193)
- Large projects may not be segmented to smaller projects to evade review and reporting. (FR pgs. 202-203)
- Expenditures from closely related activities directed toward a common purpose are one project. (FR pg. 202)
- A project includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment), or are of the same or similar type and would be utilized for a common purpose (e.g., acquisition of a fleet of ambulances that would be used for COVID-19 emergency response). (FR pg. 202)
- Treasury will use heightened scrutiny on large projects. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well (FR pg. 205)
- Capital expenditure means "expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life." (FR pg. 207)
- Capital assets means "tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with [Generally Accepted Accounting Principles]." Capital assets include lands, facilities, equipment, and intellectual property. Equipment means "tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000." (FR pg. 208)
- Supplies means all tangible personal property other than those included as "equipment," are not considered capital expenditures. (FR pg. 208)
- Unless noted by the US Treasury, all projects must comply with applicable federal, state, and local law, which includes environmental and permitting laws and regulations. (FR pg. 207, and pgs. 347-348)

WORKSHEET 1 - INITIAL ELIGIBILITY SCREENING

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AMERICAN RESCUE PLAN PROPOSAL CAPITAL EXPENDITURES



Department: **CEO**

Program/Expense/Service Title: **Project Homekey 1.0 – Baldwin Park/A Community of Friends**

Amount Requested: **\$9.9M**

DECISION TREE

1. Does the CAPITAL PROJECT/CAPITAL EXPENSE identify a Public Health effect or need OR a Negative Economic Impact caused by COVID-19? (can be immediate or extended exacerbated effect but must be related to COVID-19)
YES ☐ **NO** ☐ **MAYBE/UNKNOWN** ☐
2. Does the CAPITAL PROJECT/CAPITAL EXPENSE respond to or address the COVID-19 effect or need identified in question 1 above?
YES ☐ **NO** ☐ **MAYBE/UNKNOWN** ☐
3. Is the CAPITAL PROJECT/CAPITAL EXPENSE specifically enumerated in the U.S. Treasury's Final Rule as potentially eligible (See pages 4-6 of this worksheet)?
YES ☐ **NO** ☐ (see 4 below) **MAYBE/UNKNOWN** ☐
4. If NO, can a justification be identified which addresses the Public Health effects or needs OR a Negative Economic Impact caused by COVID-19?
YES ☐ **NO** ☐ **MAYBE/UNKNOWN** ☐
5. Is the CAPITAL PROJECT/CAPITAL EXPENSE reasonably related and proportionate to address the harm?
YES ☐ **NO** ☐ **MAYBE/UNKNOWN** ☐

COSTS ARE POTENTIALLY ELIGIBLE ☐

Documents Project Expenditures in
Accordance with CEO Instructions

COSTS ARE LIKELY INELIGIBLE ☐

Consult with County Counsel and CEO

If your answer was NO to any questions or you are not sure, contact your County Counsel for further discussion on eligibility. If your answer to 1, 2, 4, and 5 was YES, move to Public Health/Negative Economic Impact Capital Project ~ Supporting Justification on next page.

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

Page 1 of 7

1. Rules to consider:

- Capital Expenditures must support an eligible public health or negative economic response.
- Capital Expenditures must be reasonably proportional to the harm identified. (FR pg. 57)
- Capital Expenditures are not presumed proportional to the harm. (FR pg. 57)
- Large projects may not be segmented to smaller projects to evade review and reporting. (FR pgs. 202-203)
- Expenditures from closely related activities directed toward a common purpose are one project. (FR pg. 202)
- A project includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment), or are of the same or similar type and would be utilized for a common purpose (e.g., acquisition of a fleet of ambulances that would be used for COVID-19 emergency response). (FR pg. 202)
- Treasury will use heightened scrutiny on large projects. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well (FR pg. 205)
- Capital expenditure means "expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life." (FR pg. 207)
- Capital assets means "tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with [Generally Accepted Accounting Principles]." Capital assets include lands, facilities, equipment, and intellectual property. Equipment means "tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000." (FR pg. 208)
- Supplies means all tangible personal property other than those included as "equipment," are not considered capital expenditures. (FR pg. 208)
- Unless noted by the US Treasury, all projects must comply with applicable federal, state, and local law, which includes environmental and permitting laws and regulations. (FR pg. 207, and pgs. 347-348)

2. Instructions for Completing Supporting Justification for Capital Projects/Expenditures:

Departments must provide sufficient detail and supporting information for each question below as it relates to the Capital Project/Expenditure being provided.

1. What is the name of the Capital Project/Expenditure being provided and which Department(s) will be administering the Capital Project/Expenditure?
Homekey 1.0 – Baldwin Park

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

Page 2 of 7

CEO will administer the expenditure.

2. Provide a brief description of the Capital Project/Expenditure proposal.

As part of the State Project Homekey Round 1 Program, Los Angeles County (County) acquired several properties to use as housing for People Experiencing Homelessness (PEH) impacted by COVID-19 (Homekey 1 Properties). The Homekey 1 Properties, which include the Motel 6 located in Baldwin Park, are currently operating as interim housing and will be converted to permanent supportive housing (PSH). The County will transfer ownership of Motel 6 Baldwin Park to A Community of Friends (ACOF). The California Department of Housing and Community Development has approved the transfer of ownership of the property. With the ARP funds, ACOF will renovate and convert the property from temporary housing to PSH (Project). The property will have 40 units consisting of 37 one-bedroom units, two studios, and one two-bedroom manager unit. Case management and supportive services will be provided on site.

3. Describe the projected cost of the Capital Project/Expenditure from beginning to end. (Project cannot be segmented in order to qualify or avoid reporting.)

The projected cost of the Project is \$9.9M, which is the ARP amount needed to support the renovations. However, the entire capital project, which includes County's previous acquisition of the property and ACOF's projected renovation cost, is \$22.5M.

4. Explain whether the entire project can be obligated by December 31, 2024, and fully expended before December 31, 2026.

Yes, the property transfer and renovations will be completed by end of 2024. As such, funds will be obligated by December 31, 2024 and fully expended by December 31, 2026.

5. Explain how the Capital Project/Expenditure identifies a Public Health Negative Economic Impact effect or need caused by COVID-19. (Can be immediate, extended, or exacerbated effect, but must meet the test by being related to COVID-19.)

Based on the recent Greater Los Angeles Homeless Count, there are 69,144 PEH within the County. This is a 4.1 percent increase from the last count in 2020 when the count was at 66,436. In addition, there is a dire affordable housing shortage of nearly 500,000 units within the County according to California Housing Partnership's "2021 Los Angeles County Housing Need Report." PEH are inherently impacted by COVID-19 as they are at increased risk of infection owing to their lack of safe housing and conditions in shelters. In addition, the risk of severe COVID-19 is increased for PEH due to the high prevalence of medical comorbidities. The Homekey 1 Properties currently provide PEH who are impacted by COVID-19 with interim housing. The Project will provide the PEH population with permanent supportive housing.

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

Page 3 of 7

6. Describe how the Capital Project/Expenditure responds to or addresses the COVID-19 effect or need.

The impacts of the COVID-19 pandemic have caused an increase in the number of people are living in the streets, with people of color being disproportionately represented among the homeless population as the pandemic has exacerbated the racial gaps in financial and housing security and health. In addition, the COVID-19 pandemic has reduced homeless and supportive services and housing/shelter availability due to health orders and guidelines. The Project will increase the supply of affordable housing in the County by creating an additional 40 PSH units to serve people experiencing homelessness. PEH will have permanent housing that provides onsite supportive services, including case management services. The Project will provide a safe and stable housing environment to help PEH exit homelessness and remain housed, improving their health and well-being.

7. If the Capital Project/Expenditure is specifically identified as a potentially eligible Capital Project, list the specified project and explain how the expense is reasonably related and proportionate to address the harm. (See enumerated potentially eligible Capital Project/Expenditures uses on pgs. 4-7 of this worksheet)

☐ Affordable housing (FR pg. 190)

The renovation costs/expenses are consistent with the appraised value of the property. The project was underwritten by the County and California Department of Housing and Community Development (HCD) as a part of the acquisition of the Homekey 1 Properties, with appraisals and other due diligence documentation reviewed by County and HCD staff.

8. If the Capital Project/Expenditure is not specifically identified as a potentially eligible use, explain how it addresses a Public Health or Negative Economic Impact and is reasonably related and proportionate to address the harm. (Projects that do not have a Public Health or Negative Economic Impact connection are likely ineligible.)

N/A.

9. Is the Capital Project/Expenditure listed in the Final Rule as ineligible? (See pages 6-7 of this worksheet.)

No.

10. All Capital Projects/Expenditures over \$1 million must complete a Written Justification required by the Treasury Final Rule. (See enclosed Written Justification Form.)

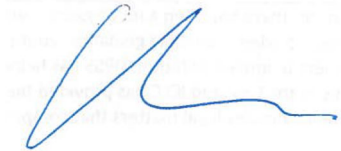
Attached.

WORKSHEET 2 - DETAILED CAPITAL PROJECT
PROGRAM JUSTIFICATION

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11. All Recipients should determine that any responsive capital project is related and reasonably proportional to the public health emergency and its negative economic impacts, even projects under \$1 million. (FR pg. 201 fn 254 and 255)

Attached.



Elizabeth Ben-Ishai

Name/Signature of high level department person

2/6/2023

Date

Are there any attachments? YES ☒ NO ☐

WORKSHEET 2 - DETAILED CAPITAL PROJECT **PROGRAM JUSTIFICATION**

Page 5 of 7

ENUMERATED CAPITAL PROJECTS/EXPENDITURES AND INELIGIBLE PROJECTS

Below is a non-exhaustive list of the U.S. Department of Treasury's Final Rule of enumerated and potentially eligible capital expenditures (page numbers refer to the Final Rule (FR)) as long as the projects are reasonably proportional responses (as defined in the Final Rule) to the harm identified:

MITIGATION & PREVENTION OF COVID-19

- ☐ Affordable Housing (FR pg 6)
- ☐ Childcare facilities (FR pg 6)
- ☐ Schools (FR pg 6)
- ☐ Hospitals (FR pg. 6)
- ☐ Ventilation improvements in congregate settings, healthcare settings or other key locations (FR pg. 56)
- ☐ Enhancements in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics or adaptations to public buildings to implement COVID-19 mitigation tactics (FR pg. 56)
- ☐ Improvements or construction of COVID-19 testing sites and laboratories, and acquisition of related equipment (FR pg. 60)
- ☐ Improvements or construction of COVID-19 vaccination sites (FR pg. 60)
- ☐ Improvements or construction of medical facilities generally dedicated to COVID-19 treatment and mitigation (e.g., emergency rooms, intensive care units, telemedicine capabilities for COVID-19 related treatment) (FR pg. 60)
- ☐ Expenses of establishing temporary medical facilities and other measures to increase COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or other emergency services equipment (FR pg. 61)
- ☐ Acquisition of equipment for COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or emergency services equipment (FR pg. 61)
- ☐ Improvements to or construction of emergency operations centers and acquisition of emergency response equipment (e.g., emergency response radio systems) (FR pg. 61)
- ☐ Installation and improvements of ventilation systems (FR pg. 61)
- ☐ Costs of establishing public health data systems, including technology infrastructure (FR pg. 61)
- ☐ Adaptations to congregate living facilities, including skilled nursing facilities, other long-term care facilities, incarceration settings, homeless shelters, residential foster care facilities, residential behavioral health treatment, and other group living facilities, as well as public facilities and schools (excluding construction of new facilities for the purpose of mitigating spread of COVID-19 in the facility) (FR pg. 61)
- ☐ Mitigation measures in small businesses, nonprofits, and impacted industries (e.g., developing outdoor spaces) (FR pg. 61)
- ☐ Physical plant changes to enable greater use of outdoor spaces or ventilation improvements (FR pg. 64)
- ☐ Establishing an outdoor patio for restaurants (FR pg. 64)

WORKSHEET 2 - DETAILED CAPITAL PROJECT **PROGRAM JUSTIFICATION**

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- ☐ Behavioral health facilities and equipment (FR pg. 69)
- ☐ Inpatient or outpatient mental health or substance abuse use treatment facilities, crisis centers, diversion centers (FR pg. 69)

NEGATIVE ECONOMIC IMPACTS

- ☐ Capital expenditures related to food banks and other facilities primarily dedicated to addressing food insecurity (FR pg. 81)
- ☐ Transitional shelters (temporary residences for people experiencing homelessness) (FR pg. 83)
- ☐ Capital expenditures for internet access like equipment, property, and facilities (FR pgs. 89-90)
- ☐ Improvements to or new construction of childcare, daycare, and early learning facilities are eligible capital expenditures (FR pg. 97)
- ☐ Affordable housing development projects that expand the supply of long-term housing (FR pg. 106)
- ☐ Projects that are eligible under either the National Housing Trust Fund (HTF) or the Home Investment Partnerships Program (Home) (FR pg. 106)
- ☐ Permanent supportive housing (FR pg. 108)
- ☐ Affordable housing developments targeted to specialized populations (FR pg. 108)
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- ☐ Vacant or abandoned property:
 - ☐ Rehabilitation, renovation, maintenance, or costs to secure vacant or abandoned properties to reduce their negative impact
 - ☐ Costs associated with acquiring and securing legal title of vacant or abandoned properties and other costs to position the property for current or future productive use
 - ☐ Removal and remediation of environmental contaminants or hazards from vacant or abandoned properties, when conducted in compliance with applicable environmental laws or regulations
 - ☐ Demolition or deconstruction of vacant or abandoned buildings (including residential, commercial, or industrial buildings) paired with greening or other lot improvement as part of a strategy for neighborhood revitalization (use care not to exacerbate housing shortage FR pgs. 135-136)
 - ☐ Greening or cleanup of vacant lots, as well as other efforts to make vacant lots safer for the surrounding community (includes residential, commercial, or industrial buildings FR pg. 135)
 - ☐ Conversion of vacant or abandoned properties to affordable housing

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

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- ☐ Inspection fees and other administrative costs incurred to ensure compliance with applicable environmental laws and regulations for demolition, greening, or other remediation activities (FR pg. 134)
- ☐ Rehabilitation of commercial properties, storefront improvement, and façade improvements (FR pg. 151)
- ☐ Potential expenditures for nonprofits (FR pg. 155)
- ☐ Capital expenditures such as technology infrastructure to adapt government operations to the pandemic (FR pg. 190)
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SPECIFICALLY ENUMERATED CAPITAL EXPENDITURES IN CAPITAL PROJECTS SECTIONS (FR pgs. 190-206)

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- ☐ Planning and engineering for an eligible project (FR pg. 208)

POTENTIALLY INELIGIBLE AND INELIGIBLE PROJECTS

- ☐ Large projects may be less likely to be reasonably proportional to the harm (e.g., construction of a new, larger public facility for the purpose of increasing the ability to socially distance generally as less time and resource-intensive options maybe be available. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well. (FR pgs. 194-195, 205)
- ☐ Infrastructure Projects are not in the scope of capital projects (FR pg. 195)

WORKSHEET 2 - DETAILED CAPITAL PROJECT
PROGRAM JUSTIFICATION

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- ☐ Brand new correctional facilities are generally not eligible (Capital Expenditures must be related and proportional to the harm – i.e. not proportional to the rising crime rate in relation to the pandemic. FR pgs. 199-200)
- ☐ Construction of new congregate facilities are generally not proportional to the response to mitigate or prevent COVID-19 because it is generally more costly than other alternatives (FR pg. 200)
- ☐ Large capital expenditures intended for general economic development or to aid in travel, tourism, and hospitality centers like convention centers and stadiums on balance are generally not proportional to addressing negative economic impacts (FR pg. 200)

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION
(Required by U.S. Department of Treasury)

Page 1 of 3

Written Justification and Reporting the Justification to Treasury: (Recipients must provide reports on Capital Projects in the mandatory ARP reporting as required below.) (FR pg. 201)

If a project has total expected capital expenditures of	and the use is enumerated by Treasury as eligible, then	and the use is beyond those enumerated by Treasury as eligible, then
Less than \$1 million	No Written Justification required (Supporting documentation must still be maintained.)	No Written Justification required (Supporting documentation must still be maintained.)
Greater than or equal to \$1million, but less than \$10 million	Written Justification but recipients are not required to submit as part of regular reporting to Treasury	Written Justification required and recipients must submit as part of regular reporting to Treasury
\$10 million or more	Written Justification required and recipients must submit as part of regular reporting to Treasury	

Provide supportive details to the following questions:

- 1. Describe the Public Health harm or Negative Economic Impact need to be addressed:** (Recipients should provide a description of the specific harm or need to be addressed, and why the harm was exacerbated or caused by the public health emergency. When appropriate, recipients may provide quantitative information on the extent and type of harm, such as the number of individuals or entities affected. (FR pgs. 196-197)

The COVID-19 pandemic greatly impacted PEH due to reduced homeless and other supportive services, housing, and economic opportunities. The homelessness crisis in Los Angeles County pre-dates the pandemic, but was exacerbated by the pandemic, due to the economic impacts on communities and because many PEH are in poor health or having underlying conditions that make them more vulnerable to COVID-19. Based on the recent Greater Los Angeles Homeless Count, there are 69,144 PEH in Los Angeles County, which is a 4.1 percent increase from the last count in 2020 when the count was at 66,436. Further, between the 12-month period preceding the first reported COVID-19 death of a PEH in Los Angeles County (April 1st, 2019-March 31st, 2020) and the 12-month pandemic period that followed (April 1st, 2020-March 31st, 2021), the overall number of deaths among people experiencing homelessness increased by 56%, from 1,271 to 1,988 deaths.

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

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2. **Explain why a capital expenditure is appropriate:** (Recipients should provide an independent assessment demonstrating why a capital expenditure is appropriate to address the specified harm or need. (FR pg. 197)

The Project will create more affordable housing by providing an additional 40 PSH units within the County to serve people experiencing chronic homelessness. The most effective response to homelessness is to provide PSH to PEH because PSH pairs housing with supportive services. The County has a deficit of affordable housing. According to the California Housing Partnership, nearly 500,000 low-income households in LA County do not have access to an affordable home. According to the Los Angeles Homeless Services Authority (LAHSA), the County has a shortfall of more than 20,000 permanent supportive housing units. Even with the more than 12,000 permanent supportive housing units in the pipeline, there remains a shortfall of nearly 8,000 units.

- a. **Explain why existing capital equipment, property or facilities would be inadequate to address the harm or need.**

The County needs more PSH units. As noted, there is a shortfall in affordable and supportive housing, so existing capital properties would not meet the need.

- b. **Explain why policy changes or additional funding to pertinent programs or services would be insufficient without the corresponding capital expenditure.**

Additional funding would not on its own, without capital expenditures, increase the supply of housing.

3. **Provide a comparison of the proposed capital expenditure against alternative capital expenditures:** (Recipients should provide an objective comparison of the proposed capital expenditure against at least two alternative capital expenditures that could be made. Use quantitative data when available, or supplement with qualitative information and narrative description. Analyses with little to no quantitative or qualitative data must provide an explanation for doing so. (FR pgs. 197-198)

- a. **Assess the proposed capital expenditure against at least two alternative types or sizes of capital expenditures that are potentially effective and reasonably feasible.**

Alternative 1: New construction

Building PSH from the ground up – new construction – is considerably more expensive than a motel conversion. According to a report issued by the City of Los Angeles Controller, the average cost per a studio unit for PSH built using Proposition HHH is between \$531,711 (projects under construction) and \$558,847 (projects in pre-development). In comparison, the per unit cost for the Baldwin Park project proposed here is \$425,000 per unit for larger one-bedroom units.

Alternative 2: Acquire building outside of the State of California Homekey Program

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION
(Required by U.S. Department of Treasury)

Page 3 of 3

The State of California allocated \$1.45B to the Homekey Program for fiscal year 2021-2022. This program provides funding to acquire and develop homeless housing, with local jurisdictions providing matching funds. For Baldwin Park, the state awarded the County \$7,100,000M of the total \$7,134,720 acquisition cost. If the County of Los Angeles pursued this acquisition outside of the Homekey program, it would need to contribute nearly twice the amount of capital funding for this project. Moreover, the legislation that established the Homekey program includes language that streamlines the entitlement and environmental review processes, enabling the project to be completed faster than it might otherwise be – and allowing the County to serve this vulnerable population sooner.

- b. If relevant, compare the proposal against the alternative of improving of improving existing capital assets already owned or leasing other capital assets.**

Compared to the other alternatives, renovating and converting a Homekey property into a PSH is the quickest and least expensive way to increase permanent supportive housing within the County for our vulnerable PEH population.

4. Consider the following factors in comparing this proposal to other alternatives:

- a. Compare the effectiveness of capital expenditures in addressing the harm identified.** (Recipients should generally consider the effectiveness of the capital expenditures in addressing the harm over the useful life of the capital asset and may consider metrics such as the number of impacted or disproportionately impacted individuals or entities served. (FR pg. 198)

The alternatives would address the harm identified in the same way and to the same extent, but because they are costlier, they would result in less funding available for other critical interventions to serve PEH.

- b. Identify the relevant time horizons of the project, and describe any uncertainties or risks involved with the capital expenditures.**

For the proposed project construction will be complete by 2024 and occupancy will begin immediately.

Alternative 1 would take significantly longer as the ground up construction would require more time than a project modifying an existing structure.

Alternative 2 might take a similar amount of time, but longer approval processes could slow down progress.

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

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- c. Compare the expected total cost of the capital expenditures.** (Recipients should consider the expected total cost of the capital expenditure required to construct, purchase, install, or improve the capital assets intended to address the public health or negative economic impact of the public health emergency. Predevelopment costs should be included in the calculation and may choose to include information on ongoing operational costs – although not required. (FR pg. 198)

- Alternative 1: Expected costs would be approximately over \$22M (which is the average of above listed per unit costs for new PSH construction for 40 studio units)
- Alternative 2: Expected County contribution (ARP) would increase from \$9.9M to \$22.5M.

- d. Demonstrate how the proposed capital expenditure is superior (i.e. effectiveness).** (Recipients should balance the effectiveness and costs of the proposed capital expenditure and against alternative and demonstrate that their proposed capital expenditure is superior. Recipients should choose the most cost-effective option unless it substantively reduces the effectiveness of the capital investment in addressing the harm identified. Additional factors impacting effectiveness include when the facilities will become operational etc. See examples of the analysis pgs. (FR 198-199).

The State of California's report on the first round of Homekey funding, which supported motel and hotel conversions to homeless housing, as well as other innovative housing types, found that it promoted expedient, cost-effective housing solutions. Motel conversions are faster and lower in cost than new construction. Moreover, the funding offered through Homekey provides a once in a generation opportunity for local jurisdictions like the County to considerably increase the availability of homeless housing, in particular PSH, to address the homelessness crisis. According to the National Alliance to End Homelessness, which provides data and research to policymakers and elected officials in order to inform policy debates, PSH is a proven solution to homelessness for the most vulnerable chronically homeless people. It is cost-effective and has been shown to lower public costs associated with the use of crisis services such as shelters, hospitals, jails and prisons.



AMERICAN RESCUE PLAN PROPOSAL CAPITAL EXPENDITURES

Project Homekey 1.0 – Compton/SSG HOPICS



I. TABLE OF CONTENTS:

Page 1 – Instructions

Page 2 – Basic Eligibility Overview

Page 3 to 6 – Enumerated Capital Projects/Expenditures; Ineligible Projects; and General Rules

Worksheet 1 – Initial Eligibility Screening

Worksheet 2 - Detailed Capital Project Program Justification (fillable form)

Worksheet 3 – Written Justification/Reporting Documentation (fillable form)

II. INSTRUCTIONS FOR COMPLETING THE CAPITAL EXPENDITURES ELIGIBILITY WORKSHEETS IN THIS DOCUMENT:

1. Worksheet 1 - Initial Eligibility Screening:

Complete Worksheet 1 as the initial screening for eligibility of a capital project/expenditure. If your answer is NO to any questions on the Initial Eligibility Screening, or you are not sure, contact your County Counsel for further discussion on eligibility. If your answer to 1, 2, 4, and 5 is YES, move to Detailed Capital Project ~ Program Justification (Worksheet 2).

2. Worksheet 2 - Detailed Capital Project Program Justification:

Complete Worksheet 2 if your answer to 1, 2, 4, and 5 is YES on the Initial Eligibility Screening Worksheet 1. This form will provide further details to support eligibility.

3. Worksheet 3 - Written Justification/Reporting Documentation:

Complete Worksheet 3 only if the capital project is preliminarily approved to proceed or as directed. Worksheet 3 is required as a written justification by the U.S. Treasury and may be required to be submitted as part of the County's reporting obligations for the American Rescue Plan Funding.

III. BASIC ELIGIBILITY FOR CAPITAL PROJECTS – TWO-PART TEST:

Part 1. Capital Expenditures must respond to an eligible public health impact of COVID-19, or a negative economic response caused by COVID-19.

- An eligible **public health response** is defined as a response to a negative public health impact or harm experienced by individuals or a class. The Final Rule lists 4 types of public health problems demonstrating a public health response to the public health emergency. (FR pg. 20)
 - 1) COVID-19 Mitigation and Prevention
 - 2) Medical Expenses
 - 3) Behavioral Health, and
 - 4) Preventing and Responding to Violence
- The Final Rule describes "responding to" the public health emergency as addressing the SARS-CoV-2 virus itself, supporting efforts to prevent or decrease spread of the disease, and addressing other impacts of the pandemic on public health. (FR pgs. 53-54) (See the Eligible Projects from FR on Pages 3, 4, 5, and 6 below.)
- An eligible **response to the negative economic impacts of the pandemic** is designed to respond to a harm or impact experienced by a beneficiary or a class of beneficiaries to whom the capital expenditure will benefit. Tends to address a need of individuals, businesses or nonprofits that were disproportionately impacted or impacted by the pandemic.
- For Capital Expenditures, the Final Rule identifies potentially eligible projects from all categories but primarily eligibility falls in two categories: 1) Mitigation and Prevention of COVID-19; and 2) Responding to the Negative Economic Impacts of COVID-19. All enumerated eligible uses from the Final Rule are listed on the Enumerated Eligible Projects List on Pages 3, 4, 5, and 6 below.

Part 2: Capital Expenditures must be related and reasonably proportional to the harm identified. (FR pgs. 57, 192)

- Reasonably proportional refers to the scale of the response (i.e. project) to the scale of the harm. (FR pg. 91) The cost cannot be grossly in excess of the amount needed to address the harm, or the negative economic impact.
- Examples in the Final Rule include affordable housing projects that increase the supply of affordable housing for low-income individuals. While there may be less costly alternatives, targeted increase in supply could still be cost effective. (FR pg. 106.)
- Capital projects under \$1 million are presumed proportional so long as they respond to a harm caused or exacerbated by the pandemic. (FR pg. 193)
- However, the Final Rule also cites as an example of a lack of proportionality that a capital project used to expand a public building to increase social distancing compared to other less time-consuming and resource intensive alternatives would not be proportional. (FR pg. 194)

ENUMERATED CAPITAL PROJECTS/EXPENDITURES; INELIGIBLE PROJECTS; AND GENERAL RULES

Below is the list of Treasury's enumerated and potentially eligible capital expenditures (page numbers refer to the Final Rule (FR)) as long as the projects are related and reasonably proportional responses to the harm identified:

MITIGATION & PREVENTION OF COVID-19

- ☐ Affordable Housing (FR pg 6, 106, 108)
- ☐ Childcare facilities (FR pg 6)
- ☐ Schools (FR pg 6)
- ☐ Hospitals (FR pg. 6)
- ☐ Ventilation improvements in congregate settings, healthcare settings or other key locations (FR pg. 56)
- ☐ Enhancements in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics or adaptations to public buildings to implement COVID-19 mitigation tactics (FR pg. 56)
- ☐ Improvements or construction of COVID-19 testing sites and laboratories, and acquisition of related equipment (FR pg. 60)
- ☐ Improvements or construction of COVID-19 vaccination sites (FR pg. 60)
- ☐ Improvements or construction of medical facilities generally dedicated to COVID-19 treatment and mitigation (e.g., emergency rooms, intensive care units, telemedicine capabilities for COVID-19 related treatment) (FR pg. 60)
- ☐ Expenses of establishing temporary medical facilities and other measures to increase COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or other emergency services equipment (FR pg. 61)
- ☐ Acquisition of equipment for COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or emergency services equipment (FR pg. 61)
- ☐ Improvements to or construction of emergency operations centers and acquisition of emergency response equipment (e.g., emergency response radio systems) (FR pg. 61)
- ☐ Installation and improvements of ventilation systems (FR pg. 61)
- ☐ Costs of establishing public health data systems, including technology infrastructure (FR pg. 61)
- ☐ Adaptations to congregate living facilities, including skilled nursing facilities, other long-term care facilities, incarceration settings, homeless shelters, residential foster care facilities, residential behavioral health treatment, and other group living facilities, as well as public facilities and schools (excluding construction of new facilities for the purpose of mitigating spread of COVID-19 in the facility) (FR pg. 61)
- ☐ Mitigation measures in small businesses, nonprofits, and impacted industries (e.g., developing outdoor spaces) (FR pg. 61)
- ☐ Physical plant changes to enable greater use of outdoor spaces or ventilation improvements (FR pg. 64)
- ☐ Establishing an outdoor patio for restaurants (FR pg. 64)
- ☐ Behavioral health facilities and equipment (FR pg. 69)
- ☐ Inpatient or outpatient mental health or substance abuse use treatment facilities, crisis centers, diversion centers (FR pg. 69)

NEGATIVE ECONOMIC IMPACTS

- ☐ Capital expenditures related to food banks and other facilities primarily dedicated to addressing food insecurity (FR pg. 81)
- ☐ Transitional shelters (temporary residences for people experiencing homelessness) (FR pg. 83)
- ☐ Capital expenditures for internet access like equipment, property, and facilities (FR pgs. 89-90)
- ☐ Improvements to or new construction of childcare, daycare, and early learning facilities are eligible capital expenditures (FR pg. 97)
- ☒ Affordable housing development projects that expand the supply of long-term housing (FR pg. 106)
- ☐ Projects that are eligible under either the National Housing Trust Fund (HTF) or the Home Investment Partnerships Program (Home) (FR pg. 106)
- ☒ Permanent supportive housing (FR pg. 108)
- ☒ Affordable housing developments targeted to specialized populations (FR pg. 108)
- ☐ Recovery housing for individuals in recovery from substance abuse (FR pg. 108)
- ☐ Rehabilitation or repair of public housing (FR pg. 108)
- ☐ Job and work force training centers (FR pg. 117)
- ☐ Improvements to existing facilities to remediate lead contaminants (removal of lead paint) (FR pg. 127)
- ☐ Primary care clinics, hospitals or integrations of health services in other settings (FR pg. 128)
- ☐ Parks, green spaces, recreational facilities, sidewalks, pedestrian safety features like crosswalks, projects that increase access to healthy foods, streetlights, neighborhood cleanup and projects to revitalize public spaces (FR pgs. 132-133)
- ☐ Vacant or abandoned property (FR pgs. 134-136):
 - ☐ Rehabilitation, renovation, maintenance, or costs to secure vacant or abandoned properties to reduce their negative impact
 - ☐ Costs associated with acquiring and securing legal title of vacant or abandoned properties and other costs to position the property for current or future productive use
 - ☐ Removal and remediation of environmental contaminants or hazards from vacant or abandoned properties, when conducted in compliance with applicable environmental laws or regulations
 - ☐ Demolition or deconstruction of vacant or abandoned buildings (including residential, commercial, or industrial buildings) paired with greening or other lot improvement as part of a strategy for neighborhood revitalization (use care not to exacerbate housing shortage)
 - ☐ Greening or cleanup of vacant lots, as well as other efforts to make vacant lots safer for the surrounding community (includes residential, commercial, or industrial buildings)
 - ☐ Conversion of vacant or abandoned properties to affordable housing
 - ☐ Inspection fees and other administrative costs incurred to ensure compliance with applicable environmental laws and regulations for demolition, greening, or other remediation activities
- ☐ Rehabilitation of commercial properties, storefront improvement, and façade improvements (FR pg. 151)
- ☐ Potential expenditures for nonprofits (FR pg. 155)
- ☐ Capital expenditures such as technology infrastructure to adapt government operations to the pandemic (FR pg. 190)

- ☐ Video-conferencing software, improvements to case management systems or data sharing resources (FR pg. 190)
- ☐ Reduce government backlogs, or meet increased maintenance needs are eligible (FR pg. 190)

SPECIFICALLY ENUMERATED CAPITAL EXPENDITURES IN CAPITAL PROJECTS SECTIONS (FR pgs. 190-206)

- ☐ Capital investments in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics (FR pg. 190)
- ☐ Adaptations to public buildings to implement COVID-19 mitigation tactics (FR pg. 190)
- ☐ Ventilation improvements in congregate settings, health care settings, or other key locations (FR pg. 190)
- ☐ Assistance to small businesses and nonprofits and aid to impacted industries to implement COVID-19 prevention or mitigation tactics, such as physical plant changes to enable social distancing (FR pg. 190)
- ☒ Affordable housing (FR pg. 190)
- ☐ Entire scope of capital project could include all activities toward a common purpose including capital expenditures, as well as expenditures on related programs, services, or other interventions (FR pg. 202)
- ☐ A project also includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment) (FR pg. 202)
- ☐ Projects that are interdependent or are of the same or similar type and would be utilized for a common purpose such as acquisition of a fleet of ambulances that would be used for COVID-19 emergency response (FR pg. 202)
- ☐ Pre-project development costs that are tied to or reasonably expected to lead to an eligible capital expenditure (FR pg. 208)
- ☐ Planning and engineering for an eligible project (FR pg. 208)

POTENTIALLY INELIGIBLE AND INELIGIBLE PROJECTS

- ☐ Large projects may be less likely to be reasonably proportional to the harm (e.g., construction of a new, larger public facility for the purpose of increasing the ability to socially distance generally as less time and resource-intensive options maybe be available. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well. (FR pgs. 194-195, 205)
- ☐ Infrastructure Projects are not in the scope of capital projects (FR pg. 195)
- ☐ Brand new correctional facilities are generally not eligible (Capital Expenditures must be related and proportional to the harm – i.e., not proportional to the rising crime rate in relation to the pandemic. FR pgs. 199-200)
- ☐ Construction of new congregate facilities are generally not proportional to the response to mitigate or prevent COVID-19 because it is generally more costly than other alternatives (FR pg. 200)
- ☐ Large capital expenditures intended for general economic development or to aid in travel, tourism, and hospitality centers like convention centers and stadiums on balance are generally not proportional to addressing negative economic impacts (FR pg. 200)

OTHER GENERAL RULES ON CAPITAL PROJECTS FROM TREASURY:

- Capital Expenditures are not presumed to be reasonably proportional in response to the harm and must be demonstrated. (FR pgs. 57, 193)
- Large projects may not be segmented to smaller projects to evade review and reporting. (FR pgs. 202-203)
- Expenditures from closely related activities directed toward a common purpose are one project. (FR pg. 202)
- A project includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment), or are of the same or similar type and would be utilized for a common purpose (e.g., acquisition of a fleet of ambulances that would be used for COVID-19 emergency response). (FR pg. 202)
- Treasury will use heightened scrutiny on large projects. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well (FR pg. 205)
- Capital expenditure means "expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life." (FR pg. 207)
- Capital assets means "tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with [Generally Accepted Accounting Principles]." Capital assets include lands, facilities, equipment, and intellectual property. Equipment means "tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000." (FR pg. 208)
- Supplies means all tangible personal property other than those included as "equipment," are not considered capital expenditures. (FR pg. 208)
- Unless noted by the US Treasury, all projects must comply with applicable federal, state, and local law, which includes environmental and permitting laws and regulations. (FR pg. 207, and pgs. 347-348)

WORKSHEET 1 - INITIAL ELIGIBILITY SCREENING

Page 1 of 1



AMERICAN RESCUE PLAN PROPOSAL CAPITAL EXPENDITURES



Department: **CEO**

Program/Expense/Service Title: **Project Homekey 1.0 – Compton/SSG HOPICS**

Amount Requested: **\$16,185,090**

DECISION TREE

1. Does the CAPITAL PROJECT/CAPITAL EXPENSE identify a Public Health effect or need OR a Negative Economic Impact caused by COVID-19? (can be immediate or extended exacerbated effect but must be related to COVID-19)
YES ☒ **NO** ☐ **MAYBE/UNKNOWN** ☐
2. Does the CAPITAL PROJECT/CAPITAL EXPENSE respond to or address the COVID-19 effect or need identified in question 1 above?
YES ☒ **NO** ☐ **MAYBE/UNKNOWN** ☐
3. Is the CAPITAL PROJECT/CAPITAL EXPENSE specifically enumerated in the U.S. Treasury's Final Rule as potentially eligible (See pages 4-6 of this worksheet)?
YES ☒ **NO** ☐ (see 4 below) **MAYBE/UNKNOWN** ☐
4. If NO, can a justification be identified which addresses the Public Health effects or needs OR a Negative Economic Impact caused by COVID-19?
YES ☐ **NO** ☐ **MAYBE/UNKNOWN** ☐
5. Is the CAPITAL PROJECT/CAPITAL EXPENSE reasonably related and proportionate to address the harm?
YES ☒ **NO** ☐ **MAYBE/UNKNOWN** ☐

COSTS ARE POTENTIALLY ELIGIBLE ☒
Documents Project Expenditures in
Accordance with CEO Instructions

COSTS ARE LIKELY INELIGIBLE ☐
Consult with County Counsel and CEO

If your answer was NO to any questions or you are not sure, contact your County Counsel for further discussion on eligibility. If your answer to 1, 2, 4, and 5 was YES, move to Public Health/Negative Economic Impact Capital Project ~ Supporting Justification on next page.

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

Page 1 of 7

1. Rules to consider:

- Capital Expenditures must support an eligible public health or negative economic response.
- Capital Expenditures must be reasonably proportional to the harm identified. (FR pg. 57)
- Capital Expenditures are not presumed proportional to the harm. (FR pg. 57)
- Large projects may not be segmented to smaller projects to evade review and reporting. (FR pgs. 202-203)
- Expenditures from closely related activities directed toward a common purpose are one project. (FR pg. 202)
- A project includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment), or are of the same or similar type and would be utilized for a common purpose (e.g., acquisition of a fleet of ambulances that would be used for COVID-19 emergency response). (FR pg. 202)
- Treasury will use heightened scrutiny on large projects. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well (FR pg. 205)
- Capital expenditure means "expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life." (FR pg. 207)
- Capital assets means "tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with [Generally Accepted Accounting Principles]." Capital assets include lands, facilities, equipment, and intellectual property. Equipment means "tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000." (FR pg. 208)
- Supplies means all tangible personal property other than those included as "equipment," are not considered capital expenditures. (FR pg. 208)
- Unless noted by the US Treasury, all projects must comply with applicable federal, state, and local law, which includes environmental and permitting laws and regulations. (FR pg. 207, and pgs. 347-348)

2. Instructions for Completing Supporting Justification for Capital Projects/Expenditures:

Departments must provide sufficient detail and supporting information for each question below as it relates to the Capital Project/Expenditure being provided.

1. What is the name of the Capital Project/Expenditure being provided and which Department(s) will be administering the Capital Project/Expenditure.
Homekey 1.0 – Compton/SSG HOPICS

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

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CEO will administer the expenditure.

2. Provide a brief description of the Capital Project/Expenditure proposal.

As part of the State Project Homekey Round 1 Program, Los Angeles County (County) acquired several properties to use as housing for People Experiencing Homelessness (PEH) impacted by COVID-19 (Homekey 1 Properties). The Homekey 1 Properties, which include the Travel Plaza located in Compton, are currently operating as interim housing and will be converted to permanent supportive housing (PSH). The County will transfer ownership of the Travel Plaza in Compton to Special Services for Groups/HOPICS (SSG). The California Department of Housing and Community Development has approved the transfer of ownership of the property. With the ARP funds, SSG will renovate and convert the property from temporary housing to PSH (Project). The property will have 40 units. The scope of work consists of converting the interior and exterior of the building suitable for long term occupancy by residents, including adding of kitchenettes to each unit, upgraded services and community space and water and energy saving features throughout the project. Case management and supportive services will be provided on site.

3. Describe the projected cost of the Capital Project/Expenditure from beginning to end. (Project cannot be segmented in order to qualify or avoid reporting.)

The projected cost of the Project is \$16,185,090, which is the ARP amount needed to support the renovations. However, the entire capital project cost, which includes County's previous acquisition of the property and SSG's projected renovation cost, is \$18.5M. The County contributed \$5,000 in Coronavirus Relief Funds (CRF) to the acquisition of the property.

4. Explain whether the entire project can be obligated by December 31, 2024, and fully expended before December 31, 2026.

Yes, the property transfer and renovations will be completed by the end of 2024. As such, the funds will be obligated by December 31, 2024 and fully expended by December 31, 2026.

5. Explain how the Capital Project/Expenditure identifies a Public Health Negative Economic Impact effect or need caused by COVID-19. (Can be immediate, extended, or exacerbated effect, but must meet the test by being related to COVID-19.)

Based on the recent Greater Los Angeles Homeless Count, there are 69,144 PEH within the County. This is a 4.1 percent increase from the last count in 2020 when the count was at 66,436. In addition, there is a dire affordable housing shortage of nearly 500,000 units within the County according to California Housing Partnership's "2021 Los Angeles County Housing Need Report." PEH are inherently impacted by COVID-19 as they are at increased risk of infection owing to their lack of safe housing and conditions in shelters. In addition, the risk of severe COVID-19 is increased for PEH due to the

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

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high prevalence of medical comorbidities. The Homekey 1 Properties currently provide PEH who are impacted by COVID-19 with interim housing. The Project will provide the PEH population with permanent supportive housing.

6. Describe how the Capital Project/Expenditure responds to or addresses the COVID-19 effect or need.

The impacts of the COVID-19 pandemic have caused an increased number of people to live in the streets, with people of color being disproportionately represented among the homeless population as the pandemic has exacerbated the racial gaps in financial and housing security and health. In addition, the COVID-19 pandemic has reduced homeless and supportive services and housing/shelter availability due to health orders and guidelines. The Project will increase the supply of affordable housing in the County by creating additional PSH units to serve people experiencing chronic homelessness. PEH will have a permanent housing that provides onsite supportive services, including case management services. The Project will provide a safe and stable housing environment to help PEH exit homelessness and remain housed, improving their health and well-being.

7. If the Capital Project/Expenditure is specifically identified as a potentially eligible Capital Project, list the specified project and explain how the expense is reasonably related and proportionate to address the harm. (See enumerated potentially eligible Capital Project/Expenditures uses on pgs. 4-7 of this worksheet)

☒ Affordable housing (FR pg. 190)

The renovation costs/expenses are reasonable and consistent with the appraised value of the property. The property was previously underwritten by the County and California Department of Housing and Community Development (HCD) as part of the acquisition of the Homekey 1 Properties, with appraisals and other due diligence documentation reviewed by County and HCD staff.

8. If the Capital Project/Expenditure is not specifically identified as a potentially eligible use, explain how it addresses a Public Health or Negative Economic Impact and is reasonably related and proportionate to address the harm. (Projects that do not have a Public Health or Negative Economic Impact connection are likely ineligible.)

N/A.

9. Is the Capital Project/Expenditure listed in the Final Rule as ineligible? (See pages 6-7 of this worksheet.)

No.

**WORKSHEET 2 - DETAILED CAPITAL PROJECT
PROGRAM JUSTIFICATION**

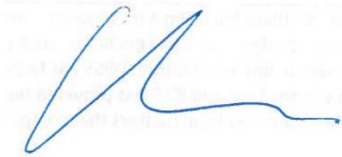
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10. All Capital Projects/Expenditures over \$1 million must complete a Written Justification required by the Treasury Final Rule. (See enclosed Written Justification Form.)

Attached.

11. All Recipients should determine that any responsive capital project is related and reasonably proportional to the public health emergency and its negative economic impacts, even projects under \$1 million. (FR pg. 201 fn 254 and 255)

Attached.



Elizabeth Ben-Ishai

Name/Signature of high level department person

2/6/2023

Date

Are there any attachments? YES ☒ NO ☐

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

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ENUMERATED CAPITAL PROJECTS/EXPENDITURES AND INELIGIBLE PROJECTS

Below is a non-exhaustive list of the U.S. Department of Treasury's Final Rule of enumerated and potentially eligible capital expenditures (page numbers refer to the Final Rule (FR)) as long as the projects are reasonably proportional responses (as defined in the Final Rule) to the harm identified:

MITIGATION & PREVENTION OF COVID-19

- ☐ Affordable Housing (FR pg 6)
- ☐ Childcare facilities (FR pg 6)
- ☐ Schools (FR pg 6)
- ☐ Hospitals (FR pg. 6)
- ☐ Ventilation improvements in congregate settings, healthcare settings or other key locations (FR pg. 56)
- ☐ Enhancements in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics or adaptations to public buildings to implement COVID-19 mitigation tactics (FR pg. 56)
- ☐ Improvements or construction of COVID-19 testing sites and laboratories, and acquisition of related equipment (FR pg. 60)
- ☐ Improvements or construction of COVID-19 vaccination sites (FR pg. 60)
- ☐ Improvements or construction of medical facilities generally dedicated to COVID-19 treatment and mitigation (e.g., emergency rooms, intensive care units, telemedicine capabilities for COVID-19 related treatment) (FR pg. 60)
- ☐ Expenses of establishing temporary medical facilities and other measures to increase COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or other emergency services equipment (FR pg. 61)
- ☐ Acquisition of equipment for COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or emergency services equipment (FR pg. 61)
- ☐ Improvements to or construction of emergency operations centers and acquisition of emergency response equipment (e.g., emergency response radio systems) (FR pg. 61)
- ☐ Installation and improvements of ventilation systems (FR pg. 61)
- ☐ Costs of establishing public health data systems, including technology infrastructure (FR pg. 61)
- ☐ Adaptations to congregate living facilities, including skilled nursing facilities, other long-term care facilities, incarceration settings, homeless shelters, residential foster care facilities, residential behavioral health treatment, and other group living facilities, as well as public facilities and schools (excluding construction of new facilities for the purpose of mitigating spread of COVID-19 in the facility) (FR pg. 61)
- ☐ Mitigation measures in small businesses, nonprofits, and impacted industries (e.g., developing outdoor spaces) (FR pg. 61)
- ☐ Physical plant changes to enable greater use of outdoor spaces or ventilation improvements (FR pg. 64)
- ☐ Establishing an outdoor patio for restaurants (FR pg. 64)

WORKSHEET 2 - DETAILED CAPITAL PROJECT **PROGRAM JUSTIFICATION**

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- ☐ Behavioral health facilities and equipment (FR pg. 69)
- ☐ Inpatient or outpatient mental health or substance abuse use treatment facilities, crisis centers, diversion centers (FR pg. 69)

NEGATIVE ECONOMIC IMPACTS

- ☐ Capital expenditures related to food banks and other facilities primarily dedicated to addressing food insecurity (FR pg. 81)
- ☐ Transitional shelters (temporary residences for people experiencing homelessness) (FR pg. 83)
- ☐ Capital expenditures for internet access like equipment, property, and facilities (FR pgs. 89-90)
- ☐ Improvements to or new construction of childcare, daycare, and early learning facilities are eligible capital expenditures (FR pg. 97)
- ☒ Affordable housing development projects that expand the supply of long-term housing (FR pg. 106)
- ☐ Projects that are eligible under either the National Housing Trust Fund (HTF) or the Home Investment Partnerships Program (Home) (FR pg. 106)
- ☒ Permanent supportive housing (FR pg. 108)
- ☒ Affordable housing developments targeted to specialized populations (FR pg. 108)
- ☐ Recovery housing for individuals in recovery from substance abuse (FR pg. 108)
- ☐ Rehabilitation or repair of public housing (FR pg. 108)
- ☐ Job and work force training centers (FR pg. 117)
- ☐ Improvements to existing facilities to remediate lead contaminants (removal of lead paint) (FR pg. 127)
- ☐ Primary care clinics, hospitals or integrations of health services in other settings (FR pg. 128)
- ☐ Parks, green spaces, recreational facilities, sidewalks, pedestrian safety features like crosswalks, projects that increase access to healthy foods, streetlights, neighborhood cleanup and projects to revitalize public spaces (FR pgs. 132-133)
- ☐ Vacant or abandoned property:
 - ☐ Rehabilitation, renovation, maintenance, or costs to secure vacant or abandoned properties to reduce their negative impact
 - ☐ Costs associated with acquiring and securing legal title of vacant or abandoned properties and other costs to position the property for current or future productive use
 - ☐ Removal and remediation of environmental contaminants or hazards from vacant or abandoned properties, when conducted in compliance with applicable environmental laws or regulations
 - ☐ Demolition or deconstruction of vacant or abandoned buildings (including residential, commercial, or industrial buildings) paired with greening or other lot improvement as part of a strategy for neighborhood revitalization (use care not to exacerbate housing shortage FR pgs. 135-136)
 - ☐ Greening or cleanup of vacant lots, as well as other efforts to make vacant lots safer for the surrounding community (includes residential, commercial, or industrial buildings FR pg. 135)
 - ☐ Conversion of vacant or abandoned properties to affordable housing

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

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- ☐ Inspection fees and other administrative costs incurred to ensure compliance with applicable environmental laws and regulations for demolition, greening, or other remediation activities (FR pg. 134)
- ☐ Rehabilitation of commercial properties, storefront improvement, and façade improvements (FR pg. 151)
- ☐ Potential expenditures for nonprofits (FR pg. 155)
- ☐ Capital expenditures such as technology infrastructure to adapt government operations to the pandemic (FR pg. 190)
- ☐ Video-conferencing software, improvements to case management systems or data sharing resources (FR pg. 190)
- ☐ Reduce government backlogs, or meet increased maintenance needs are eligible (FR pg. 190)

SPECIFICALLY ENUMERATED CAPITAL EXPENDITURES IN CAPITAL PROJECTS SECTIONS (FR pgs. 190-206)

- ☐ Capital investments in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics (FR pg. 190)
- ☐ Adaptations to public buildings to implement COVID-19 mitigation tactics (FR pg. 190)
- ☐ Ventilation improvements in congregate settings, health care settings, or other key locations (FR pg. 190)
- ☐ Assistance to small businesses and nonprofits and aid to impacted industries to implement COVID-19 prevention or mitigation tactics, such as physical plant changes to enable social distancing (FR pg. 190)
- ☒ Affordable housing (FR pg. 190)
- ☐ Entire scope of capital project could include all activities toward a common purpose including capital expenditures, as well as expenditures on related programs, services, or other interventions (FR pg. 202)
- ☐ A project also includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment) (FR pg. 202)
- ☐ Projects that are interdependent or are of the same or similar type and would be utilized for a common purpose such as acquisition of a fleet of ambulances that would be used for COVID-19 emergency response (FR pg. 202)
- ☐ Pre-project development costs that are tied to or reasonably expected to lead to an eligible capital expenditure (FR pg. 208)
- ☐ Planning and engineering for an eligible project (FR pg. 208)

POTENTIALLY INELIGIBLE AND INELIGIBLE PROJECTS

- ☐ Large projects may be less likely to be reasonably proportional to the harm (e.g., construction of a new, larger public facility for the purpose of increasing the ability to socially distance generally as less time and resource-intensive options maybe be available. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well. (FR pgs. 194-195, 205)
- ☐ Infrastructure Projects are not in the scope of capital projects (FR pg. 195)

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

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- ☐ Brand new correctional facilities are generally not eligible (Capital Expenditures must be related and proportional to the harm – i.e. not proportional to the rising crime rate in relation to the pandemic. FR pgs. 199-200)
- ☐ Construction of new congregate facilities are generally not proportional to the response to mitigate or prevent COVID-19 because it is generally more costly than other alternatives (FR pg. 200)
- ☐ Large capital expenditures intended for general economic development or to aid in travel, tourism, and hospitality centers like convention centers and stadiums on balance are generally not proportional to addressing negative economic impacts (FR pg. 200)

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

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Written Justification and Reporting the Justification to Treasury: (Recipients must provide reports on Capital Projects in the mandatory ARP reporting as required below.) (FR pg. 201)

If a project has total expected capital expenditures of	and the use is enumerated by Treasury as eligible, then	and the use is beyond those enumerated by Treasury as eligible, then
Less than \$1 million	No Written Justification required (Supporting documentation must still be maintained.)	No Written Justification required (Supporting documentation must still be maintained.)
Greater than or equal to \$1million, but less than \$10 million	Written Justification but recipients are not required to submit as part of regular reporting to Treasury	Written Justification required and recipients must submit as part of regular reporting to Treasury
\$10 million or more	Written Justification required and recipients must submit as part of regular reporting to Treasury	

Provide supportive details to the following questions:

- 1. Describe the Public Health harm or Negative Economic Impact need to be addressed:** (Recipients should provide a description of the specific harm or need to be addressed, and why the harm was exacerbated or caused by the public health emergency. When appropriate, recipients may provide quantitative information on the extent and type of harm, such as the number of individuals or entities affected. (FR pgs. 196-197)

The COVID-19 pandemic greatly impacted PEH due to reduced homeless and supportive services, housing and economic opportunities. The homelessness crisis in the County pre-dates the pandemic, but was exacerbated by the pandemic, due to the economic impacts on communities and because many PEH are in poor health and/or having underlying conditions that make them more vulnerable to COVID-19. Based on the recent Greater Los Angeles Homeless Count, there are 69,144 PEH the County, which is a 4.1% increase from the last count in 2020 when the count was at 66,436. Further, between the 12-month period preceding the first reported COVID-19 death of a PEH in the County (April 1st, 2019-March 31st, 2020) and the 12-month pandemic period that followed (April 1st, 2020-March 31st, 2021), the overall number of deaths among people experiencing homelessness increased by 56%, from 1,271 to 1,988 deaths.

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

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2. **Explain why a capital expenditure is appropriate:** (Recipients should provide an independent assessment demonstrating why a capital expenditure is appropriate to address the specified harm or need. (FR pg. 197)

The Project will create more affordable housing by providing an additional 40 PSH units within the County to serve people experiencing chronic homelessness. The most effective response to homelessness is to provide PSH to PEH because PSH pairs housing with supportive services. The County has a deficit of affordable housing. According to the California Housing Partnership's report "2021 Los Angeles County Housing Need Report," there is a dire affordable housing shortage of nearly 500,000 units within the County and a large number of low-income households do not have access to an affordable home. According to the Los Angeles Homeless Services Authority (LAHSA), the County has a shortfall of more than 20,000 permanent supportive housing units. Even with the more than 12,000 permanent supportive housing units in the pipeline, there remains a shortfall of nearly 8,000 units.

- a. **Explain why existing capital equipment, property or facilities would be inadequate to address the harm or need.**

The County needs more PSH units. As noted, there is a shortfall in affordable and supportive housing within the County; existing capital properties would not meet the need.

- b. **Explain why policy changes or additional funding to pertinent programs or services would be insufficient without the corresponding capital expenditure.**

Additional funding would not on its own, without capital expenditures, increase the supply of affordable housing.

3. **Provide a comparison of the proposed capital expenditure against alternative capital expenditures:** (Recipients should provide an objective comparison of the proposed capital expenditure against at least two alternative capital expenditures that could be made. Use quantitative data when available, or supplement with qualitative information and narrative description. Analyses with little to no quantitative or qualitative data must provide an explanation for doing so. (FR pgs. 197-198)

- a. **Assess the proposed capital expenditure against at least two alternative types or sizes of capital expenditures that are potentially effective and reasonably feasible.**

Alternative 1: New construction

Building permanent supportive housing (PSH) from the ground up – new construction – is considerably more expensive than a motel conversion. According to a report

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

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issued by the City of Los Angeles Controller, the average cost per unit for PSH built using Proposition HHH is between \$531,711 (projects under construction) and \$558,847 (projects in pre-development). In comparison, the per unit cost for the project proposed here is \$387,000.

Alternative 2: Acquire building outside of the State of California Homekey Program. The State of California allocated \$1.45B to the Homekey Program for fiscal year 2021-2022. This program provides funding to acquire and develop homeless housing, with local jurisdictions providing matching funds. For the Travel Plaza Inn Compton, the state awarded the County \$6,580,000 of the total 6,584,835 acquisition cost. If the County pursued the acquisition of this property, or a similar property, outside of the Homekey program, and renovated/converted it into a PSH, it would need to contribute more than the amount of capital funding for this project. Moreover, the legislation that established the Homekey program includes language that streamlines the entitlement and environmental review processes, enabling the project to be completed faster than it might otherwise be – and allowing the County to serve this vulnerable PEH population more quickly.

- b. If relevant, compare the proposal against the alternative of improving of improving existing capital assets already owned or leasing other capital assets.**

Compared to the other alternatives, renovating and converting a Homekey property into a PSH is the quickest and least expensive way to increase permanent supportive housing within the County for our vulnerable PEH population.

4. Consider the following factors in comparing this proposal to other alternatives:

- a. Compare the effectiveness of capital expenditures in addressing the harm identified.** (Recipients should generally consider the effectiveness of the capital expenditures in addressing the harm over the useful life of the capital asset and may consider metrics such as the number of impacted or disproportionately impacted individuals or entities served. (FR pg. 198)

The alternatives would address the harm identified in the same way and to the same extent, but because they are costlier, they would result in less funding available for other critical interventions to serve PEH.

- b. Identify the relevant time horizons of the project, and describe any uncertainties or risks involved with the capital expenditures.**

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION
(Required by U.S. Department of Treasury)

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For the proposed project construction will be complete by 2024 and occupancy will begin immediately.

Alternative 1 would take significantly longer as the ground up construction would require more time than a project modifying an existing structure.

Alternative 2 would take significantly longer as well because it would require the County to go through the usual processes to acquire a building and then renovate it. The approval processes could slow down progress.

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

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- c. Compare the expected total cost of the capital expenditures.** (Recipients should consider the expected total cost of the capital expenditure required to construct, purchase, install, or improve the capital assets intended to address the public health or negative economic impact of the public health emergency. Predevelopment costs should be included in the calculation and may choose to include information on ongoing operational costs – although not required. (FR pg. 198)

- Alternative 1: Expected costs would be approximately \$22M (average of above listed average per unit costs for new PSH construction for 40 units)
- Alternative 2: Expected County contribution (ARP) would increase from \$16M to \$18.5M.

- d. Demonstrate how the proposed capital expenditure is superior (i.e. effectiveness).** (Recipients should balance the effectiveness and costs of the proposed capital expenditure and against alternative and demonstrate that their proposed capital expenditure is superior. Recipients should choose the most cost-effective option unless it substantively reduces the effectiveness of the capital investment in addressing the harm identified. Additional factors impacting effectiveness include when the facilities will become operational etc. See examples of the analysis pgs. (FR 198-199).

The State's report on the first round of Homekey funding, which supported local jurisdictions' purchase and rehabilitation of motel and hotel to be used as interim and permanent housing for PEH, found that it promoted expedient, cost-effective housing solutions. Motel conversions are faster and lower in cost than new construction. Moreover, the funding offered through Homekey provides a once in a generation opportunity for local jurisdictions like the County to considerably increase the availability of homeless housing, in particular PSH, to address the homelessness crisis. According to the National Alliance to End Homelessness, which provides data and research to policymakers and elected officials in order to inform policy debates, PSH is a proven solution to homelessness for the most vulnerable chronically homeless people. It is cost-effective and has been shown to lower public costs associated with the use of crisis services such as shelters, hospitals, jails and prisons.



**AMERICAN RESCUE PLAN PROPOSAL
CAPITAL EXPENDITURES
Project Homekey 1.0 – Hacienda Heights/WORKS**



I. TABLE OF CONTENTS:

Page 1 – Instructions

Page 2 – Basic Eligibility Overview

Page 3 to 6 – Enumerated Capital Projects/Expenditures; Ineligible Projects; and General Rules

Worksheet 1 – Initial Eligibility Screening

Worksheet 2 - Detailed Capital Project Program Justification (fillable form)

Worksheet 3 – Written Justification/Reporting Documentation (fillable form)

II. INSTRUCTIONS FOR COMPLETING THE CAPITAL EXPENDITURES ELIGIBILITY WORKSHEETS IN THIS DOCUMENT:

1. Worksheet 1 - Initial Eligibility Screening:

Complete Worksheet 1 as the initial screening for eligibility of a capital project/expenditure. If your answer is NO to any questions on the Initial Eligibility Screening, or you are not sure, contact your County Counsel for further discussion on eligibility. If your answer to 1, 2, 4, and 5 is YES, move to Detailed Capital Project ~ Program Justification (Worksheet 2).

2. Worksheet 2 - Detailed Capital Project Program Justification:

Complete Worksheet 2 if your answer to 1, 2, 4, and 5 is YES on the Initial Eligibility Screening Worksheet 1. This form will provide further details to support eligibility.

3. Worksheet 3 - Written Justification/Reporting Documentation:

Complete Worksheet 3 only if the capital project is preliminarily approved to proceed or as directed. Worksheet 3 is required as a written justification by the U.S. Treasury and may be required to be submitted as part of the County's reporting obligations for the American Rescue Plan Funding.

III. BASIC ELIGIBILITY FOR CAPITAL PROJECTS – TWO-PART TEST:

Part 1. Capital Expenditures must respond to an eligible public health impact of COVID-19 or a negative economic response caused by COVID-19.

- An eligible **public health response** is defined as a response to a negative public health impact or harm experienced by individuals or a class. The Final Rule lists 4 types of public health problems demonstrating a public health response to the public health emergency. (FR pg. 20)
 - 1) COVID-19 Mitigation and Prevention
 - 2) Medical Expenses
 - 3) Behavioral Health, and
 - 4) Preventing and Responding to Violence
- The Final Rule describes "responding to" the public health emergency as addressing the SARS-CoV-2 virus itself, supporting efforts to prevent or decrease spread of the disease, and addressing other impacts of the pandemic on public health. (FR pgs. 53-54) (See the Eligible Projects from FR on Pages 3, 4, 5, and 6 below.)
- An eligible **response to the negative economic impacts of the pandemic** is designed to respond to a harm or impact experienced by a beneficiary or a class of beneficiaries to whom the capital expenditure will benefit. Tends to address a need of individuals, businesses or nonprofits that were disproportionately impacted or impacted by the pandemic.
- For Capital Expenditures, the Final Rule identifies potentially eligible projects from all categories but primarily eligibility falls in two categories: 1) Mitigation and Prevention of COVID-19; and 2) Responding to the Negative Economic Impacts of COVID-19. All enumerated eligible uses from the Final Rule are listed on the Enumerated Eligible Projects List on Pages 3, 4, 5, and 6 below.

Part 2: Capital Expenditures must be related and reasonably proportional to the harm identified. (FR pgs. 57, 192)

- Reasonably proportional refers to the scale of the response (i.e. project) to the scale of the harm. (FR pg. 91) The cost cannot be grossly in excess of the amount needed to address the harm, or the negative economic impact.
- Examples in the Final Rule include affordable housing projects that increase the supply of affordable housing for low-income individuals. While there may be less costly alternatives, targeted increase in supply could still be cost effective. (FR pg. 106.)
- Capital projects under \$1 million are presumed proportional so long as they respond to a harm caused or exacerbated by the pandemic. (FR pg. 193)
- However, the Final Rule also cites as an example of a lack of proportionality that a capital project used to expand a public building to increase social distancing compared to other less time-consuming and resource intensive alternatives would not be proportional. (FR pg. 194)

ENUMERATED CAPITAL PROJECTS/EXPENDITURES; INELIGIBLE PROJECTS; AND GENERAL RULES

Below is the list of Treasury's enumerated and potentially eligible capital expenditures (page numbers refer to the Final Rule (FR)) as long as the projects are related and reasonably proportional responses to the harm identified:

MITIGATION & PREVENTION OF COVID-19

- ☐ Affordable Housing (FR pg 6, 106, 108)
- ☐ Childcare facilities (FR pg 6)
- ☐ Schools (FR pg 6)
- ☐ Hospitals (FR pg. 6)
- ☐ Ventilation improvements in congregate settings, healthcare settings or other key locations (FR pg. 56)
- ☐ Enhancements in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics or adaptations to public buildings to implement COVID-19 mitigation tactics (FR pg. 56)
- ☐ Improvements or construction of COVID-19 testing sites and laboratories, and acquisition of related equipment (FR pg. 60)
- ☐ Improvements or construction of COVID-19 vaccination sites (FR pg. 60)
- ☐ Improvements or construction of medical facilities generally dedicated to COVID-19 treatment and mitigation (e.g., emergency rooms, intensive care units, telemedicine capabilities for COVID-19 related treatment) (FR pg. 60)
- ☐ Expenses of establishing temporary medical facilities and other measures to increase COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or other emergency services equipment (FR pg. 61)
- ☐ Acquisition of equipment for COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or emergency services equipment (FR pg. 61)
- ☐ Improvements to or construction of emergency operations centers and acquisition of emergency response equipment (e.g., emergency response radio systems) (FR pg. 61)
- ☐ Installation and improvements of ventilation systems (FR pg. 61)
- ☐ Costs of establishing public health data systems, including technology infrastructure (FR pg. 61)
- ☐ Adaptations to congregate living facilities, including skilled nursing facilities, other long-term care facilities, incarceration settings, homeless shelters, residential foster care facilities, residential behavioral health treatment, and other group living facilities, as well as public facilities and schools (excluding construction of new facilities for the purpose of mitigating spread of COVID-19 in the facility) (FR pg. 61)
- ☐ Mitigation measures in small businesses, nonprofits, and impacted industries (e.g., developing outdoor spaces) (FR pg. 61)
- ☐ Physical plant changes to enable greater use of outdoor spaces or ventilation improvements (FR pg. 64)
- ☐ Establishing an outdoor patio for restaurants (FR pg. 64)
- ☐ Behavioral health facilities and equipment (FR pg. 69)
- ☐ Inpatient or outpatient mental health or substance abuse use treatment facilities, crisis centers, diversion centers (FR pg. 69)

NEGATIVE ECONOMIC IMPACTS

- ☐ Capital expenditures related to food banks and other facilities primarily dedicated to addressing food insecurity (FR pg. 81)
- ☐ Transitional shelters (temporary residences for people experiencing homelessness) (FR pg. 83)
- ☐ Capital expenditures for internet access like equipment, property, and facilities (FR pgs. 89-90)
- ☐ Improvements to or new construction of childcare, daycare, and early learning facilities are eligible capital expenditures (FR pg. 97)
- ☐ Affordable housing development projects that expand the supply of long-term housing (FR pg. 106)
- ☐ Projects that are eligible under either the National Housing Trust Fund (HTF) or the Home Investment Partnerships Program (Home) (FR pg. 106)
- ☐ Permanent supportive housing (FR pg. 108)
- ☐ Affordable housing developments targeted to specialized populations (FR pg. 108)
- ☐ Recovery housing for individuals in recovery from substance abuse (FR pg. 108)
- ☐ Rehabilitation or repair of public housing (FR pg. 108)
- ☐ Job and work force training centers (FR pg. 117)
- ☐ Improvements to existing facilities to remediate lead contaminants (removal of lead paint) (FR pg. 127)
- ☐ Primary care clinics, hospitals or integrations of health services in other settings (FR pg. 128)
- ☐ Parks, green spaces, recreational facilities, sidewalks, pedestrian safety features like crosswalks, projects that increase access to healthy foods, streetlights, neighborhood cleanup and projects to revitalize public spaces (FR pgs. 132-133)
- ☐ Vacant or abandoned property (FR pgs. 134-136):
 - ☐ Rehabilitation, renovation, maintenance, or costs to secure vacant or abandoned properties to reduce their negative impact
 - ☐ Costs associated with acquiring and securing legal title of vacant or abandoned properties and other costs to position the property for current or future productive use
 - ☐ Removal and remediation of environmental contaminants or hazards from vacant or abandoned properties, when conducted in compliance with applicable environmental laws or regulations
 - ☐ Demolition or deconstruction of vacant or abandoned buildings (including residential, commercial, or industrial buildings) paired with greening or other lot improvement as part of a strategy for neighborhood revitalization (use care not to exacerbate housing shortage)
 - ☐ Greening or cleanup of vacant lots, as well as other efforts to make vacant lots safer for the surrounding community (includes residential, commercial, or industrial buildings)
 - ☐ Conversion of vacant or abandoned properties to affordable housing
 - ☐ Inspection fees and other administrative costs incurred to ensure compliance with applicable environmental laws and regulations for demolition, greening, or other remediation activities
- ☐ Rehabilitation of commercial properties, storefront improvement, and façade improvements (FR pg. 151)
- ☐ Potential expenditures for nonprofits (FR pg. 155)
- ☐ Capital expenditures such as technology infrastructure to adapt government operations to the pandemic (FR pg. 190)

- ☐ Video-conferencing software, improvements to case management systems or data sharing resources (FR pg. 190)
- ☐ Reduce government backlogs, or meet increased maintenance needs are eligible (FR pg. 190)

SPECIFICALLY ENUMERATED CAPITAL EXPENDITURES IN CAPITAL PROJECTS SECTIONS (FR pgs. 190-206)

- ☐ Capital investments in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics (FR pg. 190)
- ☐ Adaptations to public buildings to implement COVID-19 mitigation tactics (FR pg. 190)
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- ☐ Assistance to small businesses and nonprofits and aid to impacted industries to implement COVID-19 prevention or mitigation tactics, such as physical plant changes to enable social distancing (FR pg. 190)
- ☐ Affordable housing (FR pg. 190)
- ☐ Entire scope of capital project could include all activities toward a common purpose including capital expenditures, as well as expenditures on related programs, services, or other interventions (FR pg. 202)
- ☐ A project also includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment) (FR pg. 202)
- ☐ Projects that are interdependent or are of the same or similar type and would be utilized for a common purpose such as acquisition of a fleet of ambulances that would be used for COVID-19 emergency response (FR pg. 202)
- ☐ Pre-project development costs that are tied to or reasonably expected to lead to an eligible capital expenditure (FR pg. 208)
- ☐ Planning and engineering for an eligible project (FR pg. 208)

POTENTIALLY INELIGIBLE AND INELIGIBLE PROJECTS

- ☐ Large projects may be less likely to be reasonably proportional to the harm (e.g., construction of a new, larger public facility for the purpose of increasing the ability to socially distance generally as less time and resource-intensive options maybe be available. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well. (FR pgs. 194-195, 205)
- ☐ Infrastructure Projects are not in the scope of capital projects (FR pg. 195)
- ☐ Brand new correctional facilities are generally not eligible (Capital Expenditures must be related and proportional to the harm – i.e. not proportional to the rising crime rate in relation to the pandemic. FR pgs. 199-200)
- ☐ Construction of new congregate facilities are generally not proportional to the response to mitigate or prevent COVID-19 because it is generally more costly than other alternatives (FR pg. 200)
- ☐ Large capital expenditures intended for general economic development or to aid in travel, tourism, and hospitality centers like convention centers and stadiums on balance are generally not proportional to addressing negative economic impacts (FR pg. 200)

OTHER GENERAL RULES ON CAPITAL PROJECTS FROM TREASURY:

- Capital Expenditures are not presumed to be reasonably proportional in response to the harm and must be demonstrated. (FR pgs. 57, 193)
- Large projects may not be segmented to smaller projects to evade review and reporting. (FR pgs. 202-203)
- Expenditures from closely related activities directed toward a common purpose are one project. (FR pg. 202)
- A project includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment), or are of the same or similar type and would be utilized for a common purpose (e.g., acquisition of a fleet of ambulances that would be used for COVID-19 emergency response). (FR pg. 202)
- Treasury will use heightened scrutiny on large projects. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well (FR pg. 205)
- Capital expenditure means "expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life." (FR pg. 207)
- Capital assets means "tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with [Generally Accepted Accounting Principles]." Capital assets include lands, facilities, equipment, and intellectual property. Equipment means "tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000." (FR pg. 208)
- Supplies means all tangible personal property other than those included as "equipment," are not considered capital expenditures. (FR pg. 208)
- Unless noted by the US Treasury, all projects must comply with applicable federal, state, and local law, which includes environmental and permitting laws and regulations. (FR pg. 207, and pgs. 347-348)

WORKSHEET 1 - INITIAL ELIGIBILITY SCREENING

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AMERICAN RESCUE PLAN PROPOSAL CAPITAL EXPENDITURES



Department: **CEO**

Program/Expense/Service Title: **Project Homekey 1.0 – Hacienda Heights/WORKS**

Amount Requested: **\$31,555,250**

DECISION TREE

1. Does the CAPITAL PROJECT/CAPITAL EXPENSE identify a Public Health effect or need OR a Negative Economic Impact caused by COVID-19? (can be immediate or extended exacerbated effect but must be related to COVID-19)
YES ☐ **NO** ☐ **MAYBE/UNKNOWN** ☐
2. Does the CAPITAL PROJECT/CAPITAL EXPENSE respond to or address the COVID-19 effect or need identified in question 1 above?
YES ☐ **NO** ☐ **MAYBE/UNKNOWN** ☐
3. Is the CAPITAL PROJECT/CAPITAL EXPENSE specifically enumerated in the U.S. Treasury's Final Rule as potentially eligible (See pages 4-6 of this worksheet)?
YES ☐ **NO** ☐ (see 4 below) **MAYBE/UNKNOWN** ☐
4. If NO, can a justification be identified which addresses the Public Health effects or needs OR a Negative Economic Impact caused by COVID-19?
YES ☐ **NO** ☐ **MAYBE/UNKNOWN** ☐
5. Is the CAPITAL PROJECT/CAPITAL EXPENSE reasonably related and proportionate to address the harm?
YES ☐ **NO** ☐ **MAYBE/UNKNOWN** ☐

COSTS ARE POTENTIALLY ELIGIBLE ☐

Documents Project Expenditures in
Accordance with CEO Instructions

COSTS ARE LIKELY INELIGIBLE ☐

Consult with County Counsel and CEO

If your answer was NO to any questions or you are not sure, contact your County Counsel for further discussion on eligibility. If your answer to 1, 2, 4, and 5 was YES, move to Public Health/Negative Economic Impact Capital Project ~ Supporting Justification on next page.

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

Page 1 of 7

1. Rules to consider:

- Capital Expenditures must support an eligible public health or negative economic response.
- Capital Expenditures must be reasonably proportional to the harm identified. (FR pg. 57)
- Capital Expenditures are not presumed proportional to the harm. (FR pg. 57)
- Large projects may not be segmented to smaller projects to evade review and reporting. (FR pgs. 202-203)
- Expenditures from closely related activities directed toward a common purpose are one project. (FR pg. 202)
- A project includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment), or are of the same or similar type and would be utilized for a common purpose (e.g., acquisition of a fleet of ambulances that would be used for COVID-19 emergency response). (FR pg. 202)
- Treasury will use heightened scrutiny on large projects. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well (FR pg. 205)
- Capital expenditure means "expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life." (FR pg. 207)
- Capital assets means "tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with [Generally Accepted Accounting Principles]." Capital assets include lands, facilities, equipment, and intellectual property. Equipment means "tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000." (FR pg. 208)
- Supplies means all tangible personal property other than those included as "equipment," are not considered capital expenditures. (FR pg. 208)
- Unless noted by the US Treasury, all projects must comply with applicable federal, state, and local law, which includes environmental and permitting laws and regulations. (FR pg. 207, and pgs. 347-348)

2. Instructions for Completing Supporting Justification for Capital Projects/Expenditures:

Departments must provide sufficient detail and supporting information for each question below as it relates to the Capital Project/Expenditure being provided.

1. What is the name of the Capital Project/Expenditure being provided and which Department(s) will be administering the Capital Project/Expenditure.
Homekey 1.0 – Motel 6 Hacienda Heights

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

Page 2 of 7

CEO will administer the expenditure.

2. Provide a brief description of the Capital Project/Expenditure proposal.

As part of the State Project of Homekey Round 1 Program, Los Angeles County (County) acquired several properties to use as housing for People Experiencing Homelessness (PEH) impacted by COVID-19 (Homekey 1 Properties). The Homekey 1 Properties, which include the Motel 6 Hacienda Heights, are currently operating as interim housing and will be converted to permanent supportive housing (PSH). The County will transfer ownership of Motel 6 Hacienda Heights to Women, Organizing Resources, Knowledge & Services (WORKS). The California Department of Housing and Community Development has approved the transfer of ownership of the property. With the ARP funds, WORKS will renovate and convert the property from temporary housing to PSH (Project). The property will have 156 residential units with 2 manager's units. Unit sizes will remain the same averaging about 234 sq. ft. Case management and supportive services will be available onsite for PEH.

3. Describe the projected cost of the Capital Project/Expenditure from beginning to end. (Project cannot be segmented in order to qualify or avoid reporting.)

The projected cost of the Project is \$31,555,250, which is the ARP amount needed to support the renovations. However, the entire capital project, which includes County's previous acquisition of the property and WORKS's projected renovation cost, is \$54M.

4. Explain whether the entire project can be obligated by December 31, 2024, and fully expended before December 31, 2026.

Yes, the property transfer and renovations will be completed by the end of 2024. As such, the funds will be obligated by December 31, 2024 and fully expended by December 31, 2026.

5. Explain how the Capital Project/Expenditure identifies a Public Health Negative Economic Impact effect or need caused by COVID-19. (Can be immediate, extended, or exacerbated effect, but must meet the test by being related to COVID-19.)

Based on the recent Greater Los Angeles Homeless Count, there are 69,144 PEH within the County. This is a 4.1 percent increase from the last count in 2020 when the count was at 66,436. In addition, there is a dire affordable housing shortage of nearly 500,000 units within the County according to California Housing Partnership's "2021 Los Angeles County Housing Need Report." PEH are inherently impacted by COVID-19 as they are at increased risk of infection owing to their lack of safe housing and conditions in shelters. In addition, the risk of severe COVID-19 is increased for PEH due to the high prevalence of medical comorbidities. The Homekey 1 Properties currently provide PEH who are impacted by COVID-19 with interim housing. The Project will provide the PEH population with permanent supportive housing.

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

Page 3 of 7

6. Describe how the Capital Project/Expenditure responds to or addresses the COVID-19 effect or need.

The impacts of the COVID-19 pandemic have caused an increase in the number of to live in the streets, with people of color being disproportionately represented among the homeless population as the pandemic has exacerbated the racial gaps in financial and housing security and health. In addition, the COVID-19 pandemic has reduced homeless and supportive services and housing/shelter availability due to health orders and guidelines. The Project will increase the supply of affordable housing in the County by creating an additional 156 PSH units to serve people experiencing chronic homelessness. PEH will have a permanent housing that provides onsite supportive services including case management services. The Project will provide a safe and stable housing environment to help PEH exit homelessness and remain housed, improving their health and well-being.

7. If the Capital Project/Expenditure is specifically identified as a potentially eligible Capital Project, list the specified project and explain how the expense is reasonably related and proportionate to address the harm. (See enumerated potentially eligible Capital Project/Expenditures uses on pgs. 4-7 of this worksheet)

☐ Affordable housing (FR pg. 190)

The rehabilitation costs/expenses are consistent with the appraised value of the property. The project was underwritten by the County and California Department of Housing and Community Development (HCD) as a part of the Homekey Program, with appraisals and other due diligence documentation reviewed by County and HCD staff.

8. If the Capital Project/Expenditure is not specifically identified as a potentially eligible use, explain how it addresses a Public Health or Negative Economic Impact and is reasonably related and proportionate to address the harm. (Projects that do not have a Public Health or Negative Economic Impact connection are likely ineligible.)

N/A.

9. Is the Capital Project/Expenditure listed in the Final Rule as ineligible? (See pages 6-7 of this worksheet.)

No.

10. All Capital Projects/Expenditures over \$1 million must complete a Written Justification required by the Treasury Final Rule. (See enclosed Written Justification Form.)

Attached.

11. All Recipients should determine that any responsive capital project is related and reasonably proportional to the public health emergency and its negative economic impacts, even projects under \$1 million. (FR pg. 201 fn 254 and 255)

**WORKSHEET 2 - DETAILED CAPITAL PROJECT
PROGRAM JUSTIFICATION**

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Attached.



Elizabeth Ben-Ishai

Name/Signature of high level department person

2/6/2023

Date

Are there any attachments? YES ☒ NO ☐

WORKSHEET 2 - DETAILED CAPITAL PROJECT **PROGRAM JUSTIFICATION**

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ENUMERATED CAPITAL PROJECTS/EXPENDITURES AND INELIGIBLE PROJECTS

Below is a non-exhaustive list of the U.S. Department of Treasury's Final Rule of enumerated and potentially eligible capital expenditures (page numbers refer to the Final Rule (FR)) as long as the projects are reasonably proportional responses (as defined in the Final Rule) to the harm identified:

MITIGATION & PREVENTION OF COVID-19

- ☐ Affordable Housing (FR pg 6)
- ☐ Childcare facilities (FR pg 6)
- ☐ Schools (FR pg 6)
- ☐ Hospitals (FR pg. 6)
- ☐ Ventilation improvements in congregate settings, healthcare settings or other key locations (FR pg. 56)
- ☐ Enhancements in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics or adaptations to public buildings to implement COVID-19 mitigation tactics (FR pg. 56)
- ☐ Improvements or construction of COVID-19 testing sites and laboratories, and acquisition of related equipment (FR pg. 60)
- ☐ Improvements or construction of COVID-19 vaccination sites (FR pg. 60)
- ☐ Improvements or construction of medical facilities generally dedicated to COVID-19 treatment and mitigation (e.g., emergency rooms, intensive care units, telemedicine capabilities for COVID-19 related treatment) (FR pg. 60)
- ☐ Expenses of establishing temporary medical facilities and other measures to increase COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or other emergency services equipment (FR pg. 61)
- ☐ Acquisition of equipment for COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or emergency services equipment (FR pg. 61)
- ☐ Improvements to or construction of emergency operations centers and acquisition of emergency response equipment (e.g., emergency response radio systems) (FR pg. 61)
- ☐ Installation and improvements of ventilation systems (FR pg. 61)
- ☐ Costs of establishing public health data systems, including technology infrastructure (FR pg. 61)
- ☐ Adaptations to congregate living facilities, including skilled nursing facilities, other long-term care facilities, incarceration settings, homeless shelters, residential foster care facilities, residential behavioral health treatment, and other group living facilities, as well as public facilities and schools (excluding construction of new facilities for the purpose of mitigating spread of COVID-19 in the facility) (FR pg. 61)
- ☐ Mitigation measures in small businesses, nonprofits, and impacted industries (e.g., developing outdoor spaces) (FR pg. 61)
- ☐ Physical plant changes to enable greater use of outdoor spaces or ventilation improvements (FR pg. 64)
- ☐ Establishing an outdoor patio for restaurants (FR pg. 64)

WORKSHEET 2 - DETAILED CAPITAL PROJECT **PROGRAM JUSTIFICATION**

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- ☐ Behavioral health facilities and equipment (FR pg. 69)
- ☐ Inpatient or outpatient mental health or substance abuse use treatment facilities, crisis centers, diversion centers (FR pg. 69)

NEGATIVE ECONOMIC IMPACTS

- ☐ Capital expenditures related to food banks and other facilities primarily dedicated to addressing food insecurity (FR pg. 81)
- ☐ Transitional shelters (temporary residences for people experiencing homelessness) (FR pg. 83)
- ☐ Capital expenditures for internet access like equipment, property, and facilities (FR pgs. 89-90)
- ☐ Improvements to or new construction of childcare, daycare, and early learning facilities are eligible capital expenditures (FR pg. 97)
- ☐ Affordable housing development projects that expand the supply of long-term housing (FR pg. 106)
- ☐ Projects that are eligible under either the National Housing Trust Fund (HTF) or the Home Investment Partnerships Program (Home) (FR pg. 106)
- ☐ Permanent supportive housing (FR pg. 108)
- ☐ Affordable housing developments targeted to specialized populations (FR pg. 108)
- ☐ Recovery housing for individuals in recovery from substance abuse (FR pg. 108)
- ☐ Rehabilitation or repair of public housing (FR pg. 108)
- ☐ Job and work force training centers (FR pg. 117)
- ☐ Improvements to existing facilities to remediate lead contaminants (removal of lead paint) (FR pg. 127)
- ☐ Primary care clinics, hospitals or integrations of health services in other settings (FR pg. 128)
- ☐ Parks, green spaces, recreational facilities, sidewalks, pedestrian safety features like crosswalks, projects that increase access to healthy foods, streetlights, neighborhood cleanup and projects to revitalize public spaces (FR pgs. 132-133)
- ☐ Vacant or abandoned property:
 - ☐ Rehabilitation, renovation, maintenance, or costs to secure vacant or abandoned properties to reduce their negative impact
 - ☐ Costs associated with acquiring and securing legal title of vacant or abandoned properties and other costs to position the property for current or future productive use
 - ☐ Removal and remediation of environmental contaminants or hazards from vacant or abandoned properties, when conducted in compliance with applicable environmental laws or regulations
 - ☐ Demolition or deconstruction of vacant or abandoned buildings (including residential, commercial, or industrial buildings) paired with greening or other lot improvement as part of a strategy for neighborhood revitalization (use care not to exacerbate housing shortage FR pgs. 135-136)
 - ☐ Greening or cleanup of vacant lots, as well as other efforts to make vacant lots safer for the surrounding community (includes residential, commercial, or industrial buildings FR pg. 135)
 - ☐ Conversion of vacant or abandoned properties to affordable housing

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

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- ☐ Inspection fees and other administrative costs incurred to ensure compliance with applicable environmental laws and regulations for demolition, greening, or other remediation activities (FR pg. 134)
- ☐ Rehabilitation of commercial properties, storefront improvement, and façade improvements (FR pg. 151)
- ☐ Potential expenditures for nonprofits (FR pg. 155)
- ☐ Capital expenditures such as technology infrastructure to adapt government operations to the pandemic (FR pg. 190)
- ☐ Video-conferencing software, improvements to case management systems or data sharing resources (FR pg. 190)
- ☐ Reduce government backlogs, or meet increased maintenance needs are eligible (FR pg. 190)

SPECIFICALLY ENUMERATED CAPITAL EXPENDITURES IN CAPITAL PROJECTS SECTIONS (FR pgs. 190-206)

- ☐ Capital investments in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics (FR pg. 190)
- ☐ Adaptations to public buildings to implement COVID-19 mitigation tactics (FR pg. 190)
- ☐ Ventilation improvements in congregate settings, health care settings, or other key locations (FR pg. 190)
- ☐ Assistance to small businesses and nonprofits and aid to impacted industries to implement COVID-19 prevention or mitigation tactics, such as physical plant changes to enable social distancing (FR pg. 190)
- ☐ Affordable housing (FR pg. 190)
- ☐ Entire scope of capital project could include all activities toward a common purpose including capital expenditures, as well as expenditures on related programs, services, or other interventions (FR pg. 202)
- ☐ A project also includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment) (FR pg. 202)
- ☐ Projects that are interdependent or are of the same or similar type and would be utilized for a common purpose such as acquisition of a fleet of ambulances that would be used for COVID-19 emergency response (FR pg. 202)
- ☐ Pre-project development costs that are tied to or reasonably expected to lead to an eligible capital expenditure (FR pg. 208)
- ☐ Planning and engineering for an eligible project (FR pg. 208)

POTENTIALLY INELIGIBLE AND INELIGIBLE PROJECTS

- ☐ Large projects may be less likely to be reasonably proportional to the harm (e.g., construction of a new, larger public facility for the purpose of increasing the ability to socially distance generally as less time and resource-intensive options maybe be available. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well. (FR pgs. 194-195, 205)
- ☐ Infrastructure Projects are not in the scope of capital projects (FR pg. 195)

WORKSHEET 2 - DETAILED CAPITAL PROJECT
PROGRAM JUSTIFICATION

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- ☐ Brand new correctional facilities are generally not eligible (Capital Expenditures must be related and proportional to the harm – i.e. not proportional to the rising crime rate in relation to the pandemic. FR pgs. 199-200)
- ☐ Construction of new congregate facilities are generally not proportional to the response to mitigate or prevent COVID-19 because it is generally more costly than other alternatives (FR pg. 200)
- ☐ Large capital expenditures intended for general economic development or to aid in travel, tourism, and hospitality centers like convention centers and stadiums on balance are generally not proportional to addressing negative economic impacts (FR pg. 200)

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

Page 1 of 3

Written Justification and Reporting the Justification to Treasury: (Recipients must provide reports on Capital Projects in the mandatory ARP reporting as required below.) (FR pg. 201)

If a project has total expected capital expenditures of	and the use is enumerated by Treasury as eligible, then	and the use is beyond those enumerated by Treasury as eligible, then
Less than \$1 million	No Written Justification required (Supporting documentation must still be maintained.)	No Written Justification required (Supporting documentation must still be maintained.)
Greater than or equal to \$1million, but less than \$10 million	Written Justification but recipients are not required to submit as part of regular reporting to Treasury	Written Justification required and recipients must submit as part of regular reporting to Treasury
\$10 million or more	Written Justification required and recipients must submit as part of regular reporting to Treasury	

Provide supportive details to the following questions:

1. **Describe the Public Health harm or Negative Economic Impact need to be addressed:** (Recipients should provide a description of the specific harm or need to be addressed, and why the harm was exacerbated or caused by the public health emergency. When appropriate, recipients may provide quantitative information on the extent and type of harm, such as the number of individuals or entities affected. (FR pgs. 196-197)

The COVID-19 pandemic greatly impacted PEH due to reduced homeless and other supportive services, housing capacity, and economic opportunities. The homelessness crisis in the County pre-dates the pandemic, but was exacerbated by the pandemic, due to the economic impacts on communities and because many PEH are in poor health or having underlying conditions that make them more vulnerable to COVID-19. Based on the recent Greater Los Angeles Homeless Count, there are 69,144 PEH within the County. Further, between the 12-month period preceding the first reported COVID-19 death of a PEH in the County (April 1st, 2019-March 31st, 2020) and the 12-month pandemic period that followed (April 1st, 2020-March 31st, 2021), the overall number of deaths among PEH increased by 56%, from 1,271 to 1,988 deaths.

2. **Explain why a capital expenditure is appropriate:** (Recipients should provide an independent assessment demonstrating why a capital expenditure is appropriate to address the specified harm or need. (FR pg. 197)

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION
(Required by U.S. Department of Treasury)

Page 2 of 3

The Project will create more affordable housing by providing an additional 156 PSH units within the County to serve people experiencing chronic homelessness. The most effective response to homelessness is to provide PSH to PEH. The County has a deficit of affordable housing. According to the California Housing Partnership, nearly 500,000 low-income households in LA County do not have access to an affordable home. According to the Los Angeles Homeless Services Authority (LAHSA), the County has a shortfall of more than 20,000 permanent supportive housing units. Even with the more than 12,000 permanent supportive housing units in the pipeline, there remains a shortfall of nearly 8,000 units.

a. Explain why existing capital equipment, property or facilities would be inadequate to address the harm or need.

The County needs more PSH units. As noted, there is a shortfall in affordable and supportive housing, so existing capital properties would not meet the need.

b. Explain why policy changes or additional funding to pertinent programs or services would be insufficient without the corresponding capital expenditure.

Additional funding would not on its own, without capital expenditures, increase the supply of housing.

3. **Provide a comparison of the proposed capital expenditure against alternative capital expenditures:** (Recipients should provide an objective comparison of the proposed capital expenditure against at least two alternative capital expenditures that could be made. Use quantitative data when available, or supplement with qualitative information and narrative description. Analyses with little to no quantitative or qualitative data must provide an explanation for doing so. (FR pgs. 197-198)

a. Assess the proposed capital expenditure against at least two alternative types or sizes of capital expenditures that are potentially effective and reasonably feasible.

Alternative 1: New construction

Building PSH from the ground up – new construction – is considerably more expensive than renovating and converting a motel. According to a report issued by the City of Los Angeles Controller, the average cost per unit for PSH built using Proposition HHH is between \$531,711 (projects under construction) and \$558,847 (projects in pre-development). In comparison, the per unit cost for the Hacienda Heights project proposed here is \$219,000.

Alternative 2: Acquire building outside of the State Homekey Program

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

Page 3 of 3

The State allocated \$1.45B to the Homekey Program for fiscal year 2021-2022. This program provides funding to local jurisdiction to purchase and rehabilitate hotel and other properties to be used as interim and permanent housing for PEH who are impacted by COVID-19, with matching funds from local jurisdictions. For the Motel 6 Hacienda Heights, the State awarded the County \$12,450,000 of the total \$12,516,932 acquisition cost. If the County pursued the acquisition of this property, or a similar property, outside of the Homekey program, and renovated/converted it into PSH, it would cost the County more than 3 times the amount of capital funding. Moreover, the legislation that established the Homekey program includes language that streamlines the entitlement and environmental review processes, enabling the project to be completed faster than it might otherwise be and allows the County to serve the vulnerable PEH population more quickly.

- b. If relevant, compare the proposal against the alternative of improving of improving existing capital assets already owned or leasing other capital assets.**

Compared to the other alternatives, renovating and converting a Homekey property into a PSH is the quickest and least expensive way to increase permanent supportive housing within the County for our vulnerable PEH population.

4. Consider the following factors in comparing this proposal to other alternatives:

- a. Compare the effectiveness of capital expenditures in addressing the harm identified.** (Recipients should generally consider the effectiveness of the capital expenditures in addressing the harm over the useful life of the capital asset and may consider metrics such as the number of impacted or disproportionately impacted individuals or entities served. (FR pg. 198)

The alternatives would address the harm identified in the same way. However, they would cost more, are resource-intensive, and require more time. As such the alternatives would result in less funding and resources available for other critical interventions to serve PEH.

- b. Identify the relevant time horizons of the project, and describe any uncertainties or risks involved with the capital expenditures.**

For the proposed project construction will be complete by 2024 and occupancy will begin immediately.

Alternative 1 would take significantly longer as the ground up construction would require more time than a project modifying an existing structure.

Alternative 2 would take significantly longer as well because it would require the County to go through the usual process to acquire a building and then renovate it. The approval processes could slow down progress.

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

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- c. Compare the expected total cost of the capital expenditures.** (Recipients should consider the expected total cost of the capital expenditure required to construct, purchase, install, or improve the capital assets intended to address the public health or negative economic impact of the public health emergency. Predevelopment costs should be included in the calculation and may choose to include information on ongoing operational costs – although not required. (FR pg. 198)

- Alternative 1: Expected costs would be approximately \$42M (average of above listed average per unit costs for new PSH construction for 156 units)
- Alternative 2: Expected County contribution (ARP) would increase from \$31,555,250 to \$54M.

- d. Demonstrate how the proposed capital expenditure is superior (i.e. effectiveness).** (Recipients should balance the effectiveness and costs of the proposed capital expenditure and against alternative and demonstrate that their proposed capital expenditure is superior. Recipients should choose the most cost-effective option unless it substantively reduces the effectiveness of the capital investment in addressing the harm identified. Additional factors impacting effectiveness include when the facilities will become operational etc. See examples of the analysis pgs. (FR 198-199).

The State's report on the first round of Homekey funding, which supported local jurisdictions' purchase and rehabilitation of motel and hotels to be used as interim and permanent housing for PEH, found that it promoted expedient, cost-effective housing solutions. Motel conversions are faster and lower in cost than new construction. Moreover, the funding offered through Homekey provides a once in a generation opportunity for local jurisdictions like the County to considerably increase the availability of homeless housing, in particular PSH, to address the homelessness crisis. According to the National Alliance to End Homelessness, which provides data and research to policymakers and elected officials in order to inform policy debates, PSH is a proven solution to homelessness for the most vulnerable chronically homeless people. It is cost-effective and has been shown to lower public costs associated with the use of crisis services such as shelters, hospitals, jails and prisons.



AMERICAN RESCUE PLAN PROPOSAL CAPITAL EXPENDITURES



Project Homekey 1.0 – Harbor City/Brilliant Corners

I. TABLE OF CONTENTS:

Page 1 – Instructions

Page 2 – Basic Eligibility Overview

Page 3 to 6 – Enumerated Capital Projects/Expenditures; Ineligible Projects; and General Rules

Worksheet 1 – Initial Eligibility Screening

Worksheet 2 - Detailed Capital Project Program Justification (fillable form)

Worksheet 3 – Written Justification/Reporting Documentation (fillable form)

II. INSTRUCTIONS FOR COMPLETING THE CAPITAL EXPENDITURES ELIGIBILITY WORKSHEETS IN THIS DOCUMENT:

1. Worksheet 1 - Initial Eligibility Screening:

Complete Worksheet 1 as the initial screening for eligibility of a capital project/expenditure. If your answer is NO to any questions on the Initial Eligibility Screening, or you are not sure, contact your County Counsel for further discussion on eligibility. If your answer to 1, 2, 4, and 5 is YES, move to Detailed Capital Project ~ Program Justification (Worksheet 2).

2. Worksheet 2 - Detailed Capital Project Program Justification:

Complete Worksheet 2 if your answer to 1, 2, 4, and 5 is YES on the Initial Eligibility Screening Worksheet 1. This form will provide further details to support eligibility.

3. Worksheet 3 - Written Justification/Reporting Documentation:

Complete Worksheet 3 only if the capital project is preliminarily approved to proceed or as directed. Worksheet 3 is required as a written justification by the U.S. Treasury and may be required to be submitted as part of the County's reporting obligations for the American Rescue Plan Funding.

III. BASIC ELIGIBILITY FOR CAPITAL PROJECTS – TWO-PART TEST:

Part 1. Capital Expenditures must respond to an eligible public health impact of COVID-19 or a negative economic response caused by COVID-19.

- An eligible **public health response** is defined as a response to a negative public health impact or harm experienced by individuals or a class. The Final Rule lists 4 types of public health problems demonstrating a public health response to the public health emergency. (FR pg. 20)
 - 1) COVID-19 Mitigation and Prevention
 - 2) Medical Expenses
 - 3) Behavioral Health, and
 - 4) Preventing and Responding to Violence
- The Final Rule describes "responding to" the public health emergency as addressing the SARS-CoV-2 virus itself, supporting efforts to prevent or decrease spread of the disease, and addressing other impacts of the pandemic on public health. (FR pgs. 53-54) (See the Eligible Projects from FR on Pages 3, 4, 5, and 6 below.)
- An eligible **response to the negative economic impacts of the pandemic** is designed to respond to a harm or impact experienced by a beneficiary or a class of beneficiaries to whom the capital expenditure will benefit. Tends to address a need of individuals, businesses or nonprofits that were disproportionately impacted or impacted by the pandemic.
- For Capital Expenditures, the Final Rule identifies potentially eligible projects from all categories but primarily eligibility falls in two categories: 1) Mitigation and Prevention of COVID-19; and 2) Responding to the Negative Economic Impacts of COVID-19. All enumerated eligible uses from the Final Rule are listed on the Enumerated Eligible Projects List on Pages 3, 4, 5, and 6 below.

Part 2: Capital Expenditures must be related and reasonably proportional to the harm identified. (FR pgs. 57, 192)

- Reasonably proportional refers to the scale of the response (i.e. project) to the scale of the harm. (FR pg. 91) The cost cannot be grossly in excess of the amount needed to address the harm, or the negative economic impact.
- Examples in the Final Rule include affordable housing projects that increase the supply of affordable housing for low-income individuals. While there may be less costly alternatives, targeted increase in supply could still be cost effective. (FR pg. 106.)
- Capital projects under \$1 million are presumed proportional so long as they respond to a harm caused or exacerbated by the pandemic. (FR pg. 193)
- However, the Final Rule also cites as an example of a lack of proportionality that a capital project used to expand a public building to increase social distancing compared to other less time-consuming and resource intensive alternatives would not be proportional. (FR pg. 194)

ENUMERATED CAPITAL PROJECTS/EXPENDITURES; INELIGIBLE PROJECTS; AND GENERAL RULES

Below is the list of Treasury's enumerated and potentially eligible capital expenditures (page numbers refer to the Final Rule (FR)) as long as the projects are related and reasonably proportional responses to the harm identified:

MITIGATION & PREVENTION OF COVID-19

- ☐ Affordable Housing (FR pg 6, 106, 108)
- ☐ Childcare facilities (FR pg 6)
- ☐ Schools (FR pg 6)
- ☐ Hospitals (FR pg. 6)
- ☐ Ventilation improvements in congregate settings, healthcare settings or other key locations (FR pg. 56)
- ☐ Enhancements in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics or adaptations to public buildings to implement COVID-19 mitigation tactics (FR pg. 56)
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- ☐ Improvements or construction of COVID-19 vaccination sites (FR pg. 60)
- ☐ Improvements or construction of medical facilities generally dedicated to COVID-19 treatment and mitigation (e.g., emergency rooms, intensive care units, telemedicine capabilities for COVID-19 related treatment) (FR pg. 60)
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- ☐ Acquisition of equipment for COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or emergency services equipment (FR pg. 61)
- ☐ Improvements to or construction of emergency operations centers and acquisition of emergency response equipment (e.g., emergency response radio systems) (FR pg. 61)
- ☐ Installation and improvements of ventilation systems (FR pg. 61)
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- ☐ Adaptations to congregate living facilities, including skilled nursing facilities, other long-term care facilities, incarceration settings, homeless shelters, residential foster care facilities, residential behavioral health treatment, and other group living facilities, as well as public facilities and schools (excluding construction of new facilities for the purpose of mitigating spread of COVID-19 in the facility) (FR pg. 61)
- ☐ Mitigation measures in small businesses, nonprofits, and impacted industries (e.g., developing outdoor spaces) (FR pg. 61)
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- ☐ Parks, green spaces, recreational facilities, sidewalks, pedestrian safety features like crosswalks, projects that increase access to healthy foods, streetlights, neighborhood cleanup and projects to revitalize public spaces (FR pgs. 132-133)
- ☐ Vacant or abandoned property (FR pgs. 134-136):
 - ☐ Rehabilitation, renovation, maintenance, or costs to secure vacant or abandoned properties to reduce their negative impact
 - ☐ Costs associated with acquiring and securing legal title of vacant or abandoned properties and other costs to position the property for current or future productive use
 - ☐ Removal and remediation of environmental contaminants or hazards from vacant or abandoned properties, when conducted in compliance with applicable environmental laws or regulations
 - ☐ Demolition or deconstruction of vacant or abandoned buildings (including residential, commercial, or industrial buildings) paired with greening or other lot improvement as part of a strategy for neighborhood revitalization (use care not to exacerbate housing shortage)
 - ☐ Greening or cleanup of vacant lots, as well as other efforts to make vacant lots safer for the surrounding community (includes residential, commercial, or industrial buildings)
 - ☐ Conversion of vacant or abandoned properties to affordable housing
 - ☐ Inspection fees and other administrative costs incurred to ensure compliance with applicable environmental laws and regulations for demolition, greening, or other remediation activities
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- ☐ Video-conferencing software, improvements to case management systems or data sharing resources (FR pg. 190)
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SPECIFICALLY ENUMERATED CAPITAL EXPENDITURES IN CAPITAL PROJECTS SECTIONS (FR pgs. 190-206)

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POTENTIALLY INELIGIBLE AND INELIGIBLE PROJECTS

- ☐ Large projects may be less likely to be reasonably proportional to the harm (e.g., construction of a new, larger public facility for the purpose of increasing the ability to socially distance generally as less time and resource-intensive options maybe be available. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well. (FR pgs. 194-195, 205)
- ☐ Infrastructure Projects are not in the scope of capital projects (FR pg. 195)
- ☐ Brand new correctional facilities are generally not eligible (Capital Expenditures must be related and proportional to the harm – i.e. not proportional to the rising crime rate in relation to the pandemic. FR pgs. 199-200)
- ☐ Construction of new congregate facilities are generally not proportional to the response to mitigate or prevent COVID-19 because it is generally more costly than other alternatives (FR pg. 200)
- ☐ Large capital expenditures intended for general economic development or to aid in travel, tourism, and hospitality centers like convention centers and stadiums on balance are generally not proportional to addressing negative economic impacts (FR pg. 200)

OTHER GENERAL RULES ON CAPITAL PROJECTS FROM TREASURY:

- Capital Expenditures are not presumed to be reasonably proportional in response to the harm and must be demonstrated. (FR pgs. 57, 193)
- Large projects may not be segmented to smaller projects to evade review and reporting. (FR pgs. 202-203)
- Expenditures from closely related activities directed toward a common purpose are one project. (FR pg. 202)
- A project includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment), or are of the same or similar type and would be utilized for a common purpose (e.g., acquisition of a fleet of ambulances that would be used for COVID-19 emergency response). (FR pg. 202)
- Treasury will use heightened scrutiny on large projects. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well (FR pg. 205)
- Capital expenditure means "expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life." (FR pg. 207)
- Capital assets means "tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with [Generally Accepted Accounting Principles]." Capital assets include lands, facilities, equipment, and intellectual property. Equipment means "tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000." (FR pg. 208)
- Supplies means all tangible personal property other than those included as "equipment," are not considered capital expenditures. (FR pg. 208)
- Unless noted by the US Treasury, all projects must comply with applicable federal, state, and local law, which includes environmental and permitting laws and regulations. (FR pg. 207, and pgs. 347-348)

WORKSHEET 1 - INITIAL ELIGIBILITY SCREENING

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AMERICAN RESCUE PLAN PROPOSAL CAPITAL EXPENDITURES



Department: **CEO**

Program/Expense/Service Title: **Project Homekey 1.0 – Harbor City/Brilliant Corners**

Amount Requested: **\$16,129,999**

DECISION TREE

1. Does the CAPITAL PROJECT/CAPITAL EXPENSE identify a Public Health effect or need OR a Negative Economic Impact caused by COVID-19? (can be immediate or extended exacerbated effect but must be related to COVID-19)
YES ☒ **NO** ☐ **MAYBE/UNKNOWN** ☐
2. Does the CAPITAL PROJECT/CAPITAL EXPENSE respond to or address the COVID-19 effect or need identified in question 1 above?
YES ☒ **NO** ☐ **MAYBE/UNKNOWN** ☐
3. Is the CAPITAL PROJECT/CAPITAL EXPENSE specifically enumerated in the U.S. Treasury's Final Rule as potentially eligible (See pages 4-6 of this worksheet)?
YES ☒ **NO** ☐ (see 4 below) **MAYBE/UNKNOWN** ☐
4. If NO, can a justification be identified which addresses the Public Health effects or needs OR a Negative Economic Impact caused by COVID-19?
YES ☐ **NO** ☐ **MAYBE/UNKNOWN** ☐
5. Is the CAPITAL PROJECT/CAPITAL EXPENSE reasonably related and proportionate to address the harm?
YES ☒ **NO** ☐ **MAYBE/UNKNOWN** ☐

COSTS ARE POTENTIALLY ELIGIBLE ☒
Documents Project Expenditures in
Accordance with CEO Instructions

COSTS ARE LIKELY INELIGIBLE ☐
Consult with County Counsel and CEO

If your answer was NO to any questions or you are not sure, contact your County Counsel for further discussion on eligibility. If your answer to 1, 2, 4, and 5 was YES, move to Public Health/Negative Economic Impact Capital Project ~ Supporting Justification on next page.

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

Page 1 of 7

1. Rules to consider:

- Capital Expenditures must support an eligible public health or negative economic response.
- Capital Expenditures must be reasonably proportional to the harm identified. (FR pg. 57)
- Capital Expenditures are not presumed proportional to the harm. (FR pg. 57)
- Large projects may not be segmented to smaller projects to evade review and reporting. (FR pgs. 202-203)
- Expenditures from closely related activities directed toward a common purpose are one project. (FR pg. 202)
- A project includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment), or are of the same or similar type and would be utilized for a common purpose (e.g., acquisition of a fleet of ambulances that would be used for COVID-19 emergency response). (FR pg. 202)
- Treasury will use heightened scrutiny on large projects. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well (FR pg. 205)
- Capital expenditure means "expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life." (FR pg. 207)
- Capital assets means "tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with [Generally Accepted Accounting Principles]." Capital assets include lands, facilities, equipment, and intellectual property. Equipment means "tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000." (FR pg. 208)
- Supplies means all tangible personal property other than those included as "equipment," are not considered capital expenditures. (FR pg. 208)
- Unless noted by the US Treasury, all projects must comply with applicable federal, state, and local law, which includes environmental and permitting laws and regulations. (FR pg. 207, and pgs. 347-348)

2. Instructions for Completing Supporting Justification for Capital Projects/Expenditures:

Departments must provide sufficient detail and supporting information for each question below as it relates to the Capital Project/Expenditure being provided.

1. What is the name of the Capital Project/Expenditure being provided and which Department(s) will be administering the Capital Project/Expenditure.
Homekey 1.0 – Harbor City/Brilliant Corners

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

Page 2 of 7

CEO will administer the expenditure.

2. Provide a brief description of the Capital Project/Expenditure proposal.

As part of the State Project Homekey Round 1 Program, Los Angeles County (County) acquired several properties to use as housing for People Experiencing Homelessness (PEH) impacted by COVID-19 (Homekey 1 Properties). The Homekey 1 Properties, which include the Motel 6 Harbor City, are currently operating as interim housing and will be converted to permanent supportive housing (PSH). The County will transfer ownership of the Motel 6 Harbor City to Brilliant Corners. The California Department of Housing and Community Development has approved the transfer of ownership of the property. With the ARP funds, Brilliant Corners will renovate and convert the property from temporary housing to PSH (Project). The property will have 50 units, including 49 for permanent supportive housing (PSH) and one studio unit for property management. Additionally, Brilliant Corners has designed renovations to include administrative space, ADA accommodations, and each unit to have a kitchenette. Case management and supportive services will be provided on site.

3. Describe the projected cost of the Capital Project/Expenditure from beginning to end. (Project cannot be segmented in order to qualify or avoid reporting.)

The projected cost of the Project is \$16,129,999, which is the ARP amount needed to support the renovations. However, the entire capital project cost, which includes County's previous acquisition of the property and Brilliant Corners' projected renovation cost is \$23M.

4. Explain whether the entire project can be obligated by December 31, 2024, and fully expended before December 31, 2026.

Yes, the property transfer and renovations will be completed by the end of 2024. As such, the funds will be obligated by December 31, 2024 and fully expended by December 31, 2026.

5. Explain how the Capital Project/Expenditure identifies a Public Health Negative Economic Impact effect or need caused by COVID-19. (Can be immediate, extended, or exacerbated effect, but must meet the test by being related to COVID-19.)

Based on the recent Greater Los Angeles Homeless Count, there are 69,144 PEH within the County. This is a 4.1 percent increase from the last count in 2020 when the count was at 66,436. In addition, there is a dire affordable housing shortage of nearly 500,000 units within the County according to California Housing Partnership's "2021 Los Angeles County Housing Need Report." PEH are inherently impacted by COVID-19 as they are at increased risk of infection owing to their lack of safe housing and conditions in shelters. In addition, the risk of severe COVID-19 is increased for PEH due to the high prevalence of medical comorbidities. The Homekey 1 Properties currently provide

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

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PEH who are impacted by COVID-19 with interim housing. The Project will provide the PEH population with permanent supportive housing.

6. Describe how the Capital Project/Expenditure responds to or addresses the COVID-19 effect or need.

The impacts of the COVID-19 pandemic have caused, an increase in the number of people are living in the streets, with people of color being disproportionately represented among the homeless population as the pandemic has exacerbated the racial gaps in financial and housing security and health. In addition, the COVID-19 pandemic has reduced homeless and supportive services and housing/shelter availability due to health orders and guidelines. The Project will increase the supply of affordable housing in the County by created an additional 50 PSH units to serve people experiencing chronic homelessness. PEH will have a permanent housing that provides onsite supportive services, including case management services. The Project will provide a safe and stable housnig environment to help PEH exit homelessness and remain housed, improving their health and well-being.

7. If the Capital Project/Expenditure is specifically identified as a potentially eligible Capital Project, list the specified project and explain how the expense is reasonably related and proportionate to address the harm. (See enumerated potentially eligible Capital Project/Expenditures uses on pgs. 4-7 of this worksheet)

☒ Affordable housing (FR pg. 190)

The rehabilitation costs/expenses are consistent with the appraised value of the property. The project was underwritten by the County and California Department of Housing and Community Development (HCD) as a part of the Homekey 1 Properties, with appraisals and other due diligence documentation reviewed by County and HCD staff.

8. If the Capital Project/Expenditure is not specifically identified as a potentially eligible use, explain how it addresses a Public Health or Negative Economic Impact and is reasonably related and proportionate to address the harm. (Projects that do not have a Public Health or Negative Economic Impact connection are likely ineligible.)

N/A.

9. Is the Capital Project/Expenditure listed in the Final Rule as ineligible? (See pages 6-7 of this worksheet.)

No.

10. All Capital Projects/Expenditures over \$1 million must complete a Written Justification required by the Treasury Final Rule. (See enclosed Written Justification Form.)

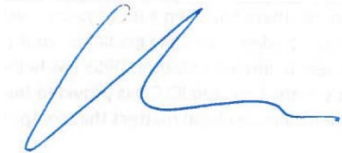
Attached.

**WORKSHEET 2 - DETAILED CAPITAL PROJECT
PROGRAM JUSTIFICATION**

Page 4 of 7

11. All Recipients should determine that any responsive capital project is related and reasonably proportional to the public health emergency and its negative economic impacts, even projects under \$1 million. (FR pg. 201 fn 254 and 255)

Attached.



Elizabeth Ben-Ishai

Name/Signature of high level department person

2/6/2023

Date

Are there any attachments? YES ☒ NO ☐

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

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ENUMERATED CAPITAL PROJECTS/EXPENDITURES AND INELIGIBLE PROJECTS

Below is a non-exhaustive list of the U.S. Department of Treasury's Final Rule of enumerated and potentially eligible capital expenditures (page numbers refer to the Final Rule (FR)) as long as the projects are reasonably proportional responses (as defined in the Final Rule) to the harm identified:

MITIGATION & PREVENTION OF COVID-19

- ☐ Affordable Housing (FR pg 6)
- ☐ Childcare facilities (FR pg 6)
- ☐ Schools (FR pg 6)
- ☐ Hospitals (FR pg. 6)
- ☐ Ventilation improvements in congregate settings, healthcare settings or other key locations (FR pg. 56)
- ☐ Enhancements in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics or adaptations to public buildings to implement COVID-19 mitigation tactics (FR pg. 56)
- ☐ Improvements or construction of COVID-19 testing sites and laboratories, and acquisition of related equipment (FR pg. 60)
- ☐ Improvements or construction of COVID-19 vaccination sites (FR pg. 60)
- ☐ Improvements or construction of medical facilities generally dedicated to COVID-19 treatment and mitigation (e.g., emergency rooms, intensive care units, telemedicine capabilities for COVID-19 related treatment) (FR pg. 60)
- ☐ Expenses of establishing temporary medical facilities and other measures to increase COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or other emergency services equipment (FR pg. 61)
- ☐ Acquisition of equipment for COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or emergency services equipment (FR pg. 61)
- ☐ Improvements to or construction of emergency operations centers and acquisition of emergency response equipment (e.g., emergency response radio systems) (FR pg. 61)
- ☐ Installation and improvements of ventilation systems (FR pg. 61)
- ☐ Costs of establishing public health data systems, including technology infrastructure (FR pg. 61)
- ☐ Adaptations to congregate living facilities, including skilled nursing facilities, other long-term care facilities, incarceration settings, homeless shelters, residential foster care facilities, residential behavioral health treatment, and other group living facilities, as well as public facilities and schools (excluding construction of new facilities for the purpose of mitigating spread of COVID-19 in the facility) (FR pg. 61)
- ☐ Mitigation measures in small businesses, nonprofits, and impacted industries (e.g., developing outdoor spaces) (FR pg. 61)
- ☐ Physical plant changes to enable greater use of outdoor spaces or ventilation improvements (FR pg. 64)
- ☐ Establishing an outdoor patio for restaurants (FR pg. 64)

WORKSHEET 2 - DETAILED CAPITAL PROJECT **PROGRAM JUSTIFICATION**

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- ☐ Behavioral health facilities and equipment (FR pg. 69)
- ☐ Inpatient or outpatient mental health or substance abuse use treatment facilities, crisis centers, diversion centers (FR pg. 69)

NEGATIVE ECONOMIC IMPACTS

- ☐ Capital expenditures related to food banks and other facilities primarily dedicated to addressing food insecurity (FR pg. 81)
- ☐ Transitional shelters (temporary residences for people experiencing homelessness) (FR pg. 83)
- ☐ Capital expenditures for internet access like equipment, property, and facilities (FR pgs. 89-90)
- ☐ Improvements to or new construction of childcare, daycare, and early learning facilities are eligible capital expenditures (FR pg. 97)
- ☒ Affordable housing development projects that expand the supply of long-term housing (FR pg. 106)
- ☐ Projects that are eligible under either the National Housing Trust Fund (HTF) or the Home Investment Partnerships Program (Home) (FR pg. 106)
- ☒ Permanent supportive housing (FR pg. 108)
- ☒ Affordable housing developments targeted to specialized populations (FR pg. 108)
- ☐ Recovery housing for individuals in recovery from substance abuse (FR pg. 108)
- ☐ Rehabilitation or repair of public housing (FR pg. 108)
- ☐ Job and work force training centers (FR pg. 117)
- ☐ Improvements to existing facilities to remediate lead contaminants (removal of lead paint) (FR pg. 127)
- ☐ Primary care clinics, hospitals or integrations of health services in other settings (FR pg. 128)
- ☐ Parks, green spaces, recreational facilities, sidewalks, pedestrian safety features like crosswalks, projects that increase access to healthy foods, streetlights, neighborhood cleanup and projects to revitalize public spaces (FR pgs. 132-133)
- ☐ Vacant or abandoned property:
 - ☐ Rehabilitation, renovation, maintenance, or costs to secure vacant or abandoned properties to reduce their negative impact
 - ☐ Costs associated with acquiring and securing legal title of vacant or abandoned properties and other costs to position the property for current or future productive use
 - ☐ Removal and remediation of environmental contaminants or hazards from vacant or abandoned properties, when conducted in compliance with applicable environmental laws or regulations
 - ☐ Demolition or deconstruction of vacant or abandoned buildings (including residential, commercial, or industrial buildings) paired with greening or other lot improvement as part of a strategy for neighborhood revitalization (use care not to exacerbate housing shortage FR pgs. 135-136)
 - ☐ Greening or cleanup of vacant lots, as well as other efforts to make vacant lots safer for the surrounding community (includes residential, commercial, or industrial buildings FR pg. 135)
 - ☐ Conversion of vacant or abandoned properties to affordable housing

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

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- ☐ Inspection fees and other administrative costs incurred to ensure compliance with applicable environmental laws and regulations for demolition, greening, or other remediation activities (FR pg. 134)
- ☐ Rehabilitation of commercial properties, storefront improvement, and façade improvements (FR pg. 151)
- ☐ Potential expenditures for nonprofits (FR pg. 155)
- ☐ Capital expenditures such as technology infrastructure to adapt government operations to the pandemic (FR pg. 190)
- ☐ Video-conferencing software, improvements to case management systems or data sharing resources (FR pg. 190)
- ☐ Reduce government backlogs, or meet increased maintenance needs are eligible (FR pg. 190)

SPECIFICALLY ENUMERATED CAPITAL EXPENDITURES IN CAPITAL PROJECTS SECTIONS (FR pgs. 190-206)

- ☐ Capital investments in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics (FR pg. 190)
- ☐ Adaptations to public buildings to implement COVID-19 mitigation tactics (FR pg. 190)
- ☐ Ventilation improvements in congregate settings, health care settings, or other key locations (FR pg. 190)
- ☐ Assistance to small businesses and nonprofits and aid to impacted industries to implement COVID-19 prevention or mitigation tactics, such as physical plant changes to enable social distancing (FR pg. 190)
- ☒ Affordable housing (FR pg. 190)
- ☐ Entire scope of capital project could include all activities toward a common purpose including capital expenditures, as well as expenditures on related programs, services, or other interventions (FR pg. 202)
- ☐ A project also includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment) (FR pg. 202)
- ☐ Projects that are interdependent or are of the same or similar type and would be utilized for a common purpose such as acquisition of a fleet of ambulances that would be used for COVID-19 emergency response (FR pg. 202)
- ☐ Pre-project development costs that are tied to or reasonably expected to lead to an eligible capital expenditure (FR pg. 208)
- ☐ Planning and engineering for an eligible project (FR pg. 208)

POTENTIALLY INELIGIBLE AND INELIGIBLE PROJECTS

- ☐ Large projects may be less likely to be reasonably proportional to the harm (e.g., construction of a new, larger public facility for the purpose of increasing the ability to socially distance generally as less time and resource-intensive options maybe be available. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well. (FR pgs. 194-195, 205)
- ☐ Infrastructure Projects are not in the scope of capital projects (FR pg. 195)

WORKSHEET 2 - DETAILED CAPITAL PROJECT **PROGRAM JUSTIFICATION**

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- ☐ Brand new correctional facilities are generally not eligible (Capital Expenditures must be related and proportional to the harm – i.e. not proportional to the rising crime rate in relation to the pandemic. FR pgs. 199-200)
- ☐ Construction of new congregate facilities are generally not proportional to the response to mitigate or prevent COVID-19 because it is generally more costly than other alternatives (FR pg. 200)
- ☐ Large capital expenditures intended for general economic development or to aid in travel, tourism, and hospitality centers like convention centers and stadiums on balance are generally not proportional to addressing negative economic impacts (FR pg. 200)

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

Page 1 of 3

Written Justification and Reporting the Justification to Treasury: (Recipients must provide reports on Capital Projects in the mandatory ARP reporting as required below.) (FR pg. 201)

If a project has total expected capital expenditures of	and the use is enumerated by Treasury as eligible, then	and the use is beyond those enumerated by Treasury as eligible, then
Less than \$1 million	No Written Justification required (Supporting documentation must still be maintained.)	No Written Justification required (Supporting documentation must still be maintained.)
Greater than or equal to \$1million, but less than \$10 million	Written Justification but recipients are not required to submit as part of regular reporting to Treasury	Written Justification required and recipients must submit as part of regular reporting to Treasury
\$10 million or more	Written Justification required and recipients must submit as part of regular reporting to Treasury	

Provide supportive details to the following questions:

- 1. Describe the Public Health harm or Negative Economic Impact need to be addressed:** (Recipients should provide a description of the specific harm or need to be addressed, and why the harm was exacerbated or caused by the public health emergency. When appropriate, recipients may provide quantitative information on the extent and type of harm, such as the number of individuals or entities affected. (FR pgs. 196-197)

The COVID-19 pandemic greatly impacted PEH due to reduced homeless and supportive services, housing, and economic opportunities. The homelessness crisis in the County pre-dates the pandemic, but was exacerbated by the pandemic, due to the economic impacts on communities and because many PEH are in poor health and/or have underlying health conditions that make them more vulnerable to COVID-19. Based on the recent Greater Los Angeles Homeless Count, there are 69,144 PEH within the County, which is a 4.1 percent increase from the last count in 2020 when the count was at 66,436. Further, between the 12-month period preceding the first reported COVID-19 death of a person experiencing homelessness in Los Angeles County (April 1st, 2019-March 31st, 2020) and the 12-month pandemic period that followed (April 1st, 2020-March 31st, 2021), the overall number of deaths among people experiencing homelessness increased by 56%, from 1,271 to 1,988 deaths.

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

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2. **Explain why a capital expenditure is appropriate:** (Recipients should provide an independent assessment demonstrating why a capital expenditure is appropriate to address the specified harm or need. (FR pg. 197)

The Project will create more affordable housing by providing an additional 50 PSH units within the County to serve people experiencing chronic homelessness. The most effective response to homelessness is to provide PSH to PEH. The County has a deficit of affordable housing. According to the California Housing Partnership, nearly 500,000 low-income households in LA County do not have access to an affordable home. According to the Los Angeles Homeless Services Authority (LAHSA), the County has a shortfall of more than 20,000 permanent supportive housing units. Even with the more than 12,000 permanent supportive housing units in the pipeline, there remains a shortfall of nearly 8,000 units.

- a. **Explain why existing capital equipment, property or facilities would be inadequate to address the harm or need.**

The County needs more PSH units. As noted, there is a shortfall in affordable and supportive housing with the County; existing capital properties would not meet the need.

- b. **Explain why policy changes or additional funding to pertinent programs or services would be insufficient without the corresponding capital expenditure.**

Additional funding would not on its own, without capital expenditures, increase the supply of housing.

3. **Provide a comparison of the proposed capital expenditure against alternative capital expenditures:** (Recipients should provide an objective comparison of the proposed capital expenditure against at least two alternative capital expenditures that could be made. Use quantitative data when available, or supplement with qualitative information and narrative description. Analyses with little to no quantitative or qualitative data must provide an explanation for doing so. (FR pgs. 197-198)

- a. **Assess the proposed capital expenditure against at least two alternative types or sizes of capital expenditures that are potentially effective and reasonably feasible.**

Alternative 1: New construction

Building permanent supportive housing (PSH) from the ground up – new construction – is considerably more expensive than a motel conversion. According to a report issued by the City of Los Angeles Controller, the average cost per unit for PSH built using Proposition HHH is between \$531,711 (projects under construction) and \$558,847 (projects in pre-development). In comparison, the per unit cost for the project proposed here is \$455,500.

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION
(Required by U.S. Department of Treasury)

Page 3 of 3

Alternative 2: Acquire building outside of the State of California Homekey Program. The State of California allocated \$1.45B to the Homekey Program for fiscal year 2021-2022. This program provides funding to acquire and develop homeless housing, with local jurisdictions providing matching funds. For the Motel 6 Harbor City, the state awarded the County \$6,507,967 of the total \$6,979,734 acquisition cost. If the County of Los Angeles pursued this acquisition outside of the Homekey program, it would need to contribute more than 3 times the amount of capital funding for this project. Moreover, the legislation that established the Homekey program includes language that streamlines the entitlement and environmental review processes, enabling the project to be completed faster than it might otherwise be – and allowing the County to serve this vulnerable population sooner.

- b. If relevant, compare the proposal against the alternative of improving of improving existing capital assets already owned or leasing other capital assets.**

Compared to the other alternatives, renovating and converting a Homekey property into a PSH is the quickest and least expensive way to increase permanent supportive housing within the County for our vulnerable PEH population.

4. Consider the following factors in comparing this proposal to other alternatives:

- a. Compare the effectiveness of capital expenditures in addressing the harm identified.** (Recipients should generally consider the effectiveness of the capital expenditures in addressing the harm over the useful life of the capital asset and may consider metrics such as the number of impacted or disproportionately impacted individuals or entities served. (FR pg. 198)

The alternatives would address the harm identified in the same way. However, they would cost more, are resource-intensive, and require more time. As such, the alternatives would result in less funding available for other critical interventions to serve PEH.

- b. Identify the relevant time horizons of the project, and describe any uncertainties or risks involved with the capital expenditures.**

For the proposed project construction will be complete by 2024 and occupancy will begin immediately.

Alternative 1 would take significantly longer as the ground up construction would require more time than a project modifying an existing structure.

Alternative 2 would take significantly longer as well because it would require the County to go through the usual process to acquire a building and then renovate it. The approval processes could slow down the progress.

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

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- c. Compare the expected total cost of the capital expenditures.** (Recipients should consider the expected total cost of the capital expenditure required to construct, purchase, install, or improve the capital assets intended to address the public health or negative economic impact of the public health emergency. Predevelopment costs should be included in the calculation and may choose to include information on ongoing operational costs – although not required. (FR pg. 198)

- Alternative 1: Expected costs would be approximately \$28M (average of above listed average per unit costs for new PSH construction for 50 units)
- Alternative 2: Expected County contribution (ARP) would increase from \$16M to \$23M.

- d. Demonstrate how the proposed capital expenditure is superior (i.e. effectiveness).** (Recipients should balance the effectiveness and costs of the proposed capital expenditure and against alternative and demonstrate that their proposed capital expenditure is superior. Recipients should choose the most cost-effective option unless it substantively reduces the effectiveness of the capital investment in addressing the harm identified. Additional factors impacting effectiveness include when the facilities will become operational etc. See examples of the analysis pgs. (FR 198-199).

The State's report on the first round of Homekey funding, which supported local jurisdictions' purchase and rehabilitation of motels and hotels to be used as interim and permanent housing for PEH, found that it promoted expedient, cost-effective housing solutions. Motel conversions are faster and lower in cost than new construction. Moreover, the funding offered through Homekey provides a once in a generation opportunity for local jurisdictions like LA County to considerably increase the availability of homeless housing, in particular PSH, to address the homelessness crisis. According to the National Alliance to End Homelessness, which provides data and research to policymakers and elected officials in order to inform policy debates, PSH is a proven solution to homelessness for the most vulnerable chronically homeless people. It is cost-effective and has been shown to lower public costs associated with the use of crisis services such as shelters, hospitals, jails and prisons.



AMERICAN RESCUE PLAN PROPOSAL CAPITAL EXPENDITURES



Project Homekey 1.0 – Long Beach East/Linc Housing

I. TABLE OF CONTENTS:

Page 1 – Instructions

Page 2 – Basic Eligibility Overview

Page 3 to 6 – Enumerated Capital Projects/Expenditures; Ineligible Projects; and General Rules

Worksheet 1 – Initial Eligibility Screening

Worksheet 2 - Detailed Capital Project Program Justification (fillable form)

Worksheet 3 – Written Justification/Reporting Documentation (fillable form)

II. INSTRUCTIONS FOR COMPLETING THE CAPITAL EXPENDITURES ELIGIBILITY WORKSHEETS IN THIS DOCUMENT:

1. Worksheet 1 - Initial Eligibility Screening:

Complete Worksheet 1 as the initial screening for eligibility of a capital project/expenditure. If your answer is NO to any questions on the Initial Eligibility Screening, or you are not sure, contact your County Counsel for further discussion on eligibility. If your answer to 1, 2, 4, and 5 is YES, move to Detailed Capital Project ~ Program Justification (Worksheet 2).

2. Worksheet 2 - Detailed Capital Project Program Justification:

Complete Worksheet 2 if your answer to 1, 2, 4, and 5 is YES on the Initial Eligibility Screening Worksheet 1. This form will provide further details to support eligibility.

3. Worksheet 3 - Written Justification/Reporting Documentation:

Complete Worksheet 3 only if the capital project is preliminarily approved to proceed or as directed. Worksheet 3 is required as a written justification by the U.S. Treasury and may be required to be submitted as part of the County's reporting obligations for the American Rescue Plan Funding.

III. BASIC ELIGIBILITY FOR CAPITAL PROJECTS – TWO-PART TEST:

Part 1. Capital Expenditures must respond to an eligible public health impact of COVID-19 or a negative economic response caused by COVID-19.

- An eligible **public health response** is defined as a response to a negative public health impact or harm experienced by individuals or a class. The Final Rule lists 4 types of public health problems demonstrating a public health response to the public health emergency. (FR pg. 20)
 - 1) COVID-19 Mitigation and Prevention
 - 2) Medical Expenses
 - 3) Behavioral Health, and
 - 4) Preventing and Responding to Violence
- The Final Rule describes "responding to" the public health emergency as addressing the SARS-CoV-2 virus itself, supporting efforts to prevent or decrease spread of the disease, and addressing other impacts of the pandemic on public health. (FR pgs. 53-54) (See the Eligible Projects from FR on Pages 3, 4, 5, and 6 below.)
- An eligible **response to the negative economic impacts of the pandemic** is designed to respond to a harm or impact experienced by a beneficiary or a class of beneficiaries to whom the capital expenditure will benefit. Tends to address a need of individuals, businesses or nonprofits that were disproportionately impacted or impacted by the pandemic.
- For Capital Expenditures, the Final Rule identifies potentially eligible projects from all categories but primarily eligibility falls in two categories: 1) Mitigation and Prevention of COVID-19; and 2) Responding to the Negative Economic Impacts of COVID-19. All enumerated eligible uses from the Final Rule are listed on the Enumerated Eligible Projects List on Pages 3, 4, 5, and 6 below.

Part 2: Capital Expenditures must be related and reasonably proportional to the harm identified. (FR pgs. 57, 192)

- Reasonably proportional refers to the scale of the response (i.e. project) to the scale of the harm. (FR pg. 91) The cost cannot be grossly in excess of the amount needed to address the harm, or the negative economic impact.
- Examples in the Final Rule include affordable housing projects that increase the supply of affordable housing for low-income individuals. While there may be less costly alternatives, targeted increase in supply could still be cost effective. (FR pg. 106.)
- Capital projects under \$1 million are presumed proportional so long as they respond to a harm caused or exacerbated by the pandemic. (FR pg. 193)
- However, the Final Rule also cites as an example of a lack of proportionality that a capital project used to expand a public building to increase social distancing compared to other less time-consuming and resource intensive alternatives would not be proportional. (FR pg. 194)

ENUMERATED CAPITAL PROJECTS/EXPENDITURES; INELIGIBLE PROJECTS; AND GENERAL RULES

Below is the list of Treasury's enumerated and potentially eligible capital expenditures (page numbers refer to the Final Rule (FR)) as long as the projects are related and reasonably proportional responses to the harm identified:

MITIGATION & PREVENTION OF COVID-19

- ☐ Affordable Housing (FR pg 6, 106, 108)
- ☐ Childcare facilities (FR pg 6)
- ☐ Schools (FR pg 6)
- ☐ Hospitals (FR pg. 6)
- ☐ Ventilation improvements in congregate settings, healthcare settings or other key locations (FR pg. 56)
- ☐ Enhancements in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics or adaptations to public buildings to implement COVID-19 mitigation tactics (FR pg. 56)
- ☐ Improvements or construction of COVID-19 testing sites and laboratories, and acquisition of related equipment (FR pg. 60)
- ☐ Improvements or construction of COVID-19 vaccination sites (FR pg. 60)
- ☐ Improvements or construction of medical facilities generally dedicated to COVID-19 treatment and mitigation (e.g., emergency rooms, intensive care units, telemedicine capabilities for COVID-19 related treatment) (FR pg. 60)
- ☐ Expenses of establishing temporary medical facilities and other measures to increase COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or other emergency services equipment (FR pg. 61)
- ☐ Acquisition of equipment for COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or emergency services equipment (FR pg. 61)
- ☐ Improvements to or construction of emergency operations centers and acquisition of emergency response equipment (e.g., emergency response radio systems) (FR pg. 61)
- ☐ Installation and improvements of ventilation systems (FR pg. 61)
- ☐ Costs of establishing public health data systems, including technology infrastructure (FR pg. 61)
- ☐ Adaptations to congregate living facilities, including skilled nursing facilities, other long-term care facilities, incarceration settings, homeless shelters, residential foster care facilities, residential behavioral health treatment, and other group living facilities, as well as public facilities and schools (excluding construction of new facilities for the purpose of mitigating spread of COVID-19 in the facility) (FR pg. 61)
- ☐ Mitigation measures in small businesses, nonprofits, and impacted industries (e.g., developing outdoor spaces) (FR pg. 61)
- ☐ Physical plant changes to enable greater use of outdoor spaces or ventilation improvements (FR pg. 64)
- ☐ Establishing an outdoor patio for restaurants (FR pg. 64)
- ☐ Behavioral health facilities and equipment (FR pg. 69)
- ☐ Inpatient or outpatient mental health or substance abuse use treatment facilities, crisis centers, diversion centers (FR pg. 69)

NEGATIVE ECONOMIC IMPACTS

- ☐ Capital expenditures related to food banks and other facilities primarily dedicated to addressing food insecurity (FR pg. 81)
- ☐ Transitional shelters (temporary residences for people experiencing homelessness) (FR pg. 83)
- ☐ Capital expenditures for internet access like equipment, property, and facilities (FR pgs. 89-90)
- ☐ Improvements to or new construction of childcare, daycare, and early learning facilities are eligible capital expenditures (FR pg. 97)
- ☒ Affordable housing development projects that expand the supply of long-term housing (FR pg. 106)
- ☐ Projects that are eligible under either the National Housing Trust Fund (HTF) or the Home Investment Partnerships Program (Home) (FR pg. 106)
- ☒ Permanent supportive housing (FR pg. 108)
- ☒ Affordable housing developments targeted to specialized populations (FR pg. 108)
- ☐ Recovery housing for individuals in recovery from substance abuse (FR pg. 108)
- ☐ Rehabilitation or repair of public housing (FR pg. 108)
- ☐ Job and work force training centers (FR pg. 117)
- ☐ Improvements to existing facilities to remediate lead contaminants (removal of lead paint) (FR pg. 127)
- ☐ Primary care clinics, hospitals or integrations of health services in other settings (FR pg. 128)
- ☐ Parks, green spaces, recreational facilities, sidewalks, pedestrian safety features like crosswalks, projects that increase access to healthy foods, streetlights, neighborhood cleanup and projects to revitalize public spaces (FR pgs. 132-133)
- ☐ Vacant or abandoned property (FR pgs. 134-136):
 - ☐ Rehabilitation, renovation, maintenance, or costs to secure vacant or abandoned properties to reduce their negative impact
 - ☐ Costs associated with acquiring and securing legal title of vacant or abandoned properties and other costs to position the property for current or future productive use
 - ☐ Removal and remediation of environmental contaminants or hazards from vacant or abandoned properties, when conducted in compliance with applicable environmental laws or regulations
 - ☐ Demolition or deconstruction of vacant or abandoned buildings (including residential, commercial, or industrial buildings) paired with greening or other lot improvement as part of a strategy for neighborhood revitalization (use care not to exacerbate housing shortage)
 - ☐ Greening or cleanup of vacant lots, as well as other efforts to make vacant lots safer for the surrounding community (includes residential, commercial, or industrial buildings)
 - ☐ Conversion of vacant or abandoned properties to affordable housing
 - ☐ Inspection fees and other administrative costs incurred to ensure compliance with applicable environmental laws and regulations for demolition, greening, or other remediation activities
- ☐ Rehabilitation of commercial properties, storefront improvement, and façade improvements (FR pg. 151)
- ☐ Potential expenditures for nonprofits (FR pg. 155)
- ☐ Capital expenditures such as technology infrastructure to adapt government operations to the pandemic (FR pg. 190)

- ☐ Video-conferencing software, improvements to case management systems or data sharing resources (FR pg. 190)
- ☐ Reduce government backlogs, or meet increased maintenance needs are eligible (FR pg. 190)

SPECIFICALLY ENUMERATED CAPITAL EXPENDITURES IN CAPITAL PROJECTS SECTIONS (FR pgs. 190-206)

- ☐ Capital investments in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics (FR pg. 190)
- ☐ Adaptations to public buildings to implement COVID-19 mitigation tactics (FR pg. 190)
- ☐ Ventilation improvements in congregate settings, health care settings, or other key locations (FR pg. 190)
- ☐ Assistance to small businesses and nonprofits and aid to impacted industries to implement COVID-19 prevention or mitigation tactics, such as physical plant changes to enable social distancing (FR pg. 190)
- ☒ Affordable housing (FR pg. 190)
- ☐ Entire scope of capital project could include all activities toward a common purpose including capital expenditures, as well as expenditures on related programs, services, or other interventions (FR pg. 202)
- ☐ A project also includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment) (FR pg. 202)
- ☐ Projects that are interdependent or are of the same or similar type and would be utilized for a common purpose such as acquisition of a fleet of ambulances that would be used for COVID-19 emergency response (FR pg. 202)
- ☐ Pre-project development costs that are tied to or reasonably expected to lead to an eligible capital expenditure (FR pg. 208)
- ☐ Planning and engineering for an eligible project (FR pg. 208)

POTENTIALLY INELIGIBLE AND INELIGIBLE PROJECTS

- ☐ Large projects may be less likely to be reasonably proportional to the harm (e.g., construction of a new, larger public facility for the purpose of increasing the ability to socially distance generally as less time and resource-intensive options maybe be available. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well. (FR pgs. 194-195, 205)
- ☐ Infrastructure Projects are not in the scope of capital projects (FR pg. 195)
- ☐ Brand new correctional facilities are generally not eligible (Capital Expenditures must be related and proportional to the harm – i.e. not proportional to the rising crime rate in relation to the pandemic. FR pgs. 199-200)
- ☐ Construction of new congregate facilities are generally not proportional to the response to mitigate or prevent COVID-19 because it is generally more costly than other alternatives (FR pg. 200)
- ☐ Large capital expenditures intended for general economic development or to aid in travel, tourism, and hospitality centers like convention centers and stadiums on balance are generally not proportional to addressing negative economic impacts (FR pg. 200)

OTHER GENERAL RULES ON CAPITAL PROJECTS FROM TREASURY:

- Capital Expenditures are not presumed to be reasonably proportional in response to the harm and must be demonstrated. (FR pgs. 57, 193)
- Large projects may not be segmented to smaller projects to evade review and reporting. (FR pgs. 202-203)
- Expenditures from closely related activities directed toward a common purpose are one project. (FR pg. 202)
- A project includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment), or are of the same or similar type and would be utilized for a common purpose (e.g., acquisition of a fleet of ambulances that would be used for COVID-19 emergency response). (FR pg. 202)
- Treasury will use heightened scrutiny on large projects. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well (FR pg. 205)
- Capital expenditure means "expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life." (FR pg. 207)
- Capital assets means "tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with [Generally Accepted Accounting Principles]." Capital assets include lands, facilities, equipment, and intellectual property. Equipment means "tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000." (FR pg. 208)
- Supplies means all tangible personal property other than those included as "equipment," are not considered capital expenditures. (FR pg. 208)
- Unless noted by the US Treasury, all projects must comply with applicable federal, state, and local law, which includes environmental and permitting laws and regulations. (FR pg. 207, and pgs. 347-348)

WORKSHEET 1 - INITIAL ELIGIBILITY SCREENING

Page 1 of 1



AMERICAN RESCUE PLAN PROPOSAL CAPITAL EXPENDITURES



Department: **CEO**

Program/Expense/Service Title: **Project Homekey 1.0 – Long Beach East/Linc
Housing**

Amount Requested: **\$11,872,791**

DECISION TREE

1. Does the CAPITAL PROJECT/CAPITAL EXPENSE identify a Public Health effect or need OR a Negative Economic Impact caused by COVID-19? (can be immediate or extended exacerbated effect but must be related to COVID-19)
YES ☒ NO ☐ MAYBE/UNKNOWN ☐
2. Does the CAPITAL PROJECT/CAPITAL EXPENSE respond to or address the COVID-19 effect or need identified in question 1 above?
YES ☒ NO ☐ MAYBE/UNKNOWN ☐
3. Is the CAPITAL PROJECT/CAPITAL EXPENSE specifically enumerated in the U.S. Treasury's Final Rule as potentially eligible (See pages 4-6 of this worksheet)?
YES ☒ NO ☐ (see 4 below) MAYBE/UNKNOWN ☐
4. If NO, can a justification be identified which addresses the Public Health effects or needs OR a Negative Economic Impact caused by COVID-19?
YES ☐ NO ☐ MAYBE/UNKNOWN ☐
5. Is the CAPITAL PROJECT/CAPITAL EXPENSE reasonably related and proportionate to address the harm?
YES ☒ NO ☐ MAYBE/UNKNOWN ☐

COSTS ARE POTENTIALLY ELIGIBLE ☒

Documents Project Expenditures in
Accordance with CEO Instructions

COSTS ARE LIKELY INELIGIBLE ☐

Consult with County Counsel and CEO

If your answer was NO to any questions or you are not sure, contact your County Counsel for further discussion on eligibility. If your answer to 1, 2, 4, and 5 was YES, move to Public Health/Negative Economic Impact Capital Project ~ Supporting Justification on next page.

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

Page 1 of 7

1. Rules to consider:

- Capital Expenditures must support an eligible public health or negative economic response.
- Capital Expenditures must be reasonably proportional to the harm identified. (FR pg. 57)
- Capital Expenditures are not presumed proportional to the harm. (FR pg. 57)
- Large projects may not be segmented to smaller projects to evade review and reporting. (FR pgs. 202-203)
- Expenditures from closely related activities directed toward a common purpose are one project. (FR pg. 202)
- A project includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment), or are of the same or similar type and would be utilized for a common purpose (e.g., acquisition of a fleet of ambulances that would be used for COVID-19 emergency response). (FR pg. 202)
- Treasury will use heightened scrutiny on large projects. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well (FR pg. 205)
- Capital expenditure means "expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life." (FR pg. 207)
- Capital assets means "tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with [Generally Accepted Accounting Principles]." Capital assets include lands, facilities, equipment, and intellectual property. Equipment means "tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000." (FR pg. 208)
- Supplies means all tangible personal property other than those included as "equipment," are not considered capital expenditures. (FR pg. 208)
- Unless noted by the US Treasury, all projects must comply with applicable federal, state, and local law, which includes environmental and permitting laws and regulations. (FR pg. 207, and pgs. 347-348)

2. Instructions for Completing Supporting Justification for Capital Projects/Expenditures:

Departments must provide sufficient detail and supporting information for each question below as it relates to the Capital Project/Expenditure being provided.

1. What is the name of the Capital Project/Expenditure being provided and which Department(s) will be administering the Capital Project/Expenditure.
Homekey 1.0 – Long Beach East / Linc Housing

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

Page 2 of 7

CEO will administer the expenditure.

2. Provide a brief description of the Capital Project/Expenditure proposal.

As part of the State Project Homekey Round 1 Program, Los Angeles County (County) acquired several properties to use as housing for People Experiencing Homelessness (PEH) impacted by COVID-19 (Homekey 1 Properties). The Homekey 1 Properties, which include the Motel 6 located in Long Beach East, are currently operating as interim housing and will be converted to permanent supportive housing (PSH). The County will transfer ownership of the Motel 6 in Long Beach East to Linc Housing (Linc). The California Department of Housing and Community Development has approved the transfer of ownership of the property. With the ARP funds, Linc will renovate and convert the property from temporary housing to PSH (Project). The property will have 40 units – 39 residential units at 215 sq. ft., and a manager's unit, including two case manager offices. Case management and supportive services will be available onsite for PEH.

3. Describe the projected cost of the Capital Project/Expenditure from beginning to end. (Project cannot be segmented in order to qualify or avoid reporting.)

The projected cost of the Project is \$11,872,791, which is the ARP amount needed to support the renovations. However, the entire capital project cost, which includes County's previous acquisition of the property and Linc's projected renovation cost, is \$21.5M.

4. Explain whether the entire project can be obligated by December 31, 2024, and fully expended before December 31, 2026.

Yes, the property transfer and renovations will be completed by the end of 2024. As such, the funds will be obligated by December 31, 2024 and fully expended by December 21, 2026.

5. Explain how the Capital Project/Expenditure identifies a Public Health Negative Economic Impact effect or need caused by COVID-19. (Can be immediate, extended, or exacerbated effect, but must meet the test by being related to COVID-19.)

Based on the recent Greater Los Angeles Homeless Count, there are 69,144 PEH within the County. This is a 4.1 percent increase from the last count in 2020 when the count was at 66,436. In addition, there is a dire affordable housing shortage of nearly 500,000 units within the County according to California Housing Partnership's "2021 Los Angeles County Housing Need Report." PEH are inherently impacted by COVID-19 as they are at increased risk of infection owing to their lack of safe housing and conditions in shelters. In addition, the risk of severe COVID-19 is increased for PEH due to the high prevalence of medical comorbidities. The Homekey 1 Properties currently provide PEH who are impacted by COVID-19 with interim housing. The Project will provide the PEH population with permanent supportive housing.

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

Page 3 of 7

6. Describe how the Capital Project/Expenditure responds to or addresses the COVID-19 effect or need.

The impacts of the COVID-19 pandemic have caused an increase in the number of people to live in the streets, with people of color being disproportionately represented among the homeless population as the pandemic has exacerbated the racial gaps in financial and housing security and health. In addition, the COVID-19 pandemic has reduced homeless and supportive services and housing/shelter availability due to health orders and guidelines. The Project will increase the supply of affordable housing in the County by creating an additional 40 PSH units to serve people experiencing chronic homelessness. PEH will have a permanent housing that provides onsite supportive services, including case management services. The Project will provide a safe and stable housing environment to help PEH exit homelessness and remain housed, improving their health and well-being.

7. If the Capital Project/Expenditure is specifically identified as a potentially eligible Capital Project, list the specified project and explain how the expense is reasonably related and proportionate to address the harm. (See enumerated potentially eligible Capital Project/Expenditures uses on pgs. 4-7 of this worksheet)

☒ Affordable housing (FR pg. 190)

The renovation costs/expenses are reasonable and consistent with the appraised value of the property. The property was previously underwritten by the County and California Department of Housing and Community Development (HCD) as part of the acquisition of the Homekey 1 Properties, with appraisals and other due diligence documentation reviewed by County and HCD staff.

8. If the Capital Project/Expenditure is not specifically identified as a potentially eligible use, explain how it addresses a Public Health or Negative Economic Impact and is reasonably related and proportionate to address the harm. (Projects that do not have a Public Health or Negative Economic Impact connection are likely ineligible.)

N/A.

9. Is the Capital Project/Expenditure listed in the Final Rule as ineligible? (See pages 6-7 of this worksheet.)

No.

10. All Capital Projects/Expenditures over \$1 million must complete a Written Justification required by the Treasury Final Rule. (See enclosed Written Justification Form.)

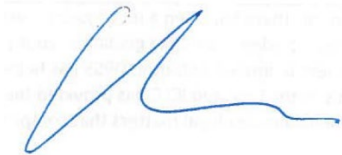
Attached.

**WORKSHEET 2 - DETAILED CAPITAL PROJECT
PROGRAM JUSTIFICATION**

Page 4 of 7

11. All Recipients should determine that any responsive capital project is related and reasonably proportional to the public health emergency and its negative economic impacts, even projects under \$1 million. (FR pg. 201 fn 254 and 255)

Attached.



Elizabeth Ben-Ishai

Name/Signature of high-level department person

2/6/2023

Date

Are there any attachments? YES ☒ NO ☐

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

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ENUMERATED CAPITAL PROJECTS/EXPENDITURES AND INELIGIBLE PROJECTS

Below is a non-exhaustive list of the U.S. Department of Treasury's Final Rule of enumerated and potentially eligible capital expenditures (page numbers refer to the Final Rule (FR)) as long as the projects are reasonably proportional responses (as defined in the Final Rule) to the harm identified:

MITIGATION & PREVENTION OF COVID-19

- ☐ Affordable Housing (FR pg 6)
- ☐ Childcare facilities (FR pg 6)
- ☐ Schools (FR pg 6)
- ☐ Hospitals (FR pg. 6)
- ☐ Ventilation improvements in congregate settings, healthcare settings or other key locations (FR pg. 56)
- ☐ Enhancements in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics or adaptations to public buildings to implement COVID-19 mitigation tactics (FR pg. 56)
- ☐ Improvements or construction of COVID-19 testing sites and laboratories, and acquisition of related equipment (FR pg. 60)
- ☐ Improvements or construction of COVID-19 vaccination sites (FR pg. 60)
- ☐ Improvements or construction of medical facilities generally dedicated to COVID-19 treatment and mitigation (e.g., emergency rooms, intensive care units, telemedicine capabilities for COVID-19 related treatment) (FR pg. 60)
- ☐ Expenses of establishing temporary medical facilities and other measures to increase COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or other emergency services equipment (FR pg. 61)
- ☐ Acquisition of equipment for COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or emergency services equipment (FR pg. 61)
- ☐ Improvements to or construction of emergency operations centers and acquisition of emergency response equipment (e.g., emergency response radio systems) (FR pg. 61)
- ☐ Installation and improvements of ventilation systems (FR pg. 61)
- ☐ Costs of establishing public health data systems, including technology infrastructure (FR pg. 61)
- ☐ Adaptations to congregate living facilities, including skilled nursing facilities, other long-term care facilities, incarceration settings, homeless shelters, residential foster care facilities, residential behavioral health treatment, and other group living facilities, as well as public facilities and schools (excluding construction of new facilities for the purpose of mitigating spread of COVID-19 in the facility) (FR pg. 61)
- ☐ Mitigation measures in small businesses, nonprofits, and impacted industries (e.g., developing outdoor spaces) (FR pg. 61)
- ☐ Physical plant changes to enable greater use of outdoor spaces or ventilation improvements (FR pg. 64)
- ☐ Establishing an outdoor patio for restaurants (FR pg. 64)

WORKSHEET 2 - DETAILED CAPITAL PROJECT **PROGRAM JUSTIFICATION**

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- ☐ Behavioral health facilities and equipment (FR pg. 69)
- ☐ Inpatient or outpatient mental health or substance abuse use treatment facilities, crisis centers, diversion centers (FR pg. 69)

NEGATIVE ECONOMIC IMPACTS

- ☐ Capital expenditures related to food banks and other facilities primarily dedicated to addressing food insecurity (FR pg. 81)
- ☐ Transitional shelters (temporary residences for people experiencing homelessness) (FR pg. 83)
- ☐ Capital expenditures for internet access like equipment, property, and facilities (FR pgs. 89-90)
- ☐ Improvements to or new construction of childcare, daycare, and early learning facilities are eligible capital expenditures (FR pg. 97)
- ☒ Affordable housing development projects that expand the supply of long-term housing (FR pg. 106)
- ☐ Projects that are eligible under either the National Housing Trust Fund (HTF) or the Home Investment Partnerships Program (Home) (FR pg. 106)
- ☒ Permanent supportive housing (FR pg. 108)
- ☒ Affordable housing developments targeted to specialized populations (FR pg. 108)
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- ☐ Job and work force training centers (FR pg. 117)
- ☐ Improvements to existing facilities to remediate lead contaminants (removal of lead paint) (FR pg. 127)
- ☐ Primary care clinics, hospitals or integrations of health services in other settings (FR pg. 128)
- ☐ Parks, green spaces, recreational facilities, sidewalks, pedestrian safety features like crosswalks, projects that increase access to healthy foods, streetlights, neighborhood cleanup and projects to revitalize public spaces (FR pgs. 132-133)
- ☐ Vacant or abandoned property:
 - ☐ Rehabilitation, renovation, maintenance, or costs to secure vacant or abandoned properties to reduce their negative impact
 - ☐ Costs associated with acquiring and securing legal title of vacant or abandoned properties and other costs to position the property for current or future productive use
 - ☐ Removal and remediation of environmental contaminants or hazards from vacant or abandoned properties, when conducted in compliance with applicable environmental laws or regulations
 - ☐ Demolition or deconstruction of vacant or abandoned buildings (including residential, commercial, or industrial buildings) paired with greening or other lot improvement as part of a strategy for neighborhood revitalization (use care not to exacerbate housing shortage FR pgs. 135-136)
 - ☐ Greening or cleanup of vacant lots, as well as other efforts to make vacant lots safer for the surrounding community (includes residential, commercial, or industrial buildings FR pg. 135)
 - ☐ Conversion of vacant or abandoned properties to affordable housing

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

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- ☐ Inspection fees and other administrative costs incurred to ensure compliance with applicable environmental laws and regulations for demolition, greening, or other remediation activities (FR pg. 134)
- ☐ Rehabilitation of commercial properties, storefront improvement, and façade improvements (FR pg. 151)
- ☐ Potential expenditures for nonprofits (FR pg. 155)
- ☐ Capital expenditures such as technology infrastructure to adapt government operations to the pandemic (FR pg. 190)
- ☐ Video-conferencing software, improvements to case management systems or data sharing resources (FR pg. 190)
- ☐ Reduce government backlogs, or meet increased maintenance needs are eligible (FR pg. 190)

SPECIFICALLY ENUMERATED CAPITAL EXPENDITURES IN CAPITAL PROJECTS SECTIONS (FR pgs. 190-206)

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- ☐ Adaptations to public buildings to implement COVID-19 mitigation tactics (FR pg. 190)
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- ☐ Entire scope of capital project could include all activities toward a common purpose including capital expenditures, as well as expenditures on related programs, services, or other interventions (FR pg. 202)
- ☐ A project also includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment) (FR pg. 202)
- ☐ Projects that are interdependent or are of the same or similar type and would be utilized for a common purpose such as acquisition of a fleet of ambulances that would be used for COVID-19 emergency response (FR pg. 202)
- ☐ Pre-project development costs that are tied to or reasonably expected to lead to an eligible capital expenditure (FR pg. 208)
- ☐ Planning and engineering for an eligible project (FR pg. 208)

POTENTIALLY INELIGIBLE AND INELIGIBLE PROJECTS

- ☐ Large projects may be less likely to be reasonably proportional to the harm (e.g., construction of a new, larger public facility for the purpose of increasing the ability to socially distance generally as less time and resource-intensive options maybe be available. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well. (FR pgs. 194-195, 205)
- ☐ Infrastructure Projects are not in the scope of capital projects (FR pg. 195)

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

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- ☐ Brand new correctional facilities are generally not eligible (Capital Expenditures must be related and proportional to the harm – i.e. not proportional to the rising crime rate in relation to the pandemic. FR pgs. 199-200)
- ☐ Construction of new congregate facilities are generally not proportional to the response to mitigate or prevent COVID-19 because it is generally more costly than other alternatives (FR pg. 200)
- ☐ Large capital expenditures intended for general economic development or to aid in travel, tourism, and hospitality centers like convention centers and stadiums on balance are generally not proportional to addressing negative economic impacts (FR pg. 200)

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

Page 1 of 3

Written Justification and Reporting the Justification to Treasury: (Recipients must provide reports on Capital Projects in the mandatory ARP reporting as required below.) (FR pg. 201)

If a project has total expected capital expenditures of	and the use is enumerated by Treasury as eligible, then	and the use is beyond those enumerated by Treasury as eligible, then
Less than \$1 million	No Written Justification required (Supporting documentation must still be maintained.)	No Written Justification required (Supporting documentation must still be maintained.)
Greater than or equal to \$1million, but less than \$10 million	Written Justification but recipients are not required to submit as part of regular reporting to Treasury	Written Justification required and recipients must submit as part of regular reporting to Treasury
\$10 million or more	Written Justification required and recipients must submit as part of regular reporting to Treasury	

Provide supportive details to the following questions:

- 1. Describe the Public Health harm or Negative Economic Impact need to be addressed:** (Recipients should provide a description of the specific harm or need to be addressed, and why the harm was exacerbated or caused by the public health emergency. When appropriate, recipients may provide quantitative information on the extent and type of harm, such as the number of individuals or entities affected. (FR pgs. 196-197)

The COVID-19 pandemic greatly impacted PEH due to reduced homeless and supportive services, housing, and economic opportunities. The homelessness crisis in the County pre-dates the pandemic, but was exacerbated by the pandemic, due to the economic impacts on communities and because many PEH are in poor health and/or have underlying health conditions that make them more vulnerable to COVID-19. Based on the recent Greater Los Angeles Homeless Count, there are 69,144 PEH within the County, which is a 4.1 percent increase from the last count in 2020 when the count was at 66,436. Further, between the 12-month period preceding the first reported COVID-19 death of a PEH in the County (April 1, 2019 through March 31, 2020) and the 12-month pandemic period that followed (April 1, 2020 through March 31, 2021), the overall number of deaths among PEH increased by 56 percent, from 1,271 to 1,988 deaths.

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

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2. **Explain why a capital expenditure is appropriate:** (Recipients should provide an independent assessment demonstrating why a capital expenditure is appropriate to address the specified harm or need. (FR pg. 197)

The Project will create more affordable housing by providing an additional 40 PSH units within the County to serve people experiencing chronic homelessness. The most effective response to homelessness is to provide PSH to PEH because PSH pairs housing with supportive services. The County has a deficit of affordable housing. According to the California Housing Partnership's report "2021 Los Angeles County Housing Need Report," there is a dire affordable housing shortage of nearly 500,000 units within the County and a large number of low-income households do not have access to an affordable home. According to the Los Angeles Homeless Services Authority (LAHSA), the County has a shortfall of more than 20,000 permanent supportive housing units. Even with the more than 12,000 permanent supportive housing units in the pipeline, there remains a shortfall of nearly 8,000 units.

- a. **Explain why existing capital equipment, property or facilities would be inadequate to address the harm or need.**

The County needs more PSH units. As noted, there is a shortfall in affordable and supportive housing within the County; existing capital properties would not meet the need.

- b. **Explain why policy changes or additional funding to pertinent programs or services would be insufficient without the corresponding capital expenditure.**

Additional funding would not on its own, without capital expenditures, increase the supply of affordable housing.

3. **Provide a comparison of the proposed capital expenditure against alternative capital expenditures:** (Recipients should provide an objective comparison of the proposed capital expenditure against at least two alternative capital expenditures that could be made. Use quantitative data when available, or supplement with qualitative information and narrative description. Analyses with little to no quantitative or qualitative data must provide an explanation for doing so. (FR pgs. 197-198)

- a. **Assess the proposed capital expenditure against at least two alternative types or sizes of capital expenditures that are potentially effective and reasonably feasible.**

Alternative 1: New construction

Building PSH units from the ground up – new construction – is considerably more expensive than renovating and converting a motel. According to a report issued by the City of Los Angeles Controller, the average cost per PSH unit built using Proposition HHH is between \$531,711 (projects under construction) and \$558,847 (projects in

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION
(Required by U.S. Department of Treasury)

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pre-development). In comparison, the per unit cost for converting an existing interim housing to permanent housing here is \$242,500.

Alternative 2: Acquire building outside of the State Homekey Program

The State allocated \$1.45B to the Homekey program for fiscal year 2021-2022. The Homekey program provides funding to local jurisdictions to purchase and rehabilitate hotels and other properties to be used as interim and permanent housing for PEH who are impacted by COVID-19, with matching funds from the local jurisdiction. For the Motel 6 in Long Beach East, the State awarded the County \$5,615,000 of the total \$5,646,668 acquisition costs. The proposed renovation Project is \$11,872,791. If the County pursued the acquisition of this property, or a similar property, outside of the Homekey program, and renovated/converted it into a PSH, it would cost the County almost twice the amount of capital funding. Moreover, the legislation that established the Homekey program includes language that streamlines the entitlement and environmental review processes, enabling the rehabilitation of the Homekey properties to be completed faster than it might otherwise be and allows the County to serve the vulnerable PEH population more quickly.

- b. —If relevant, compare the proposal against the alternative of improving of improving existing capital assets already owned or leasing other capital assets.

Compared to the other alternatives, renovating and converting a Homekey property into a PSH is the quickest and least expensive way to increase permanent supportive housing within the County for our vulnerable PEH population.

4. Consider the following factors in comparing this proposal to other alternatives:

- a. **Compare the effectiveness of capital expenditures in addressing the harm identified.** (Recipients should generally consider the effectiveness of the capital expenditures in addressing the harm over the useful life of the capital asset and may consider metrics such as the number of impacted or disproportionately impacted individuals or entities served. (FR pg. 198)

The alternatives would address the harm identified in the same way. However, they would cost more, are resource-intensive, and require more time. As such, the alternatives would result in less funding and resources available for other critical interventions to serve PEH.

- b. **Identify the relevant time horizons of the project, and describe any uncertainties or risks involved with the capital expenditures.**

For the proposed Project, renovations will be complete by 2024 and occupancy will begin immediately.

Alternative 1 would take significantly longer as the ground up construction would require more time than a project modifying an existing structure.

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION
(Required by U.S. Department of Treasury)

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Alternative 2 would take significantly longer as well because it would require the County to go through the usual process to acquire a building and then renovate it. The approval processes could slow down the progress.

- c. Compare the expected total cost of the capital expenditures.** (Recipients should consider the expected total cost of the capital expenditure required to construct, purchase, install, or improve the capital assets intended to address the public health or negative economic impact of the public health emergency. Predevelopment costs should be included in the calculation and may choose to include information on ongoing operational costs – although not required. (FR pg. 198)

- Alternative 1: Expected costs would be approximately \$21.5M to \$22.3M for new PSH construction for 40 units; and
- Alternative 2: Expected County cost to acquire and renovate a 40 unit building into a PSH would be approximately \$21.5M.

- d. Demonstrate how the proposed capital expenditure is superior (i.e. effectiveness).** (Recipients should balance the effectiveness and costs of the proposed capital expenditure and against alternative and demonstrate that their proposed capital expenditure is superior. Recipients should choose the most cost-effective option unless it substantively reduces the effectiveness of the capital investment in addressing the harm identified. Additional factors impacting effectiveness include when the facilities will become operational etc. See examples of the analysis pgs. (FR 198-199).

The State's report on the first round of Homekey funding, which supported local jurisdictions' purchase and rehabilitation of motels and hotels to be used as interim and permanent housing for PEH, found that it promoted expedient, cost-effective housing solutions. Motel conversions are faster and lower in cost than new construction. Moreover, the funding offered through Homekey provides a once in a generation opportunity for local jurisdictions like the County to considerably increase the availability of homeless housing, in particular PSH, to address the homelessness crisis. According to the National Alliance to End Homelessness, which provides data and research to policymakers and elected officials in order to inform policy debates, PSH is a proven solution to homelessness for the most vulnerable chronically homeless people. It is cost-effective and has been shown to lower public costs associated with the use of crisis services such as shelters, hospitals, jails and prisons.



AMERICAN RESCUE PLAN PROPOSAL CAPITAL EXPENDITURES

Project Homekey 1.0 – Long Beach West/Linc Housing



I. TABLE OF CONTENTS:

Page 1 – Instructions

Page 2 – Basic Eligibility Overview

Page 3 to 6 – Enumerated Capital Projects/Expenditures; Ineligible Projects; and General Rules

Worksheet 1 – Initial Eligibility Screening

Worksheet 2 - Detailed Capital Project Program Justification (fillable form)

Worksheet 3 – Written Justification/Reporting Documentation (fillable form)

II. INSTRUCTIONS FOR COMPLETING THE CAPITAL EXPENDITURES ELIGIBILITY WORKSHEETS IN THIS DOCUMENT:

1. Worksheet 1 - Initial Eligibility Screening:

Complete Worksheet 1 as the initial screening for eligibility of a capital project/expenditure. If your answer is NO to any questions on the Initial Eligibility Screening, or you are not sure, contact your County Counsel for further discussion on eligibility. If your answer to 1, 2, 4, and 5 is YES, move to Detailed Capital Project ~ Program Justification (Worksheet 2).

2. Worksheet 2 - Detailed Capital Project Program Justification:

Complete Worksheet 2 if your answer to 1, 2, 4, and 5 is YES on the Initial Eligibility Screening Worksheet 1. This form will provide further details to support eligibility.

3. Worksheet 3 - Written Justification/Reporting Documentation:

Complete Worksheet 3 only if the capital project is preliminarily approved to proceed or as directed. Worksheet 3 is required as a written justification by the U.S. Treasury and may be required to be submitted as part of the County's reporting obligations for the American Rescue Plan Funding.

III. BASIC ELIGIBILITY FOR CAPITAL PROJECTS – TWO-PART TEST:

Part 1. Capital Expenditures must respond to an eligible public health impact of COVID-19 or a negative economic response caused by COVID-19.

- An eligible **public health response** is defined as a response to a negative public health impact or harm experienced by individuals or a class. The Final Rule lists 4 types of public health problems demonstrating a public health response to the public health emergency. (FR pg. 20)
 - 1) COVID-19 Mitigation and Prevention
 - 2) Medical Expenses
 - 3) Behavioral Health, and
 - 4) Preventing and Responding to Violence
- The Final Rule describes "responding to" the public health emergency as addressing the SARS-CoV-2 virus itself, supporting efforts to prevent or decrease spread of the disease, and addressing other impacts of the pandemic on public health. (FR pgs. 53-54) (See the Eligible Projects from FR on Pages 3, 4, 5, and 6 below.)
- An eligible **response to the negative economic impacts of the pandemic** is designed to respond to a harm or impact experienced by a beneficiary or a class of beneficiaries to whom the capital expenditure will benefit. Tends to address a need of individuals, businesses or nonprofits that were disproportionately impacted or impacted by the pandemic.
- For Capital Expenditures, the Final Rule identifies potentially eligible projects from all categories but primarily eligibility falls in two categories: 1) Mitigation and Prevention of COVID-19; and 2) Responding to the Negative Economic Impacts of COVID-19. All enumerated eligible uses from the Final Rule are listed on the Enumerated Eligible Projects List on Pages 3, 4, 5, and 6 below.

Part 2: Capital Expenditures must be related and reasonably proportional to the harm identified. (FR pgs. 57, 192)

- Reasonably proportional refers to the scale of the response (i.e. project) to the scale of the harm. (FR pg. 91) The cost cannot be grossly in excess of the amount needed to address the harm, or the negative economic impact.
- Examples in the Final Rule include affordable housing projects that increase the supply of affordable housing for low-income individuals. While there may be less costly alternatives, targeted increase in supply could still be cost effective. (FR pg. 106.)
- Capital projects under \$1 million are presumed proportional so long as they respond to a harm caused or exacerbated by the pandemic. (FR pg. 193)
- However, the Final Rule also cites as an example of a lack of proportionality that a capital project used to expand a public building to increase social distancing compared to other less time-consuming and resource intensive alternatives would not be proportional. (FR pg. 194)

ENUMERATED CAPITAL PROJECTS/EXPENDITURES; INELIGIBLE PROJECTS; AND GENERAL RULES

Below is the list of Treasury's enumerated and potentially eligible capital expenditures (page numbers refer to the Final Rule (FR)) as long as the projects are related and reasonably proportional responses to the harm identified:

MITIGATION & PREVENTION OF COVID-19

- ☐ Affordable Housing (FR pg 6, 106, 108)
- ☐ Childcare facilities (FR pg 6)
- ☐ Schools (FR pg 6)
- ☐ Hospitals (FR pg. 6)
- ☐ Ventilation improvements in congregate settings, healthcare settings or other key locations (FR pg. 56)
- ☐ Enhancements in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics or adaptations to public buildings to implement COVID-19 mitigation tactics (FR pg. 56)
- ☐ Improvements or construction of COVID-19 testing sites and laboratories, and acquisition of related equipment (FR pg. 60)
- ☐ Improvements or construction of COVID-19 vaccination sites (FR pg. 60)
- ☐ Improvements or construction of medical facilities generally dedicated to COVID-19 treatment and mitigation (e.g., emergency rooms, intensive care units, telemedicine capabilities for COVID-19 related treatment) (FR pg. 60)
- ☐ Expenses of establishing temporary medical facilities and other measures to increase COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or other emergency services equipment (FR pg. 61)
- ☐ Acquisition of equipment for COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or emergency services equipment (FR pg. 61)
- ☐ Improvements to or construction of emergency operations centers and acquisition of emergency response equipment (e.g., emergency response radio systems) (FR pg. 61)
- ☐ Installation and improvements of ventilation systems (FR pg. 61)
- ☐ Costs of establishing public health data systems, including technology infrastructure (FR pg. 61)
- ☐ Adaptations to congregate living facilities, including skilled nursing facilities, other long-term care facilities, incarceration settings, homeless shelters, residential foster care facilities, residential behavioral health treatment, and other group living facilities, as well as public facilities and schools (excluding construction of new facilities for the purpose of mitigating spread of COVID-19 in the facility) (FR pg. 61)
- ☐ Mitigation measures in small businesses, nonprofits, and impacted industries (e.g., developing outdoor spaces) (FR pg. 61)
- ☐ Physical plant changes to enable greater use of outdoor spaces or ventilation improvements (FR pg. 64)
- ☐ Establishing an outdoor patio for restaurants (FR pg. 64)
- ☐ Behavioral health facilities and equipment (FR pg. 69)
- ☐ Inpatient or outpatient mental health or substance abuse use treatment facilities, crisis centers, diversion centers (FR pg. 69)

NEGATIVE ECONOMIC IMPACTS

- ☐ Capital expenditures related to food banks and other facilities primarily dedicated to addressing food insecurity (FR pg. 81)
- ☐ Transitional shelters (temporary residences for people experiencing homelessness) (FR pg. 83)
- ☐ Capital expenditures for internet access like equipment, property, and facilities (FR pgs. 89-90)
- ☐ Improvements to or new construction of childcare, daycare, and early learning facilities are eligible capital expenditures (FR pg. 97)
- ☒ Affordable housing development projects that expand the supply of long-term housing (FR pg. 106)
- ☐ Projects that are eligible under either the National Housing Trust Fund (HTF) or the Home Investment Partnerships Program (Home) (FR pg. 106)
- ☒ Permanent supportive housing (FR pg. 108)
- ☒ Affordable housing developments targeted to specialized populations (FR pg. 108)
- ☐ Recovery housing for individuals in recovery from substance abuse (FR pg. 108)
- ☐ Rehabilitation or repair of public housing (FR pg. 108)
- ☐ Job and work force training centers (FR pg. 117)
- ☐ Improvements to existing facilities to remediate lead contaminants (removal of lead paint) (FR pg. 127)
- ☐ Primary care clinics, hospitals or integrations of health services in other settings (FR pg. 128)
- ☐ Parks, green spaces, recreational facilities, sidewalks, pedestrian safety features like crosswalks, projects that increase access to healthy foods, streetlights, neighborhood cleanup and projects to revitalize public spaces (FR pgs. 132-133)
- ☐ Vacant or abandoned property (FR pgs. 134-136):
 - ☐ Rehabilitation, renovation, maintenance, or costs to secure vacant or abandoned properties to reduce their negative impact
 - ☐ Costs associated with acquiring and securing legal title of vacant or abandoned properties and other costs to position the property for current or future productive use
 - ☐ Removal and remediation of environmental contaminants or hazards from vacant or abandoned properties, when conducted in compliance with applicable environmental laws or regulations
 - ☐ Demolition or deconstruction of vacant or abandoned buildings (including residential, commercial, or industrial buildings) paired with greening or other lot improvement as part of a strategy for neighborhood revitalization (use care not to exacerbate housing shortage)
 - ☐ Greening or cleanup of vacant lots, as well as other efforts to make vacant lots safer for the surrounding community (includes residential, commercial, or industrial buildings)
 - ☐ Conversion of vacant or abandoned properties to affordable housing
 - ☐ Inspection fees and other administrative costs incurred to ensure compliance with applicable environmental laws and regulations for demolition, greening, or other remediation activities
- ☐ Rehabilitation of commercial properties, storefront improvement, and façade improvements (FR pg. 151)
- ☐ Potential expenditures for nonprofits (FR pg. 155)
- ☐ Capital expenditures such as technology infrastructure to adapt government operations to the pandemic (FR pg. 190)

- ☐ Video-conferencing software, improvements to case management systems or data sharing resources (FR pg. 190)
- ☐ Reduce government backlogs, or meet increased maintenance needs are eligible (FR pg. 190)

SPECIFICALLY ENUMERATED CAPITAL EXPENDITURES IN CAPITAL PROJECTS SECTIONS (FR pgs. 190-206)

- ☐ Capital investments in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics (FR pg. 190)
- ☐ Adaptations to public buildings to implement COVID-19 mitigation tactics (FR pg. 190)
- ☐ Ventilation improvements in congregate settings, health care settings, or other key locations (FR pg. 190)
- ☐ Assistance to small businesses and nonprofits and aid to impacted industries to implement COVID-19 prevention or mitigation tactics, such as physical plant changes to enable social distancing (FR pg. 190)
- ☒ Affordable housing (FR pg. 190)
- ☐ Entire scope of capital project could include all activities toward a common purpose including capital expenditures, as well as expenditures on related programs, services, or other interventions (FR pg. 202)
- ☐ A project also includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment) (FR pg. 202)
- ☐ Projects that are interdependent or are of the same or similar type and would be utilized for a common purpose such as acquisition of a fleet of ambulances that would be used for COVID-19 emergency response (FR pg. 202)
- ☐ Pre-project development costs that are tied to or reasonably expected to lead to an eligible capital expenditure (FR pg. 208)
- ☐ Planning and engineering for an eligible project (FR pg. 208)

POTENTIALLY INELIGIBLE AND INELIGIBLE PROJECTS

- ☐ Large projects may be less likely to be reasonably proportional to the harm (e.g., construction of a new, larger public facility for the purpose of increasing the ability to socially distance generally as less time and resource-intensive options maybe be available. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well. (FR pgs. 194-195, 205)
- ☐ Infrastructure Projects are not in the scope of capital projects (FR pg. 195)
- ☐ Brand new correctional facilities are generally not eligible (Capital Expenditures must be related and proportional to the harm – i.e. not proportional to the rising crime rate in relation to the pandemic. FR pgs. 199-200)
- ☐ Construction of new congregate facilities are generally not proportional to the response to mitigate or prevent COVID-19 because it is generally more costly than other alternatives (FR pg. 200)
- ☐ Large capital expenditures intended for general economic development or to aid in travel, tourism, and hospitality centers like convention centers and stadiums on balance are generally not proportional to addressing negative economic impacts (FR pg. 200)

OTHER GENERAL RULES ON CAPITAL PROJECTS FROM TREASURY:

- Capital Expenditures are not presumed to be reasonably proportional in response to the harm and must be demonstrated. (FR pgs. 57, 193)
- Large projects may not be segmented to smaller projects to evade review and reporting. (FR pgs. 202-203)
- Expenditures from closely related activities directed toward a common purpose are one project. (FR pg. 202)
- A project includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment), or are of the same or similar type and would be utilized for a common purpose (e.g., acquisition of a fleet of ambulances that would be used for COVID-19 emergency response). (FR pg. 202)
- Treasury will use heightened scrutiny on large projects. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well (FR pg. 205)
- Capital expenditure means "expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life." (FR pg. 207)
- Capital assets means "tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with [Generally Accepted Accounting Principles]." Capital assets include lands, facilities, equipment, and intellectual property. Equipment means "tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000." (FR pg. 208)
- Supplies means all tangible personal property other than those included as "equipment," are not considered capital expenditures. (FR pg. 208)
- Unless noted by the US Treasury, all projects must comply with applicable federal, state, and local law, which includes environmental and permitting laws and regulations. (FR pg. 207, and pgs. 347-348)

WORKSHEET 1 - INITIAL ELIGIBILITY SCREENING

Page 1 of 1



AMERICAN RESCUE PLAN PROPOSAL CAPITAL EXPENDITURES



Department: **CEO**

Program/Expense/Service Title: **Project Homekey 1.0 – Long Beach West/Linc
Housing**

Amount Requested: **\$21,444,973**

DECISION TREE

1. Does the CAPITAL PROJECT/CAPITAL EXPENSE identify a Public Health effect or need OR a Negative Economic Impact caused by COVID-19? (can be immediate or extended exacerbated effect but must be related to COVID-19)
YES ☒ NO ☐ MAYBE/UNKNOWN ☐
2. Does the CAPITAL PROJECT/CAPITAL EXPENSE respond to or address the COVID-19 effect or need identified in question 1 above?
YES ☒ NO ☐ MAYBE/UNKNOWN ☐
3. Is the CAPITAL PROJECT/CAPITAL EXPENSE specifically enumerated in the U.S. Treasury's Final Rule as potentially eligible (See pages 4-6 of this worksheet)?
YES ☒ NO ☐ (see 4 below) MAYBE/UNKNOWN ☐
4. If NO, can a justification be identified which addresses the Public Health effects or needs OR a Negative Economic Impact caused by COVID-19?
YES ☐ NO ☐ MAYBE/UNKNOWN ☐
5. Is the CAPITAL PROJECT/CAPITAL EXPENSE reasonably related and proportionate to address the harm?
YES ☒ NO ☐ MAYBE/UNKNOWN ☐

COSTS ARE POTENTIALLY ELIGIBLE ☒

Documents Project Expenditures in
Accordance with CEO Instructions

COSTS ARE LIKELY INELIGIBLE ☐

Consult with County Counsel and CEO

If your answer was NO to any questions or you are not sure, contact your County Counsel for further discussion on eligibility. If your answer to 1, 2, 4, and 5 was YES, move to Public Health/Negative Economic Impact Capital Project ~ Supporting Justification on next page.

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

Page 1 of 7

1. Rules to consider:

- Capital Expenditures must support an eligible public health or negative economic response.
- Capital Expenditures must be reasonably proportional to the harm identified. (FR pg. 57)
- Capital Expenditures are not presumed proportional to the harm. (FR pg. 57)
- Large projects may not be segmented to smaller projects to evade review and reporting. (FR pgs. 202-203)
- Expenditures from closely related activities directed toward a common purpose are one project. (FR pg. 202)
- A project includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment), or are of the same or similar type and would be utilized for a common purpose (e.g., acquisition of a fleet of ambulances that would be used for COVID-19 emergency response). (FR pg. 202)
- Treasury will use heightened scrutiny on large projects. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well (FR pg. 205)
- Capital expenditure means "expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life." (FR pg. 207)
- Capital assets means "tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with [Generally Accepted Accounting Principles]." Capital assets include lands, facilities, equipment, and intellectual property. Equipment means "tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000." (FR pg. 208)
- Supplies means all tangible personal property other than those included as "equipment," are not considered capital expenditures. (FR pg. 208)
- Unless noted by the US Treasury, all projects must comply with applicable federal, state, and local law, which includes environmental and permitting laws and regulations. (FR pg. 207, and pgs. 347-348)

2. Instructions for Completing Supporting Justification for Capital Projects/Expenditures:

Departments must provide sufficient detail and supporting information for each question below as it relates to the Capital Project/Expenditure being provided.

1. What is the name of the Capital Project/Expenditure being provided and which Department(s) will be administering the Capital Project/Expenditure.
Homekey 1.0 – Long Beach West / Linc Housing

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

Page 2 of 7

CEO will administer the expenditure.

2. Provide a brief description of the Capital Project/Expenditure proposal.

As part of the State Project Homekey Round 1 Program, Los Angeles County (County) acquired several properties to use as housing for People Experiencing Homelessness (PEH) impacted by COVID-19 (Homekey 1 Properties). The Homekey 1 Properties, which include the Holiday Inn located in Long Beach West, are currently operating as interim housing and will be converted to permanent supportive housing (PSH). The County will transfer ownership of the Holiday Inn in Long Beach West to Linc Housing (Linc). The California Department of Housing and Community Development has approved the transfer of ownership of the property. With the ARP funds, Linc will renovate and convert the property from temporary housing to PSH (Project). The Project plan contemplates 133 studios reserved for PSH, ranging from 265 to 334 sq. ft. and two manager units. To maximize the number of PSH units, Linc is not planning to consolidate any rooms into larger units. The Project is supported by the Long Beach City Council District 6. Case management and supportive services will be available onsite for PEH.

3. Describe the projected cost of the Capital Project/Expenditure from beginning to end. (Project cannot be segmented in order to qualify or avoid reporting.)

The projected cost of the Project is \$21,444,973, which is the ARP amount needed to support the renovation. However, the entire capital project cost, which includes County's proposed acquisition of the property and Linc's projected renovation cost, is \$67M.

4. Explain whether the entire project can be obligated by December 31, 2024, and fully expended before December 31, 2026.

Yes, the property transfer and renovations will be completed by the end of 2024. As such, the funds will be obligated by December 31, 2024 and fully expended by December 21, 2026.

5. Explain how the Capital Project/Expenditure identifies a Public Health Negative Economic Impact effect or need caused by COVID-19. (Can be immediate, extended, or exacerbated effect, but must meet the test by being related to COVID-19.)

Based on the recent Greater Los Angeles Homeless Count, there are 69,144 PEH within the County. This is a 4.1 percent increase from the last count in 2020 when the count was at 66,436. In addition, there is a dire affordable housing shortage of nearly 500,000 units within the County according to California Housing Partnership's "2021 Los Angeles County Housing Need Report." PEH are inherently impacted by COVID-19 as they are at increased risk of infection owing to their lack of safe housing and conditions in shelters. In addition, the risk of severe COVID-19 is increased for PEH due to the high prevalence of medical comorbidities. The Homekey 1 Properties currently provide

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

Page 3 of 7

PEH who are impacted by COVID-19 with interim housing. The Project will provide the PEH population with permanent supportive housing.

6. Describe how the Capital Project/Expenditure responds to or addresses the COVID-19 effect or need.

The impacts of the COVID-19 pandemic has caused an increase number of people to live in the streets, with people of color being disproportionately represented among the homeless population as the pandemic has exacerbated the racial gaps in financial and housing security and health. In addition, the COVID-19 pandemic has reduced homeless and supportive services and housing/shelter availability due to health orders and guidelines. The Project will increase the supply of affordable housing in the County by creating an additional 133 PSH units to serve people experiencing chronic homelessness. PEH will have a permanent housing that provides onsite supportive services, including case management services. The Project will provide a safe and stable housing environment to help PEH exit homelessness and remain housed, improving their health and well-being.

7. If the Capital Project/Expenditure is specifically identified as a potentially eligible Capital Project, list the specified project and explain how the expense is reasonably related and proportionate to address the harm. (See enumerated potentially eligible Capital Project/Expenditures uses on pgs. 4-7 of this worksheet)

☒ Affordable housing (FR pg. 190)

The renovation costs/expenses are reasonable and consistent with the appraised value of the property. The Property was previously underwritten by the County and California Department of Housing and Community Development (HCD) as a part of the acquisition of the Homekey 1 Properties, with appraisals and other due diligence documentation reviewed by County and HCD staff.

8. If the Capital Project/Expenditure is not specifically identified as a potentially eligible use, explain how it addresses a Public Health or Negative Economic Impact and is reasonably related and proportionate to address the harm. (Projects that do not have a Public Health or Negative Economic Impact connection are likely ineligible.)

N/A.

9. Is the Capital Project/Expenditure listed in the Final Rule as ineligible? (See pages 6-7 of this worksheet.)

No.

10. All Capital Projects/Expenditures over \$1 million must complete a Written Justification required by the Treasury Final Rule. (See enclosed Written Justification Form.)

WORKSHEET 2 - DETAILED CAPITAL PROJECT
PROGRAM JUSTIFICATION

Page 4 of 7

Attached.

11. All Recipients should determine that any responsive capital project is related and reasonably proportional to the public health emergency and its negative economic impacts, even projects under \$1 million. (FR pg. 201 fn 254 and 255)

Attached.



Elizabeth Ben-Ishai

Name/Signature of high level department person

2/6/2023

Date

Are there any attachments? YES ☒ NO ☐

WORKSHEET 2 - DETAILED CAPITAL PROJECT **PROGRAM JUSTIFICATION**

Page 5 of 7

ENUMERATED CAPITAL PROJECTS/EXPENDITURES AND INELIGIBLE PROJECTS

Below is a non-exhaustive list of the U.S. Department of Treasury's Final Rule of enumerated and potentially eligible capital expenditures (page numbers refer to the Final Rule (FR)) as long as the projects are reasonably proportional responses (as defined in the Final Rule) to the harm identified:

MITIGATION & PREVENTION OF COVID-19

- ☐ Affordable Housing (FR pg 6)
- ☐ Childcare facilities (FR pg 6)
- ☐ Schools (FR pg 6)
- ☐ Hospitals (FR pg. 6)
- ☐ Ventilation improvements in congregate settings, healthcare settings or other key locations (FR pg. 56)
- ☐ Enhancements in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics or adaptations to public buildings to implement COVID-19 mitigation tactics (FR pg. 56)
- ☐ Improvements or construction of COVID-19 testing sites and laboratories, and acquisition of related equipment (FR pg. 60)
- ☐ Improvements or construction of COVID-19 vaccination sites (FR pg. 60)
- ☐ Improvements or construction of medical facilities generally dedicated to COVID-19 treatment and mitigation (e.g., emergency rooms, intensive care units, telemedicine capabilities for COVID-19 related treatment) (FR pg. 60)
- ☐ Expenses of establishing temporary medical facilities and other measures to increase COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or other emergency services equipment (FR pg. 61)
- ☐ Acquisition of equipment for COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or emergency services equipment (FR pg. 61)
- ☐ Improvements to or construction of emergency operations centers and acquisition of emergency response equipment (e.g., emergency response radio systems) (FR pg. 61)
- ☐ Installation and improvements of ventilation systems (FR pg. 61)
- ☐ Costs of establishing public health data systems, including technology infrastructure (FR pg. 61)
- ☐ Adaptations to congregate living facilities, including skilled nursing facilities, other long-term care facilities, incarceration settings, homeless shelters, residential foster care facilities, residential behavioral health treatment, and other group living facilities, as well as public facilities and schools (excluding construction of new facilities for the purpose of mitigating spread of COVID-19 in the facility) (FR pg. 61)
- ☐ Mitigation measures in small businesses, nonprofits, and impacted industries (e.g., developing outdoor spaces) (FR pg. 61)
- ☐ Physical plant changes to enable greater use of outdoor spaces or ventilation improvements (FR pg. 64)
- ☐ Establishing an outdoor patio for restaurants (FR pg. 64)

WORKSHEET 2 - DETAILED CAPITAL PROJECT **PROGRAM JUSTIFICATION**

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- ☐ Behavioral health facilities and equipment (FR pg. 69)
- ☐ Inpatient or outpatient mental health or substance abuse use treatment facilities, crisis centers, diversion centers (FR pg. 69)

NEGATIVE ECONOMIC IMPACTS

- ☐ Capital expenditures related to food banks and other facilities primarily dedicated to addressing food insecurity (FR pg. 81)
- ☐ Transitional shelters (temporary residences for people experiencing homelessness) (FR pg. 83)
- ☐ Capital expenditures for internet access like equipment, property, and facilities (FR pgs. 89-90)
- ☐ Improvements to or new construction of childcare, daycare, and early learning facilities are eligible capital expenditures (FR pg. 97)
- ☒ Affordable housing development projects that expand the supply of long-term housing (FR pg. 106)
- ☐ Projects that are eligible under either the National Housing Trust Fund (HTF) or the Home Investment Partnerships Program (Home) (FR pg. 106)
- ☒ Permanent supportive housing (FR pg. 108)
- ☒ Affordable housing developments targeted to specialized populations (FR pg. 108)
- ☐ Recovery housing for individuals in recovery from substance abuse (FR pg. 108)
- ☐ Rehabilitation or repair of public housing (FR pg. 108)
- ☐ Job and work force training centers (FR pg. 117)
- ☐ Improvements to existing facilities to remediate lead contaminants (removal of lead paint) (FR pg. 127)
- ☐ Primary care clinics, hospitals or integrations of health services in other settings (FR pg. 128)
- ☐ Parks, green spaces, recreational facilities, sidewalks, pedestrian safety features like crosswalks, projects that increase access to healthy foods, streetlights, neighborhood cleanup and projects to revitalize public spaces (FR pgs. 132-133)
- ☐ Vacant or abandoned property:
 - ☐ Rehabilitation, renovation, maintenance, or costs to secure vacant or abandoned properties to reduce their negative impact
 - ☐ Costs associated with acquiring and securing legal title of vacant or abandoned properties and other costs to position the property for current or future productive use
 - ☐ Removal and remediation of environmental contaminants or hazards from vacant or abandoned properties, when conducted in compliance with applicable environmental laws or regulations
 - ☐ Demolition or deconstruction of vacant or abandoned buildings (including residential, commercial, or industrial buildings) paired with greening or other lot improvement as part of a strategy for neighborhood revitalization (use care not to exacerbate housing shortage FR pgs. 135-136)
 - ☐ Greening or cleanup of vacant lots, as well as other efforts to make vacant lots safer for the surrounding community (includes residential, commercial, or industrial buildings FR pg. 135)
 - ☐ Conversion of vacant or abandoned properties to affordable housing

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

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- ☐ Inspection fees and other administrative costs incurred to ensure compliance with applicable environmental laws and regulations for demolition, greening, or other remediation activities (FR pg. 134)
- ☐ Rehabilitation of commercial properties, storefront improvement, and façade improvements (FR pg. 151)
- ☐ Potential expenditures for nonprofits (FR pg. 155)
- ☐ Capital expenditures such as technology infrastructure to adapt government operations to the pandemic (FR pg. 190)
- ☐ Video-conferencing software, improvements to case management systems or data sharing resources (FR pg. 190)
- ☐ Reduce government backlogs, or meet increased maintenance needs are eligible (FR pg. 190)

SPECIFICALLY ENUMERATED CAPITAL EXPENDITURES IN CAPITAL PROJECTS SECTIONS (FR pgs. 190-206)

- ☐ Capital investments in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics (FR pg. 190)
- ☐ Adaptations to public buildings to implement COVID-19 mitigation tactics (FR pg. 190)
- ☐ Ventilation improvements in congregate settings, health care settings, or other key locations (FR pg. 190)
- ☐ Assistance to small businesses and nonprofits and aid to impacted industries to implement COVID-19 prevention or mitigation tactics, such as physical plant changes to enable social distancing (FR pg. 190)
- ☒ Affordable housing (FR pg. 190)
- ☐ Entire scope of capital project could include all activities toward a common purpose including capital expenditures, as well as expenditures on related programs, services, or other interventions (FR pg. 202)
- ☐ A project also includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment) (FR pg. 202)
- ☐ Projects that are interdependent or are of the same or similar type and would be utilized for a common purpose such as acquisition of a fleet of ambulances that would be used for COVID-19 emergency response (FR pg. 202)
- ☐ Pre-project development costs that are tied to or reasonably expected to lead to an eligible capital expenditure (FR pg. 208)
- ☐ Planning and engineering for an eligible project (FR pg. 208)

POTENTIALLY INELIGIBLE AND INELIGIBLE PROJECTS

- ☐ Large projects may be less likely to be reasonably proportional to the harm (e.g., construction of a new, larger public facility for the purpose of increasing the ability to socially distance generally as less time and resource-intensive options maybe be available. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well. (FR pgs. 194-195, 205)
- ☐ Infrastructure Projects are not in the scope of capital projects (FR pg. 195)

WORKSHEET 2 - DETAILED CAPITAL PROJECT
PROGRAM JUSTIFICATION

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- ☐ Brand new correctional facilities are generally not eligible (Capital Expenditures must be related and proportional to the harm – i.e. not proportional to the rising crime rate in relation to the pandemic. FR pgs. 199-200)
- ☐ Construction of new congregate facilities are generally not proportional to the response to mitigate or prevent COVID-19 because it is generally more costly than other alternatives (FR pg. 200)
- ☐ Large capital expenditures intended for general economic development or to aid in travel, tourism, and hospitality centers like convention centers and stadiums on balance are generally not proportional to addressing negative economic impacts (FR pg. 200)

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

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Written Justification and Reporting the Justification to Treasury: (Recipients must provide reports on Capital Projects in the mandatory ARP reporting as required below.) (FR pg. 201)

If a project has total expected capital expenditures of	and the use is enumerated by Treasury as eligible, then	and the use is beyond those enumerated by Treasury as eligible, then
Less than \$1 million	No Written Justification required (Supporting documentation must still be maintained.)	No Written Justification required (Supporting documentation must still be maintained.)
Greater than or equal to \$1million, but less than \$10 million	Written Justification but recipients are not required to submit as part of regular reporting to Treasury	Written Justification required and recipients must submit as part of regular reporting to Treasury
\$10 million or more	Written Justification required and recipients must submit as part of regular reporting to Treasury	

Provide supportive details to the following questions:

- 1. Describe the Public Health harm or Negative Economic Impact need to be addressed:** (Recipients should provide a description of the specific harm or need to be addressed, and why the harm was exacerbated or caused by the public health emergency. When appropriate, recipients may provide quantitative information on the extent and type of harm, such as the number of individuals or entities affected. (FR pgs. 196-197)

The COVID-19 pandemic greatly impacted PEH due to reduced homeless and supportive services, housing, and economic opportunities. The homelessness crisis in the County pre-dates the pandemic, but was exacerbated by the pandemic, due to the economic impacts on communities and because many PEH are in poor health and/or have underlying health conditions that make them more vulnerable to COVID-19. Based on the recent Greater Los Angeles Homeless Count, there are 69,144 PEH within the County, which is a 4.1 percent increase from the last count in 2020 when the count was at 66,436. Further, between the 12-month period preceding the first reported COVID-19 death of a PEH in the County (April 1, 2019 through March 31, 2020) and the 12-month pandemic period that followed (April 1, 2020 through March 31, 2021), the overall number of deaths among PEH increased by 56 percent, from 1,271 to 1,988 deaths.

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

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2. **Explain why a capital expenditure is appropriate:** (Recipients should provide an independent assessment demonstrating why a capital expenditure is appropriate to address the specified harm or need. (FR pg. 197)

The Project will create more affordable housing by providing an additional 133 PSH units within the County to serve people experiencing chronic homelessness. The most effective response to homelessness is to provide PSH to PEH because PSH pairs housing with supportive services. The County has a deficit of affordable housing. According to the California Housing Partnership's report "2021 Los Angeles County Housing Need Report," there is a dire affordable housing shortage of nearly 500,000 units within the County and a large number of low-income households do not have access to an affordable home. According to the Los Angeles Homeless Services Authority (LAHSA), the County has a shortfall of more than 20,000 permanent supportive housing units. Even with the more than 10,000 permanent supportive housing units in the pipeline, there remains a shortfall of nearly 12,000 units.

- a. **Explain why existing capital equipment, property or facilities would be inadequate to address the harm or need.**

The County needs more PSH units. As noted, there is a shortfall in affordable and supportive housing within the County; existing capital properties would not meet the need.

- b. **Explain why policy changes or additional funding to pertinent programs or services would be insufficient without the corresponding capital expenditure.**

Additional funding would not on its own, without capital expenditures, increase the supply of affordable housing.

3. **Provide a comparison of the proposed capital expenditure against alternative capital expenditures:** (Recipients should provide an objective comparison of the proposed capital expenditure against at least two alternative capital expenditures that could be made. Use quantitative data when available, or supplement with qualitative information and narrative description. Analyses with little to no quantitative or qualitative data must provide an explanation for doing so. (FR pgs. 197-198)

- a. **Assess the proposed capital expenditure against at least two alternative types or sizes of capital expenditures that are potentially effective and reasonably feasible.**

Alternative 1: New construction

Building PSH units from the ground up – new construction – is considerably more expensive than renovating and converting a motel/hotel. According to a report issued by the City of Los Angeles Controller, the average cost per PSH unit built using Proposition HHH is between \$531,711 (projects under construction) and \$558,847

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

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(projects in pre-development). In comparison, the per unit cost for converting an existing interim housing to permanent housing here is \$504,000.

Alternative 2: Acquire building outside of the State Homekey Program

The State allocated \$1.45B to the Homekey program for fiscal year 2021-2022. The Homekey program provides funding to local jurisdictions to purchase and rehabilitate hotels/motels and other properties to be used as interim and permanent housing for PEH who are impacted by COVID-19, with matching funds from the local jurisdiction. For the Holiday Inn in Long Beach West, the State awarded the County \$17,550,000 of the total \$20,506,759 acquisition costs. The proposed renovation Project is \$21,444,973. If the County pursued the acquisition of this property, or a similar property, outside of the Homekey program, and renovated/converted it into a PSH, it would cost the County more than three times the amount of capital funding. Moreover, the legislation that established the Homekey program includes language that streamlines the entitlement and environmental review processes, enabling the rehabilitation of the Homekey properties to be completed faster than it might otherwise be and allows the County to serve the vulnerable PEH population more quickly.

- b. If relevant, compare the proposal against the alternative of improving of improving existing capital assets already owned or leasing other capital assets.**

Compared to the other alternatives, renovating and converting a Homekey property into a PSH is the quickest and least expensive way to increase permanent supportive housing within the County for our vulnerable PEH population.

4. Consider the following factors in comparing this proposal to other alternatives:

- a. Compare the effectiveness of capital expenditures in addressing the harm identified.** (Recipients should generally consider the effectiveness of the capital expenditures in addressing the harm over the useful life of the capital asset and may consider metrics such as the number of impacted or disproportionately impacted individuals or entities served. (FR pg. 198)

The alternatives would address the harm identified in the same way. However, they would cost more, are resource-intensive, and require more time. As such, the alternatives would result in less funding and resources available for other critical interventions to serve PEH.

- b. Identify the relevant time horizons of the project, and describe any uncertainties or risks involved with the capital expenditures.**

For the proposed Project, renovations will be complete by 2024 and occupancy will begin immediately.

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

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Alternative 1 would take significantly longer as the ground up construction would require more time than a project modifying an existing structure.

Alternative 2 would take significantly longer as well because it would require the County to go through the usual process to acquire a building and then renovate it. The approval processes could slow down progress.

- c. Compare the expected total cost of the capital expenditures.** (Recipients should consider the expected total cost of the capital expenditure required to construct, purchase, install, or improve the capital assets intended to address the public health or negative economic impact of the public health emergency. Predevelopment costs should be included in the calculation and may choose to include information on ongoing operational costs – although not required. (FR pg. 198)

- Alternative 1: Expected costs would be approximately \$70.7M to \$74.3M for new PSH construction for 133 units; and
- Alternative 2: Expected County cost to acquire and renovate a 133 unit building into a PSH would be approximately \$67M.

- d. Demonstrate how the proposed capital expenditure is superior (i.e. effectiveness).** (Recipients should balance the effectiveness and costs of the proposed capital expenditure and against alternative and demonstrate that their proposed capital expenditure is superior. Recipients should choose the most cost-effective option unless it substantively reduces the effectiveness of the capital investment in addressing the harm identified. Additional factors impacting effectiveness include when the facilities will become operational etc. See examples of the analysis pgs. (FR 198-199).

The State's report on the first round of Homekey funding, which supported local jurisdictions' purchase and rehabilitation of motels and hotels to be used as interim and permanent housing for PEH, found that it promoted expedient, cost-effective housing solutions. Motel conversions are faster and lower in cost than new construction. Moreover, the funding offered through Homekey provides a once in a generation opportunity for local jurisdictions like the County to considerably increase the availability of homeless housing, in particular PSH, to address the homelessness crisis. According to the National Alliance to End Homelessness, which provides data and research to policymakers and elected officials in order to inform policy debates, PSH is a proven solution to homelessness for the most vulnerable chronically homeless people. It is cost-effective and has been shown to lower public costs associated with the use of crisis services such as shelters, hospitals, jails and prisons.



AMERICAN RESCUE PLAN PROPOSAL CAPITAL EXPENDITURES

Project Homekey 1.0 – Motel 6 Norwalk/Weingart



I. TABLE OF CONTENTS:

Page 1 – Instructions

Page 2 – Basic Eligibility Overview

Page 3 to 6 – Enumerated Capital Projects/Expenditures; Ineligible Projects; and General Rules

Worksheet 1 – Initial Eligibility Screening

Worksheet 2 - Detailed Capital Project Program Justification (fillable form)

Worksheet 3 – Written Justification/Reporting Documentation (fillable form)

II. INSTRUCTIONS FOR COMPLETING THE CAPITAL EXPENDITURES ELIGIBILITY WORKSHEETS IN THIS DOCUMENT:

1. Worksheet 1 - Initial Eligibility Screening:

Complete Worksheet 1 as the initial screening for eligibility of a capital project/expenditure. If your answer is NO to any questions on the Initial Eligibility Screening, or you are not sure, contact your County Counsel for further discussion on eligibility. If your answer to 1, 2, 4, and 5 is YES, move to Detailed Capital Project ~ Program Justification (Worksheet 2).

2. Worksheet 2 - Detailed Capital Project Program Justification:

Complete Worksheet 2 if your answer to 1, 2, 4, and 5 is YES on the Initial Eligibility Screening Worksheet 1. This form will provide further details to support eligibility.

3. Worksheet 3 - Written Justification/Reporting Documentation:

Complete Worksheet 3 only if the capital project is preliminarily approved to proceed or as directed. Worksheet 3 is required as a written justification by the U.S. Treasury and may be required to be submitted as part of the County's reporting obligations for the American Rescue Plan Funding.

III. BASIC ELIGIBILITY FOR CAPITAL PROJECTS – TWO-PART TEST:

Part 1. Capital Expenditures must respond to an eligible public health impact of COVID-19 or a negative economic response caused by COVID-19.

- An eligible **public health response** is defined as a response to a negative public health impact or harm experienced by individuals or a class. The Final Rule lists 4 types of public health problems demonstrating a public health response to the public health emergency. (FR pg. 20)
 - 1) COVID-19 Mitigation and Prevention
 - 2) Medical Expenses
 - 3) Behavioral Health, and
 - 4) Preventing and Responding to Violence
- The Final Rule describes "responding to" the public health emergency as addressing the SARS-CoV-2 virus itself, supporting efforts to prevent or decrease spread of the disease, and addressing other impacts of the pandemic on public health. (FR pgs. 53-54) (See the Eligible Projects from FR on Pages 3, 4, 5, and 6 below.)
- An eligible **response to the negative economic impacts of the pandemic** is designed to respond to a harm or impact experienced by a beneficiary or a class of beneficiaries to whom the capital expenditure will benefit. Tends to address a need of individuals, businesses or nonprofits that were disproportionately impacted or impacted by the pandemic.
- For Capital Expenditures, the Final Rule identifies potentially eligible projects from all categories but primarily eligibility falls in two categories: 1) Mitigation and Prevention of COVID-19; and 2) Responding to the Negative Economic Impacts of COVID-19. All enumerated eligible uses from the Final Rule are listed on the Enumerated Eligible Projects List on Pages 3, 4, 5, and 6 below.

Part 2: Capital Expenditures must be related and reasonably proportional to the harm identified. (FR pgs. 57, 192)

- Reasonably proportional refers to the scale of the response (i.e. project) to the scale of the harm. (FR pg. 91) The cost cannot be grossly in excess of the amount needed to address the harm, or the negative economic impact.
- Examples in the Final Rule include affordable housing projects that increase the supply of affordable housing for low-income individuals. While there may be less costly alternatives, targeted increase in supply could still be cost effective. (FR pg. 106.)
- Capital projects under \$1 million are presumed proportional so long as they respond to a harm caused or exacerbated by the pandemic. (FR pg. 193)
- However, the Final Rule also cites as an example of a lack of proportionality that a capital project used to expand a public building to increase social distancing compared to other less time-consuming and resource intensive alternatives would not be proportional. (FR pg. 194)

ENUMERATED CAPITAL PROJECTS/EXPENDITURES; INELIGIBLE PROJECTS; AND GENERAL RULES

Below is the list of Treasury's enumerated and potentially eligible capital expenditures (page numbers refer to the Final Rule (FR)) as long as the projects are related and reasonably proportional responses to the harm identified:

MITIGATION & PREVENTION OF COVID-19

- ☐ Affordable Housing (FR pg 6, 106, 108)
- ☐ Childcare facilities (FR pg 6)
- ☐ Schools (FR pg 6)
- ☐ Hospitals (FR pg. 6)
- ☐ Ventilation improvements in congregate settings, healthcare settings or other key locations (FR pg. 56)
- ☐ Enhancements in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics or adaptations to public buildings to implement COVID-19 mitigation tactics (FR pg. 56)
- ☐ Improvements or construction of COVID-19 testing sites and laboratories, and acquisition of related equipment (FR pg. 60)
- ☐ Improvements or construction of COVID-19 vaccination sites (FR pg. 60)
- ☐ Improvements or construction of medical facilities generally dedicated to COVID-19 treatment and mitigation (e.g., emergency rooms, intensive care units, telemedicine capabilities for COVID-19 related treatment) (FR pg. 60)
- ☐ Expenses of establishing temporary medical facilities and other measures to increase COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or other emergency services equipment (FR pg. 61)
- ☐ Acquisition of equipment for COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or emergency services equipment (FR pg. 61)
- ☐ Improvements to or construction of emergency operations centers and acquisition of emergency response equipment (e.g., emergency response radio systems) (FR pg. 61)
- ☐ Installation and improvements of ventilation systems (FR pg. 61)
- ☐ Costs of establishing public health data systems, including technology infrastructure (FR pg. 61)
- ☐ Adaptations to congregate living facilities, including skilled nursing facilities, other long-term care facilities, incarceration settings, homeless shelters, residential foster care facilities, residential behavioral health treatment, and other group living facilities, as well as public facilities and schools (excluding construction of new facilities for the purpose of mitigating spread of COVID-19 in the facility) (FR pg. 61)
- ☐ Mitigation measures in small businesses, nonprofits, and impacted industries (e.g., developing outdoor spaces) (FR pg. 61)
- ☐ Physical plant changes to enable greater use of outdoor spaces or ventilation improvements (FR pg. 64)
- ☐ Establishing an outdoor patio for restaurants (FR pg. 64)
- ☐ Behavioral health facilities and equipment (FR pg. 69)
- ☐ Inpatient or outpatient mental health or substance abuse use treatment facilities, crisis centers, diversion centers (FR pg. 69)

NEGATIVE ECONOMIC IMPACTS

- ☐ Capital expenditures related to food banks and other facilities primarily dedicated to addressing food insecurity (FR pg. 81)
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- ☐ Improvements to existing facilities to remediate lead contaminants (removal of lead paint) (FR pg. 127)
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- ☐ Parks, green spaces, recreational facilities, sidewalks, pedestrian safety features like crosswalks, projects that increase access to healthy foods, streetlights, neighborhood cleanup and projects to revitalize public spaces (FR pgs. 132-133)
- ☐ Vacant or abandoned property (FR pgs. 134-136):
 - ☐ Rehabilitation, renovation, maintenance, or costs to secure vacant or abandoned properties to reduce their negative impact
 - ☐ Costs associated with acquiring and securing legal title of vacant or abandoned properties and other costs to position the property for current or future productive use
 - ☐ Removal and remediation of environmental contaminants or hazards from vacant or abandoned properties, when conducted in compliance with applicable environmental laws or regulations
 - ☐ Demolition or deconstruction of vacant or abandoned buildings (including residential, commercial, or industrial buildings) paired with greening or other lot improvement as part of a strategy for neighborhood revitalization (use care not to exacerbate housing shortage)
 - ☐ Greening or cleanup of vacant lots, as well as other efforts to make vacant lots safer for the surrounding community (includes residential, commercial, or industrial buildings)
 - ☐ Conversion of vacant or abandoned properties to affordable housing
 - ☐ Inspection fees and other administrative costs incurred to ensure compliance with applicable environmental laws and regulations for demolition, greening, or other remediation activities
- ☐ Rehabilitation of commercial properties, storefront improvement, and façade improvements (FR pg. 151)
- ☐ Potential expenditures for nonprofits (FR pg. 155)
- ☐ Capital expenditures such as technology infrastructure to adapt government operations to the pandemic (FR pg. 190)

- ☐ Video-conferencing software, improvements to case management systems or data sharing resources (FR pg. 190)
- ☐ Reduce government backlogs, or meet increased maintenance needs are eligible (FR pg. 190)

SPECIFICALLY ENUMERATED CAPITAL EXPENDITURES IN CAPITAL PROJECTS SECTIONS (FR pgs. 190-206)

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- ☐ Assistance to small businesses and nonprofits and aid to impacted industries to implement COVID-19 prevention or mitigation tactics, such as physical plant changes to enable social distancing (FR pg. 190)
- ☒ Affordable housing (FR pg. 190)
- ☐ Entire scope of capital project could include all activities toward a common purpose including capital expenditures, as well as expenditures on related programs, services, or other interventions (FR pg. 202)
- ☐ A project also includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment) (FR pg. 202)
- ☐ Projects that are interdependent or are of the same or similar type and would be utilized for a common purpose such as acquisition of a fleet of ambulances that would be used for COVID-19 emergency response (FR pg. 202)
- ☐ Pre-project development costs that are tied to or reasonably expected to lead to an eligible capital expenditure (FR pg. 208)
- ☐ Planning and engineering for an eligible project (FR pg. 208)

POTENTIALLY INELIGIBLE AND INELIGIBLE PROJECTS

- ☐ Large projects may be less likely to be reasonably proportional to the harm (e.g., construction of a new, larger public facility for the purpose of increasing the ability to socially distance generally as less time and resource-intensive options maybe be available. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well. (FR pgs. 194-195, 205)
- ☐ Infrastructure Projects are not in the scope of capital projects (FR pg. 195)
- ☐ Brand new correctional facilities are generally not eligible (Capital Expenditures must be related and proportional to the harm – i.e. not proportional to the rising crime rate in relation to the pandemic. FR pgs. 199-200)
- ☐ Construction of new congregate facilities are generally not proportional to the response to mitigate or prevent COVID-19 because it is generally more costly than other alternatives (FR pg. 200)
- ☐ Large capital expenditures intended for general economic development or to aid in travel, tourism, and hospitality centers like convention centers and stadiums on balance are generally not proportional to addressing negative economic impacts (FR pg. 200)

OTHER GENERAL RULES ON CAPITAL PROJECTS FROM TREASURY:

- Capital Expenditures are not presumed to be reasonably proportional in response to the harm and must be demonstrated. (FR pgs. 57, 193)
- Large projects may not be segmented to smaller projects to evade review and reporting. (FR pgs. 202-203)
- Expenditures from closely related activities directed toward a common purpose are one project. (FR pg. 202)
- A project includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment), or are of the same or similar type and would be utilized for a common purpose (e.g., acquisition of a fleet of ambulances that would be used for COVID-19 emergency response). (FR pg. 202)
- Treasury will use heightened scrutiny on large projects. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well (FR pg. 205)
- Capital expenditure means "expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life." (FR pg. 207)
- Capital assets means "tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with [Generally Accepted Accounting Principles]." Capital assets include lands, facilities, equipment, and intellectual property. Equipment means "tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000." (FR pg. 208)
- Supplies means all tangible personal property other than those included as "equipment," are not considered capital expenditures. (FR pg. 208)
- Unless noted by the US Treasury, all projects must comply with applicable federal, state, and local law, which includes environmental and permitting laws and regulations. (FR pg. 207, and pgs. 347-348)

WORKSHEET 1 - INITIAL ELIGIBILITY SCREENING

Page 1 of 1



AMERICAN RESCUE PLAN PROPOSAL CAPITAL EXPENDITURES



Department: **CEO**

Program/Expense/Service Title: **Project Homekey 1.0 – Motel 6 Norwalk/Weingart**

Amount Requested: **\$14,557,270**

DECISION TREE

1. Does the CAPITAL PROJECT/CAPITAL EXPENSE identify a Public Health effect or need OR a Negative Economic Impact caused by COVID-19? (can be immediate or extended exacerbated effect but must be related to COVID-19)
YES ☒ NO ☐ MAYBE/UNKNOWN ☐
2. Does the CAPITAL PROJECT/CAPITAL EXPENSE respond to or address the COVID-19 effect or need identified in question 1 above?
YES ☒ NO ☐ MAYBE/UNKNOWN ☐
3. Is the CAPITAL PROJECT/CAPITAL EXPENSE specifically enumerated in the U.S. Treasury's Final Rule as potentially eligible (See pages 4-6 of this worksheet)?
YES ☒ NO ☐ (see 4 below) MAYBE/UNKNOWN ☐
4. If NO, can a justification be identified which addresses the Public Health effects or needs OR a Negative Economic Impact caused by COVID-19?
YES ☐ NO ☐ MAYBE/UNKNOWN ☐
5. Is the CAPITAL PROJECT/CAPITAL EXPENSE reasonably related and proportionate to address the harm?
YES ☒ NO ☐ MAYBE/UNKNOWN ☐

COSTS ARE POTENTIALLY ELIGIBLE ☒

Documents Project Expenditures in
Accordance with CEO Instructions

COSTS ARE LIKELY INELIGIBLE ☐

Consult with County Counsel and CEO

If your answer was NO to any questions or you are not sure, contact your County Counsel for further discussion on eligibility. If your answer to 1, 2, 4, and 5 was YES, move to Public Health/Negative Economic Impact Capital Project ~ Supporting Justification on next page.

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

Page 1 of 7

1. Rules to consider:

- Capital Expenditures must support an eligible public health or negative economic response.
- Capital Expenditures must be reasonably proportional to the harm identified. (FR pg. 57)
- Capital Expenditures are not presumed proportional to the harm. (FR pg. 57)
- Large projects may not be segmented to smaller projects to evade review and reporting. (FR pgs. 202-203)
- Expenditures from closely related activities directed toward a common purpose are one project. (FR pg. 202)
- A project includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment), or are of the same or similar type and would be utilized for a common purpose (e.g., acquisition of a fleet of ambulances that would be used for COVID-19 emergency response). (FR pg. 202)
- Treasury will use heightened scrutiny on large projects. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well (FR pg. 205)
- Capital expenditure means "expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life." (FR pg. 207)
- Capital assets means "tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with [Generally Accepted Accounting Principles]." Capital assets include lands, facilities, equipment, and intellectual property. Equipment means "tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000." (FR pg. 208)
- Supplies means all tangible personal property other than those included as "equipment," are not considered capital expenditures. (FR pg. 208)
- Unless noted by the US Treasury, all projects must comply with applicable federal, state, and local law, which includes environmental and permitting laws and regulations. (FR pg. 207, and pgs. 347-348)

2. Instructions for Completing Supporting Justification for Capital Projects/Expenditures:

Departments must provide sufficient detail and supporting information for each question below as it relates to the Capital Project/Expenditure being provided.

1. What is the name of the Capital Project/Expenditure being provided and which Department(s) will be administering the Capital Project/Expenditure.
Homekey 1.0 – Motel 6 Norwalk / Weingart

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

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CEO will administer the expenditure.

2. Provide a brief description of the Capital Project/Expenditure proposal.

As part of the State Project Homekey Round 1 Program, Los Angeles County (County) acquired several properties to use as housing for People Experiencing Homelessness (PEH) impacted by COVID-19 (Homekey 1 Properties). The Homekey 1 Properties, which include the Motel 6 located in Norwalk, are currently operating as interim housing and will be converted to permanent supportive housing (PSH). The County will transfer ownership of the Motel 6 in Norwalk to Weingart Center Association & Valued Housing (Weingart). The California Department of Housing and Community Development has approved the transfer of ownership of the property. With the ARP funds, Weingart will renovate and convert the property from temporary housing to PSH (Project). The property will have 55 units – 54 studio units and a one-bedroom manager unit. The property will also have three case management offices and a property management office. Weingart proposes to add a number of amenities such as a dog run, bicycle racks, a community laundry room, and an outdoor shaded seating area. Case management and supportive services will be available onsite for PEH.

3. Describe the projected cost of the Capital Project/Expenditure from beginning to end. (Project cannot be segmented in order to qualify or avoid reporting.)

The projected cost of the Project is \$14,557,270, which is the ARP amount needed to support the renovations. However, the entire capital project cost, which includes County's previous acquisition of the property and Weingart's projected renovation cost, is \$20M.

4. Explain whether the entire project can be obligated by December 31, 2024, and fully expended before December 31, 2026.

Yes, the property transfer and renovations will be completed by the end of 2024. As such, the funds will be obligated by December 31, 2024 and fully expended by December 31, 2026.

5. Explain how the Capital Project/Expenditure identifies a Public Health Negative Economic Impact effect or need caused by COVID-19. (Can be immediate, extended, or exacerbated effect, but must meet the test by being related to COVID-19.)

Based on the recent Greater Los Angeles Homeless Count, there are 69,144 PEH within the County. This is a 4.1 percent increase from the last count in 2020 when the count was at 66,436. In addition, there is a dire affordable housing shortage of nearly 500,000 units within the County according to California Housing Partnership's "2021 Los Angeles County Housing Need Report." PEH are inherently impacted by COVID-19 as they are at increased risk of infection owing to their lack of safe housing and conditions in shelters. In addition, the risk of severe COVID-19 is increased for PEH due to the high prevalence of medical comorbidities. The Homekey 1 Properties currently provide

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

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PEH who are impacted by COVID-19 with interim housing. The Project will provide the PEH population with permanent supportive housing.

6. Describe how the Capital Project/Expenditure responds to or addresses the COVID-19 effect or need.

The impacts of the COVID-19 pandemic have caused an increase number of people to live in the streets, with people of color being disproportionately represented among the homeless population as the pandemic has exacerbated the racial gaps in financial and housing security and health. In addition, the COVID-19 pandemic has reduced homeless and supportive services and housing/shelter availability due to health orders and guidelines. The Project will increase the supply of affordable housing in the County by creating an additional 55 PSH units to serve people experiencing chronic homelessness. PEH will have a permanent housing that provides onsite supportive services, including case management services. The Project will provide a safe and stable housing environment to help PEH exit homelessness and remain housed, improving their health and well-being.

7. If the Capital Project/Expenditure is specifically identified as a potentially eligible Capital Project, list the specified project and explain how the expense is reasonably related and proportionate to address the harm. (See enumerated potentially eligible Capital Project/Expenditures uses on pgs. 4-7 of this worksheet)

☒ Affordable housing (FR pg. 190)

The renovation costs/expenses are reasonable and consistent with the appraised value of the property. The property was previously underwritten by the County and California Department of Housing and Community Development (HCD) as part of the acquisition of the Homekey 1 Properties, with appraisals and other due diligence documentation reviewed by County and HCD staff.

8. If the Capital Project/Expenditure is not specifically identified as a potentially eligible use, explain how it addresses a Public Health or Negative Economic Impact and is reasonably related and proportionate to address the harm. (Projects that do not have a Public Health or Negative Economic Impact connection are likely ineligible.)

N/A.

9. Is the Capital Project/Expenditure listed in the Final Rule as ineligible? (See pages 6-7 of this worksheet.)

No.

10. All Capital Projects/Expenditures over \$1 million must complete a Written Justification required by the Treasury Final Rule. (See enclosed Written Justification Form.)

**WORKSHEET 2 - DETAILED CAPITAL PROJECT
PROGRAM JUSTIFICATION**

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Attached.

11. All Recipients should determine that any responsive capital project is related and reasonably proportional to the public health emergency and its negative economic impacts, even projects under \$1 million. (FR pg. 201 fn 254 and 255)

Attached.



Elizabeth Ben-Ishai

Name/Signature of high level department person

2/6/2023

Date

Are there any attachments? YES ☒ NO ☐

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

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ENUMERATED CAPITAL PROJECTS/EXPENDITURES AND INELIGIBLE PROJECTS

Below is a non-exhaustive list of the U.S. Department of Treasury's Final Rule of enumerated and potentially eligible capital expenditures (page numbers refer to the Final Rule (FR)) as long as the projects are reasonably proportional responses (as defined in the Final Rule) to the harm identified:

MITIGATION & PREVENTION OF COVID-19

- ☐ Affordable Housing (FR pg 6)
- ☐ Childcare facilities (FR pg 6)
- ☐ Schools (FR pg 6)
- ☐ Hospitals (FR pg. 6)
- ☐ Ventilation improvements in congregate settings, healthcare settings or other key locations (FR pg. 56)
- ☐ Enhancements in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics or adaptations to public buildings to implement COVID-19 mitigation tactics (FR pg. 56)
- ☐ Improvements or construction of COVID-19 testing sites and laboratories, and acquisition of related equipment (FR pg. 60)
- ☐ Improvements or construction of COVID-19 vaccination sites (FR pg. 60)
- ☐ Improvements or construction of medical facilities generally dedicated to COVID-19 treatment and mitigation (e.g., emergency rooms, intensive care units, telemedicine capabilities for COVID-19 related treatment) (FR pg. 60)
- ☐ Expenses of establishing temporary medical facilities and other measures to increase COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or other emergency services equipment (FR pg. 61)
- ☐ Acquisition of equipment for COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or emergency services equipment (FR pg. 61)
- ☐ Improvements to or construction of emergency operations centers and acquisition of emergency response equipment (e.g., emergency response radio systems) (FR pg. 61)
- ☐ Installation and improvements of ventilation systems (FR pg. 61)
- ☐ Costs of establishing public health data systems, including technology infrastructure (FR pg. 61)
- ☐ Adaptations to congregate living facilities, including skilled nursing facilities, other long-term care facilities, incarceration settings, homeless shelters, residential foster care facilities, residential behavioral health treatment, and other group living facilities, as well as public facilities and schools (excluding construction of new facilities for the purpose of mitigating spread of COVID-19 in the facility) (FR pg. 61)
- ☐ Mitigation measures in small businesses, nonprofits, and impacted industries (e.g., developing outdoor spaces) (FR pg. 61)
- ☐ Physical plant changes to enable greater use of outdoor spaces or ventilation improvements (FR pg. 64)
- ☐ Establishing an outdoor patio for restaurants (FR pg. 64)

WORKSHEET 2 - DETAILED CAPITAL PROJECT **PROGRAM JUSTIFICATION**

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- ☐ Behavioral health facilities and equipment (FR pg. 69)
- ☐ Inpatient or outpatient mental health or substance abuse use treatment facilities, crisis centers, diversion centers (FR pg. 69)

NEGATIVE ECONOMIC IMPACTS

- ☐ Capital expenditures related to food banks and other facilities primarily dedicated to addressing food insecurity (FR pg. 81)
- ☐ Transitional shelters (temporary residences for people experiencing homelessness) (FR pg. 83)
- ☐ Capital expenditures for internet access like equipment, property, and facilities (FR pgs. 89-90)
- ☐ Improvements to or new construction of childcare, daycare, and early learning facilities are eligible capital expenditures (FR pg. 97)
- ☒ Affordable housing development projects that expand the supply of long-term housing (FR pg. 106)
- ☐ Projects that are eligible under either the National Housing Trust Fund (HTF) or the Home Investment Partnerships Program (Home) (FR pg. 106)
- ☒ Permanent supportive housing (FR pg. 108)
- ☒ Affordable housing developments targeted to specialized populations (FR pg. 108)
- ☐ Recovery housing for individuals in recovery from substance abuse (FR pg. 108)
- ☐ Rehabilitation or repair of public housing (FR pg. 108)
- ☐ Job and work force training centers (FR pg. 117)
- ☐ Improvements to existing facilities to remediate lead contaminants (removal of lead paint) (FR pg. 127)
- ☐ Primary care clinics, hospitals or integrations of health services in other settings (FR pg. 128)
- ☐ Parks, green spaces, recreational facilities, sidewalks, pedestrian safety features like crosswalks, projects that increase access to healthy foods, streetlights, neighborhood cleanup and projects to revitalize public spaces (FR pgs. 132-133)
- ☐ Vacant or abandoned property:
 - ☐ Rehabilitation, renovation, maintenance, or costs to secure vacant or abandoned properties to reduce their negative impact
 - ☐ Costs associated with acquiring and securing legal title of vacant or abandoned properties and other costs to position the property for current or future productive use
 - ☐ Removal and remediation of environmental contaminants or hazards from vacant or abandoned properties, when conducted in compliance with applicable environmental laws or regulations
 - ☐ Demolition or deconstruction of vacant or abandoned buildings (including residential, commercial, or industrial buildings) paired with greening or other lot improvement as part of a strategy for neighborhood revitalization (use care not to exacerbate housing shortage FR pgs. 135-136)
 - ☐ Greening or cleanup of vacant lots, as well as other efforts to make vacant lots safer for the surrounding community (includes residential, commercial, or industrial buildings FR pg. 135)
 - ☐ Conversion of vacant or abandoned properties to affordable housing

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

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- ☐ Inspection fees and other administrative costs incurred to ensure compliance with applicable environmental laws and regulations for demolition, greening, or other remediation activities (FR pg. 134)
- ☐ Rehabilitation of commercial properties, storefront improvement, and façade improvements (FR pg. 151)
- ☐ Potential expenditures for nonprofits (FR pg. 155)
- ☐ Capital expenditures such as technology infrastructure to adapt government operations to the pandemic (FR pg. 190)
- ☐ Video-conferencing software, improvements to case management systems or data sharing resources (FR pg. 190)
- ☐ Reduce government backlogs, or meet increased maintenance needs are eligible (FR pg. 190)

SPECIFICALLY ENUMERATED CAPITAL EXPENDITURES IN CAPITAL PROJECTS SECTIONS (FR pgs. 190-206)

- ☐ Capital investments in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics (FR pg. 190)
- ☐ Adaptations to public buildings to implement COVID-19 mitigation tactics (FR pg. 190)
- ☐ Ventilation improvements in congregate settings, health care settings, or other key locations (FR pg. 190)
- ☐ Assistance to small businesses and nonprofits and aid to impacted industries to implement COVID-19 prevention or mitigation tactics, such as physical plant changes to enable social distancing (FR pg. 190)
- ☒ Affordable housing (FR pg. 190)
- ☐ Entire scope of capital project could include all activities toward a common purpose including capital expenditures, as well as expenditures on related programs, services, or other interventions (FR pg. 202)
- ☐ A project also includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment) (FR pg. 202)
- ☐ Projects that are interdependent or are of the same or similar type and would be utilized for a common purpose such as acquisition of a fleet of ambulances that would be used for COVID-19 emergency response (FR pg. 202)
- ☐ Pre-project development costs that are tied to or reasonably expected to lead to an eligible capital expenditure (FR pg. 208)
- ☐ Planning and engineering for an eligible project (FR pg. 208)

POTENTIALLY INELIGIBLE AND INELIGIBLE PROJECTS

- ☐ Large projects may be less likely to be reasonably proportional to the harm (e.g., construction of a new, larger public facility for the purpose of increasing the ability to socially distance generally as less time and resource-intensive options maybe be available. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well. (FR pgs. 194-195, 205)
- ☐ Infrastructure Projects are not in the scope of capital projects (FR pg. 195)

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

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- ☐ Brand new correctional facilities are generally not eligible (Capital Expenditures must be related and proportional to the harm – i.e. not proportional to the rising crime rate in relation to the pandemic. FR pgs. 199-200)
- ☐ Construction of new congregate facilities are generally not proportional to the response to mitigate or prevent COVID-19 because it is generally more costly than other alternatives (FR pg. 200)
- ☐ Large capital expenditures intended for general economic development or to aid in travel, tourism, and hospitality centers like convention centers and stadiums on balance are generally not proportional to addressing negative economic impacts (FR pg. 200)

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

Page 1 of 3

Written Justification and Reporting the Justification to Treasury: (Recipients must provide reports on Capital Projects in the mandatory ARP reporting as required below.) (FR pg. 201)

If a project has total expected capital expenditures of	and the use is enumerated by Treasury as eligible, then	and the use is beyond those enumerated by Treasury as eligible, then
Less than \$1 million	No Written Justification required (Supporting documentation must still be maintained.)	No Written Justification required (Supporting documentation must still be maintained.)
Greater than or equal to \$1million, but less than \$10 million	Written Justification but recipients are not required to submit as part of regular reporting to Treasury	Written Justification required and recipients must submit as part of regular reporting to Treasury
\$10 million or more	Written Justification required and recipients must submit as part of regular reporting to Treasury	

Provide supportive details to the following questions:

- 1. Describe the Public Health harm or Negative Economic Impact need to be addressed:** (Recipients should provide a description of the specific harm or need to be addressed, and why the harm was exacerbated or caused by the public health emergency. When appropriate, recipients may provide quantitative information on the extent and type of harm, such as the number of individuals or entities affected. (FR pgs. 196-197)

The COVID-19 pandemic greatly impacted PEH due to reduced homeless and supportive services, housing, and economic opportunities. The homelessness crisis in the County pre-dates the pandemic, but was exacerbated by the pandemic, due to the economic impacts on communities and because many PEH are in poor health and/or have underlying health conditions that make them more vulnerable to COVID-19. Based on the recent Greater Los Angeles Homeless Count, there are 69,144 PEH within the County, which is a 4.1 percent increase from the last count in 2020 when the count was at 66,436. Further, between the 12-month period preceding the first reported COVID-19 death of a PEH in the County (April 1, 2019 through March 31, 2020) and the 12-month pandemic period that followed (April 1, 2020 through March 31, 2021), the overall number of deaths among PEH increased by 56 percent, from 1,271 to 1,988 deaths.

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

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2. **Explain why a capital expenditure is appropriate:** (Recipients should provide an independent assessment demonstrating why a capital expenditure is appropriate to address the specified harm or need. (FR pg. 197)

The Project will create more affordable housing by providing an additional 55 PSH units within the County to serve people experiencing chronic homelessness. The most effective response to homelessness is to provide PSH to PEH because PSH pairs housing with supportive services. The County has a deficit of affordable housing. According to the California Housing Partnership's report "2021 Los Angeles County Housing Need Report," there is a dire affordable housing shortage of nearly 500,000 units within the County and a large number of low-income households do not have access to an affordable home. According to the Los Angeles Homeless Services Authority (LAHSA), the County has a shortfall of more than 20,000 permanent supportive housing units. Even with the more than 10,000 permanent supportive housing units in the pipeline, there remains a shortfall of nearly 8,000 units.

- a. **Explain why existing capital equipment, property or facilities would be inadequate to address the harm or need.**

The County needs more PSH units. As noted, there is a shortfall in affordable and supportive housing within the County; existing capital properties would not meet the need.

- b. **Explain why policy changes or additional funding to pertinent programs or services would be insufficient without the corresponding capital expenditure.**

Additional funding would not on its own, without capital expenditures, increase the supply of affordable housing.

3. **Provide a comparison of the proposed capital expenditure against alternative capital expenditures:** (Recipients should provide an objective comparison of the proposed capital expenditure against at least two alternative capital expenditures that could be made. Use quantitative data when available, or supplement with qualitative information and narrative description. Analyses with little to no quantitative or qualitative data must provide an explanation for doing so. (FR pgs. 197-198)

- a. **Assess the proposed capital expenditure against at least two alternative types or sizes of capital expenditures that are potentially effective and reasonably feasible.**

Alternative 1: New construction

Building PSH from the ground up – new construction – is considerably more expensive than renovating and converting a motel. According to a report issued by the City of Los Angeles Controller, the average cost per PSH unit built using Proposition HHH is between \$531,711 (projects under construction) and \$558,847 (projects in

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION
(Required by U.S. Department of Treasury)

Page 3 of 3

pre-development). In comparison, the per unit cost for converting an existing interim housing to permanent housing here is \$369,000.

Alternative 2: Acquire building outside of the State Homekey Program

The State allocated \$1.45B to the Homekey Program for fiscal year 2021-2022. The Homekey program provides funding to local jurisdictions to purchase and rehabilitate hotels and other properties to be used as interim and permanent housing for PEH who are impacted by COVID-19, with matching funds from the local jurisdiction. For the Motel 6 in Norwalk, the State awarded the County \$5,740,000 of the total \$5,772,327 acquisition costs. The proposed renovation Project is \$14,557,270. If the County pursued the acquisition of this property, or a similar property, outside of the Homekey program, and renovated/converted it into a PSH, it would cost the County much more in capital funding. Moreover, the legislation that established the Homekey program includes language that streamlines the entitlement and environmental review processes, enabling the rehabilitation of the Homekey properties to be completed faster than it might otherwise be and allows the County to serve the vulnerable PEH population more quickly.

- b. If relevant, compare the proposal against the alternative of improving of improving existing capital assets already owned or leasing other capital assets.**

Compared to the other alternatives, renovating and converting a Homekey property into a PSH is the quickest and least expensive way to increase permanent supportive housing within the County for our vulnerable PEH population.

4. Consider the following factors in comparing this proposal to other alternatives:

- a. Compare the effectiveness of capital expenditures in addressing the harm identified.** (Recipients should generally consider the effectiveness of the capital expenditures in addressing the harm over the useful life of the capital asset and may consider metrics such as the number of impacted or disproportionately impacted individuals or entities served. (FR pg. 198)

The alternatives would address the harm identified in the same way. However, they would cost more, are resource-intensive, and require more time. As such, the alternatives would result in less funding available for other critical interventions to serve PEH.

- b. Identify the relevant time horizons of the project, and describe any uncertainties or risks involved with the capital expenditures.**

For the proposed Project, renovations will be complete by 2024 and occupancy will begin immediately.

Alternative 1 would take significantly longer as the ground up construction would require more time than a project modifying an existing structure.

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

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Alternative 2 would take significantly longer as well because it would require the County to go through the usual process to acquire a building and then renovate it. The approval processes could slow down progress.

- c. Compare the expected total cost of the capital expenditures.** (Recipients should consider the expected total cost of the capital expenditure required to construct, purchase, install, or improve the capital assets intended to address the public health or negative economic impact of the public health emergency. Predevelopment costs should be included in the calculation and may choose to include information on ongoing operational costs – although not required. (FR pg. 198)

- Alternative 1: Expected costs would be approximately \$19.2M to \$30.7M for new PSH construction for 55 units; and
- Alternative 2: Expected County cost to acquire and renovate a 55 unit building into a PSH would be approximately \$20M.

- d. Demonstrate how the proposed capital expenditure is superior (i.e. effectiveness).** (Recipients should balance the effectiveness and costs of the proposed capital expenditure and against alternative and demonstrate that their proposed capital expenditure is superior. Recipients should choose the most cost-effective option unless it substantively reduces the effectiveness of the capital investment in addressing the harm identified. Additional factors impacting effectiveness include when the facilities will become operational etc. See examples of the analysis pgs. (FR 198-199).

The State's report on the first round of Homekey funding, which supported local jurisdictions' purchase and rehabilitation of motels and hotels to be used as interim and permanent housing for PEH, found that it promoted expedient, cost-effective housing solutions. Motel conversions are faster and lower in cost than new construction. Moreover, the funding offered through Homekey provides a once in a generation opportunity for local jurisdictions like the County to considerably increase the availability of homeless housing, in particular PSH, to address the homelessness crisis. According to the National Alliance to End Homelessness, which provides data and research to policymakers and elected officials in order to inform policy debates, PSH is a proven solution to homelessness for the most vulnerable chronically homeless people. It is cost-effective and has been shown to lower public costs associated with the use of crisis services such as shelters, hospitals, jails and prisons.



AMERICAN RESCUE PLAN PROPOSAL CAPITAL EXPENDITURES

Project Homekey 1.0 – Whittier / Clifford Beers Housing



I. TABLE OF CONTENTS:

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Page 2 – Basic Eligibility Overview

Page 3 to 6 – Enumerated Capital Projects/Expenditures; Ineligible Projects; and General Rules

Worksheet 1 – Initial Eligibility Screening

Worksheet 2 - Detailed Capital Project Program Justification (fillable form)

Worksheet 3 – Written Justification/Reporting Documentation (fillable form)

II. INSTRUCTIONS FOR COMPLETING THE CAPITAL EXPENDITURES ELIGIBILITY WORKSHEETS IN THIS DOCUMENT:

1. Worksheet 1 - Initial Eligibility Screening:

Complete Worksheet 1 as the initial screening for eligibility of a capital project/expenditure. If your answer is NO to any questions on the Initial Eligibility Screening, or you are not sure, contact your County Counsel for further discussion on eligibility. If your answer to 1, 2, 4, and 5 is YES, move to Detailed Capital Project ~ Program Justification (Worksheet 2).

2. Worksheet 2 - Detailed Capital Project Program Justification:

Complete Worksheet 2 if your answer to 1, 2, 4, and 5 is YES on the Initial Eligibility Screening Worksheet 1. This form will provide further details to support eligibility.

3. Worksheet 3 - Written Justification/Reporting Documentation:

Complete Worksheet 3 only if the capital project is preliminarily approved to proceed or as directed. Worksheet 3 is required as a written justification by the U.S. Treasury and may be required to be submitted as part of the County's reporting obligations for the American Rescue Plan Funding.

III. BASIC ELIGIBILITY FOR CAPITAL PROJECTS – TWO-PART TEST:

Part 1. Capital Expenditures must respond to an eligible public health impact of COVID-19 or a negative economic response caused by COVID-19.

- An eligible **public health response** is defined as a response to a negative public health impact or harm experienced by individuals or a class. The Final Rule lists 4 types of public health problems demonstrating a public health response to the public health emergency. (FR pg. 20)
 - 1) COVID-19 Mitigation and Prevention
 - 2) Medical Expenses
 - 3) Behavioral Health, and
 - 4) Preventing and Responding to Violence
- The Final Rule describes "responding to" the public health emergency as addressing the SARS-CoV-2 virus itself, supporting efforts to prevent or decrease spread of the disease, and addressing other impacts of the pandemic on public health. (FR pgs. 53-54) (See the Eligible Projects from FR on Pages 3, 4, 5, and 6 below.)
- An eligible **response to the negative economic impacts of the pandemic** is designed to respond to a harm or impact experienced by a beneficiary or a class of beneficiaries to whom the capital expenditure will benefit. Tends to address a need of individuals, businesses or nonprofits that were disproportionately impacted or impacted by the pandemic.
- For Capital Expenditures, the Final Rule identifies potentially eligible projects from all categories but primarily eligibility falls in two categories: 1) Mitigation and Prevention of COVID-19; and 2) Responding to the Negative Economic Impacts of COVID-19. All enumerated eligible uses from the Final Rule are listed on the Enumerated Eligible Projects List on Pages 3, 4, 5, and 6 below.

Part 2: Capital Expenditures must be related and reasonably proportional to the harm identified. (FR pgs. 57, 192)

- Reasonably proportional refers to the scale of the response (i.e. project) to the scale of the harm. (FR pg. 91) The cost cannot be grossly in excess of the amount needed to address the harm, or the negative economic impact.
- Examples in the Final Rule include affordable housing projects that increase the supply of affordable housing for low-income individuals. While there may be less costly alternatives, targeted increase in supply could still be cost effective. (FR pg. 106.)
- Capital projects under \$1 million are presumed proportional so long as they respond to a harm caused or exacerbated by the pandemic. (FR pg. 193)
- However, the Final Rule also cites as an example of a lack of proportionality that a capital project used to expand a public building to increase social distancing compared to other less time-consuming and resource intensive alternatives would not be proportional. (FR pg. 194)

ENUMERATED CAPITAL PROJECTS/EXPENDITURES; INELIGIBLE PROJECTS; AND GENERAL RULES

Below is the list of Treasury's enumerated and potentially eligible capital expenditures (page numbers refer to the Final Rule (FR)) as long as the projects are related and reasonably proportional responses to the harm identified:

MITIGATION & PREVENTION OF COVID-19

- ☐ Affordable Housing (FR pg 6, 106, 108)
- ☐ Childcare facilities (FR pg 6)
- ☐ Schools (FR pg 6)
- ☐ Hospitals (FR pg. 6)
- ☐ Ventilation improvements in congregate settings, healthcare settings or other key locations (FR pg. 56)
- ☐ Enhancements in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics or adaptations to public buildings to implement COVID-19 mitigation tactics (FR pg. 56)
- ☐ Improvements or construction of COVID-19 testing sites and laboratories, and acquisition of related equipment (FR pg. 60)
- ☐ Improvements or construction of COVID-19 vaccination sites (FR pg. 60)
- ☐ Improvements or construction of medical facilities generally dedicated to COVID-19 treatment and mitigation (e.g., emergency rooms, intensive care units, telemedicine capabilities for COVID-19 related treatment) (FR pg. 60)
- ☐ Expenses of establishing temporary medical facilities and other measures to increase COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or other emergency services equipment (FR pg. 61)
- ☐ Acquisition of equipment for COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or emergency services equipment (FR pg. 61)
- ☐ Improvements to or construction of emergency operations centers and acquisition of emergency response equipment (e.g., emergency response radio systems) (FR pg. 61)
- ☐ Installation and improvements of ventilation systems (FR pg. 61)
- ☐ Costs of establishing public health data systems, including technology infrastructure (FR pg. 61)
- ☐ Adaptations to congregate living facilities, including skilled nursing facilities, other long-term care facilities, incarceration settings, homeless shelters, residential foster care facilities, residential behavioral health treatment, and other group living facilities, as well as public facilities and schools (excluding construction of new facilities for the purpose of mitigating spread of COVID-19 in the facility) (FR pg. 61)
- ☐ Mitigation measures in small businesses, nonprofits, and impacted industries (e.g., developing outdoor spaces) (FR pg. 61)
- ☐ Physical plant changes to enable greater use of outdoor spaces or ventilation improvements (FR pg. 64)
- ☐ Establishing an outdoor patio for restaurants (FR pg. 64)
- ☐ Behavioral health facilities and equipment (FR pg. 69)
- ☐ Inpatient or outpatient mental health or substance abuse use treatment facilities, crisis centers, diversion centers (FR pg. 69)

NEGATIVE ECONOMIC IMPACTS

- ☐ Capital expenditures related to food banks and other facilities primarily dedicated to addressing food insecurity (FR pg. 81)
- ☐ Transitional shelters (temporary residences for people experiencing homelessness) (FR pg. 83)
- ☐ Capital expenditures for internet access like equipment, property, and facilities (FR pgs. 89-90)
- ☐ Improvements to or new construction of childcare, daycare, and early learning facilities are eligible capital expenditures (FR pg. 97)
- ☒ Affordable housing development projects that expand the supply of long-term housing (FR pg. 106)
- ☐ Projects that are eligible under either the National Housing Trust Fund (HTF) or the Home Investment Partnerships Program (Home) (FR pg. 106)
- ☒ Permanent supportive housing (FR pg. 108)
- ☒ Affordable housing developments targeted to specialized populations (FR pg. 108)
- ☐ Recovery housing for individuals in recovery from substance abuse (FR pg. 108)
- ☐ Rehabilitation or repair of public housing (FR pg. 108)
- ☐ Job and work force training centers (FR pg. 117)
- ☐ Improvements to existing facilities to remediate lead contaminants (removal of lead paint) (FR pg. 127)
- ☐ Primary care clinics, hospitals or integrations of health services in other settings (FR pg. 128)
- ☐ Parks, green spaces, recreational facilities, sidewalks, pedestrian safety features like crosswalks, projects that increase access to healthy foods, streetlights, neighborhood cleanup and projects to revitalize public spaces (FR pgs. 132-133)
- ☐ Vacant or abandoned property (FR pgs. 134-136):
 - ☐ Rehabilitation, renovation, maintenance, or costs to secure vacant or abandoned properties to reduce their negative impact
 - ☐ Costs associated with acquiring and securing legal title of vacant or abandoned properties and other costs to position the property for current or future productive use
 - ☐ Removal and remediation of environmental contaminants or hazards from vacant or abandoned properties, when conducted in compliance with applicable environmental laws or regulations
 - ☐ Demolition or deconstruction of vacant or abandoned buildings (including residential, commercial, or industrial buildings) paired with greening or other lot improvement as part of a strategy for neighborhood revitalization (use care not to exacerbate housing shortage)
 - ☐ Greening or cleanup of vacant lots, as well as other efforts to make vacant lots safer for the surrounding community (includes residential, commercial, or industrial buildings)
 - ☐ Conversion of vacant or abandoned properties to affordable housing
 - ☐ Inspection fees and other administrative costs incurred to ensure compliance with applicable environmental laws and regulations for demolition, greening, or other remediation activities
- ☐ Rehabilitation of commercial properties, storefront improvement, and façade improvements (FR pg. 151)
- ☐ Potential expenditures for nonprofits (FR pg. 155)
- ☐ Capital expenditures such as technology infrastructure to adapt government operations to the pandemic (FR pg. 190)

- ☐ Video-conferencing software, improvements to case management systems or data sharing resources (FR pg. 190)
- ☐ Reduce government backlogs, or meet increased maintenance needs are eligible (FR pg. 190)

SPECIFICALLY ENUMERATED CAPITAL EXPENDITURES IN CAPITAL PROJECTS SECTIONS (FR pgs. 190-206)

- ☐ Capital investments in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics (FR pg. 190)
- ☐ Adaptations to public buildings to implement COVID-19 mitigation tactics (FR pg. 190)
- ☐ Ventilation improvements in congregate settings, health care settings, or other key locations (FR pg. 190)
- ☐ Assistance to small businesses and nonprofits and aid to impacted industries to implement COVID-19 prevention or mitigation tactics, such as physical plant changes to enable social distancing (FR pg. 190)
- ☒ Affordable housing (FR pg. 190)
- ☐ Entire scope of capital project could include all activities toward a common purpose including capital expenditures, as well as expenditures on related programs, services, or other interventions (FR pg. 202)
- ☐ A project also includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment) (FR pg. 202)
- ☐ Projects that are interdependent or are of the same or similar type and would be utilized for a common purpose such as acquisition of a fleet of ambulances that would be used for COVID-19 emergency response (FR pg. 202)
- ☐ Pre-project development costs that are tied to or reasonably expected to lead to an eligible capital expenditure (FR pg. 208)
- ☐ Planning and engineering for an eligible project (FR pg. 208)

POTENTIALLY INELIGIBLE AND INELIGIBLE PROJECTS

- ☐ Large projects may be less likely to be reasonably proportional to the harm (e.g., construction of a new, larger public facility for the purpose of increasing the ability to socially distance generally as less time and resource-intensive options maybe be available. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well. (FR pgs. 194-195, 205)
- ☐ Infrastructure Projects are not in the scope of capital projects (FR pg. 195)
- ☐ Brand new correctional facilities are generally not eligible (Capital Expenditures must be related and proportional to the harm – i.e. not proportional to the rising crime rate in relation to the pandemic. FR pgs. 199-200)
- ☐ Construction of new congregate facilities are generally not proportional to the response to mitigate or prevent COVID-19 because it is generally more costly than other alternatives (FR pg. 200)
- ☐ Large capital expenditures intended for general economic development or to aid in travel, tourism, and hospitality centers like convention centers and stadiums on balance are generally not proportional to addressing negative economic impacts (FR pg. 200)

OTHER GENERAL RULES ON CAPITAL PROJECTS FROM TREASURY:

- Capital Expenditures are not presumed to be reasonably proportional in response to the harm and must be demonstrated. (FR pgs. 57, 193)
- Large projects may not be segmented to smaller projects to evade review and reporting. (FR pgs. 202-203)
- Expenditures from closely related activities directed toward a common purpose are one project. (FR pg. 202)
- A project includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment), or are of the same or similar type and would be utilized for a common purpose (e.g., acquisition of a fleet of ambulances that would be used for COVID-19 emergency response). (FR pg. 202)
- Treasury will use heightened scrutiny on large projects. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well (FR pg. 205)
- Capital expenditure means "expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life." (FR pg. 207)
- Capital assets means "tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with [Generally Accepted Accounting Principles]." Capital assets include lands, facilities, equipment, and intellectual property. Equipment means "tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000." (FR pg. 208)
- Supplies means all tangible personal property other than those included as "equipment," are not considered capital expenditures. (FR pg. 208)
- Unless noted by the US Treasury, all projects must comply with applicable federal, state, and local law, which includes environmental and permitting laws and regulations. (FR pg. 207, and pgs. 347-348)

WORKSHEET 1 - INITIAL ELIGIBILITY SCREENING

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AMERICAN RESCUE PLAN PROPOSAL CAPITAL EXPENDITURES



Department: **CEO**

Program/Expense/Service Title: **Project Homekey 1.0 – Whittier / Clifford Beers
Housing**

Amount Requested: **\$20M**

DECISION TREE

1. Does the CAPITAL PROJECT/CAPITAL EXPENSE identify a Public Health effect or need OR a Negative Economic Impact caused by COVID-19? (can be immediate or extended exacerbated effect but must be related to COVID-19)
YES ☒ NO ☐ MAYBE/UNKNOWN ☐
2. Does the CAPITAL PROJECT/CAPITAL EXPENSE respond to or address the COVID-19 effect or need identified in question 1 above?
YES ☒ NO ☐ MAYBE/UNKNOWN ☐
3. Is the CAPITAL PROJECT/CAPITAL EXPENSE specifically enumerated in the U.S. Treasury's Final Rule as potentially eligible (See pages 4-6 of this worksheet)?
YES ☒ NO ☐ (see 4 below) MAYBE/UNKNOWN ☐
4. If NO, can a justification be identified which addresses the Public Health effects or needs OR a Negative Economic Impact caused by COVID-19?
YES ☐ NO ☐ MAYBE/UNKNOWN ☐
5. Is the CAPITAL PROJECT/CAPITAL EXPENSE reasonably related and proportionate to address the harm?
YES ☒ NO ☐ MAYBE/UNKNOWN ☐

COSTS ARE POTENTIALLY ELIGIBLE ☒

Documents Project Expenditures in
Accordance with CEO Instructions

COSTS ARE LIKELY INELIGIBLE ☐

Consult with County Counsel and CEO

If your answer was NO to any questions or you are not sure, contact your County Counsel for further discussion on eligibility. If your answer to 1, 2, 4, and 5 was YES, move to Public Health/Negative Economic Impact Capital Project ~ Supporting Justification on next page.

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

Page 1 of 7

1. Rules to consider:

- Capital Expenditures must support an eligible public health or negative economic response.
- Capital Expenditures must be reasonably proportional to the harm identified. (FR pg. 57)
- Capital Expenditures are not presumed proportional to the harm. (FR pg. 57)
- Large projects may not be segmented to smaller projects to evade review and reporting. (FR pgs. 202-203)
- Expenditures from closely related activities directed toward a common purpose are one project. (FR pg. 202)
- A project includes expenditures that are interdependent (e.g., acquisition of land, construction of the school on the land, and purchase of school equipment), or are of the same or similar type and would be utilized for a common purpose (e.g., acquisition of a fleet of ambulances that would be used for COVID-19 emergency response). (FR pg. 202)
- Treasury will use heightened scrutiny on large projects. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well (FR pg. 205)
- Capital expenditure means "expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life." (FR pg. 207)
- Capital assets means "tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with [Generally Accepted Accounting Principles]." Capital assets include lands, facilities, equipment, and intellectual property. Equipment means "tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000." (FR pg. 208)
- Supplies means all tangible personal property other than those included as "equipment," are not considered capital expenditures. (FR pg. 208)
- Unless noted by the US Treasury, all projects must comply with applicable federal, state, and local law, which includes environmental and permitting laws and regulations. (FR pg. 207, and pgs. 347-348)

2. Instructions for Completing Supporting Justification for Capital Projects/Expenditures:

Departments must provide sufficient detail and supporting information for each question below as it relates to the Capital Project/Expenditure being provided.

1. What is the name of the Capital Project/Expenditure being provided and which Department(s) will be administering the Capital Project/Expenditure.
Homekey 1.0 – Whittier / Clifford Beers Housing

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

Page 2 of 7

CEO will administer the expenditure.

2. Provide a brief description of the Capital Project/Expenditure proposal.

As part of the State Project Homekey Round 1 Program, Los Angeles County (County) acquired several properties to use as housing for People Experiencing Homelessness (PEH) impacted by COVID-19 (Homekey 1 Properties). The Homekey 1 Properties, which include the Motel 6 located in Whittier, are currently operating as interim housing and will be converted to permanent supportive housing (PSH). The County will transfer ownership of the Motel 6 in Whittier to Clifford Beers Housing (CBH). The California Department of Housing and Community Development has approved the transfer of ownership of the property. With the ARP funds, CBH will renovate and convert the property from temporary housing to PSH (Project). CBH proposes maintaining the 98 units – 97 for PSH units and a manager unit. Each of the units will be renovated to include a kitchenette and new flooring. CBH will maintain the existing ADA rooms. Planned resident and community amenities include community room and kitchen, service desks and onsite personnel and laundry facilities. Case management and supportive services will be available onsite for PEH.

3. Describe the projected cost of the Capital Project/Expenditure from beginning to end. (Project cannot be segmented in order to qualify or avoid reporting.)

The projected cost of the Project is \$20M, which is the ARP amount needed to support the renovations. However, the entire capital project cost, which includes County's previous acquisition of the property and CBH's projected renovation cost, is \$30M.

4. Explain whether the entire project can be obligated by December 31, 2024, and fully expended before December 31, 2026.

Yes, the property transfer and all renovations will be completed by the end of 2024. As such, the funds will be obligated by December 31, 2024 and fully expended by December 21, 2026.

5. Explain how the Capital Project/Expenditure identifies a Public Health Negative Economic Impact effect or need caused by COVID-19. (Can be immediate, extended, or exacerbated effect, but must meet the test by being related to COVID-19.)

Based on the recent Greater Los Angeles Homeless Count, there are 69,144 PEH within the County. This is a 4.1 percent increase from the last count in 2020 when the count was at 66,436. In addition, there is a dire affordable housing shortage of nearly 500,000 units within the County according to California Housing Partnership's "2021 Los Angeles County Housing Need Report." PEH are inherently impacted by COVID-19 as they are at increased risk of infection owing to their lack of safe housing and conditions in shelters. In addition, the risk of severe COVID-19 is increased for PEH due to the high prevalence of medical comorbidities. The Homekey 1 Properties currently provide

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

Page 3 of 7

PEH who are impacted by COVID-19 with interim housing. The Project will provide the PEH population with permanent supportive housing.

6. Describe how the Capital Project/Expenditure responds to or addresses the COVID-19 effect or need.

The impacts of the COVID-19 pandemic have caused an increased number of people to live in the streets, with people of color being disproportionately represented among the homeless population as the pandemic has exacerbated the racial gaps in financial and housing security and health. In addition, the COVID-19 pandemic has reduced homeless and supportive services and housing/shelter availability due to health orders and guidelines. The Project will increase the supply of affordable housing in the County by creating an additional 98 PSH units to serve people experiencing chronic homelessness. PEH will have a permanent housing that provides onsite supportive services, including case management services. The Project will provide a safe and stable housing environment to help PEH exit homelessness and remain housed, improving their health and well-being.

7. If the Capital Project/Expenditure is specifically identified as a potentially eligible Capital Project, list the specified project and explain how the expense is reasonably related and proportionate to address the harm. (See enumerated potentially eligible Capital Project/Expenditures uses on pgs. 4-7 of this worksheet)

☒ Affordable housing (FR pg. 190)

The renovation costs/expenses are reasonable and consistent with the appraised value of the property. The property was previously underwritten by the County and California Department of Housing and Community Development (HCD) as part of the acquisition of the Homekey 1 Properties, with appraisals and other due diligence documentation reviewed by County and HCD staff.

8. If the Capital Project/Expenditure is not specifically identified as a potentially eligible use, explain how it addresses a Public Health or Negative Economic Impact and is reasonably related and proportionate to address the harm. (Projects that do not have a Public Health or Negative Economic Impact connection are likely ineligible.)

N/A.

9. Is the Capital Project/Expenditure listed in the Final Rule as ineligible? (See pages 6-7 of this worksheet.)

No.

10. All Capital Projects/Expenditures over \$1 million must complete a Written Justification required by the Treasury Final Rule. (See enclosed Written Justification Form.)

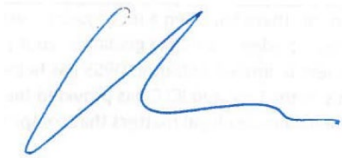
**WORKSHEET 2 - DETAILED CAPITAL PROJECT
PROGRAM JUSTIFICATION**

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Attached.

11. All Recipients should determine that any responsive capital project is related and reasonably proportional to the public health emergency and its negative economic impacts, even projects under \$1 million. (FR pg. 201 fn 254 and 255)

Attached.



Elizabeth Ben-Ishai

Name/Signature of high level department person

2-1-2023

Date

Are there any attachments? YES ☒ NO ☐

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

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ENUMERATED CAPITAL PROJECTS/EXPENDITURES AND INELIGIBLE PROJECTS

Below is a non-exhaustive list of the U.S. Department of Treasury's Final Rule of enumerated and potentially eligible capital expenditures (page numbers refer to the Final Rule (FR)) as long as the projects are reasonably proportional responses (as defined in the Final Rule) to the harm identified:

MITIGATION & PREVENTION OF COVID-19

- ☐ Affordable Housing (FR pg 6)
- ☐ Childcare facilities (FR pg 6)
- ☐ Schools (FR pg 6)
- ☐ Hospitals (FR pg. 6)
- ☐ Ventilation improvements in congregate settings, healthcare settings or other key locations (FR pg. 56)
- ☐ Enhancements in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics or adaptations to public buildings to implement COVID-19 mitigation tactics (FR pg. 56)
- ☐ Improvements or construction of COVID-19 testing sites and laboratories, and acquisition of related equipment (FR pg. 60)
- ☐ Improvements or construction of COVID-19 vaccination sites (FR pg. 60)
- ☐ Improvements or construction of medical facilities generally dedicated to COVID-19 treatment and mitigation (e.g., emergency rooms, intensive care units, telemedicine capabilities for COVID-19 related treatment) (FR pg. 60)
- ☐ Expenses of establishing temporary medical facilities and other measures to increase COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or other emergency services equipment (FR pg. 61)
- ☐ Acquisition of equipment for COVID-19 prevention and treatment, including ventilators, ambulances, and other medical or emergency services equipment (FR pg. 61)
- ☐ Improvements to or construction of emergency operations centers and acquisition of emergency response equipment (e.g., emergency response radio systems) (FR pg. 61)
- ☐ Installation and improvements of ventilation systems (FR pg. 61)
- ☐ Costs of establishing public health data systems, including technology infrastructure (FR pg. 61)
- ☐ Adaptations to congregate living facilities, including skilled nursing facilities, other long-term care facilities, incarceration settings, homeless shelters, residential foster care facilities, residential behavioral health treatment, and other group living facilities, as well as public facilities and schools (excluding construction of new facilities for the purpose of mitigating spread of COVID-19 in the facility) (FR pg. 61)
- ☐ Mitigation measures in small businesses, nonprofits, and impacted industries (e.g., developing outdoor spaces) (FR pg. 61)
- ☐ Physical plant changes to enable greater use of outdoor spaces or ventilation improvements (FR pg. 64)
- ☐ Establishing an outdoor patio for restaurants (FR pg. 64)

WORKSHEET 2 - DETAILED CAPITAL PROJECT **PROGRAM JUSTIFICATION**

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- ☐ Behavioral health facilities and equipment (FR pg. 69)
- ☐ Inpatient or outpatient mental health or substance abuse use treatment facilities, crisis centers, diversion centers (FR pg. 69)

NEGATIVE ECONOMIC IMPACTS

- ☐ Capital expenditures related to food banks and other facilities primarily dedicated to addressing food insecurity (FR pg. 81)
- ☐ Transitional shelters (temporary residences for people experiencing homelessness) (FR pg. 83)
- ☐ Capital expenditures for internet access like equipment, property, and facilities (FR pgs. 89-90)
- ☐ Improvements to or new construction of childcare, daycare, and early learning facilities are eligible capital expenditures (FR pg. 97)
- ☒ Affordable housing development projects that expand the supply of long-term housing (FR pg. 106)
- ☐ Projects that are eligible under either the National Housing Trust Fund (HTF) or the Home Investment Partnerships Program (Home) (FR pg. 106)
- ☒ Permanent supportive housing (FR pg. 108)
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- ☐ Improvements to existing facilities to remediate lead contaminants (removal of lead paint) (FR pg. 127)
- ☐ Primary care clinics, hospitals or integrations of health services in other settings (FR pg. 128)
- ☐ Parks, green spaces, recreational facilities, sidewalks, pedestrian safety features like crosswalks, projects that increase access to healthy foods, streetlights, neighborhood cleanup and projects to revitalize public spaces (FR pgs. 132-133)
- ☐ Vacant or abandoned property:
 - ☐ Rehabilitation, renovation, maintenance, or costs to secure vacant or abandoned properties to reduce their negative impact
 - ☐ Costs associated with acquiring and securing legal title of vacant or abandoned properties and other costs to position the property for current or future productive use
 - ☐ Removal and remediation of environmental contaminants or hazards from vacant or abandoned properties, when conducted in compliance with applicable environmental laws or regulations
 - ☐ Demolition or deconstruction of vacant or abandoned buildings (including residential, commercial, or industrial buildings) paired with greening or other lot improvement as part of a strategy for neighborhood revitalization (use care not to exacerbate housing shortage FR pgs. 135-136)
 - ☐ Greening or cleanup of vacant lots, as well as other efforts to make vacant lots safer for the surrounding community (includes residential, commercial, or industrial buildings FR pg. 135)
 - ☐ Conversion of vacant or abandoned properties to affordable housing

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

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- ☐ Inspection fees and other administrative costs incurred to ensure compliance with applicable environmental laws and regulations for demolition, greening, or other remediation activities (FR pg. 134)
- ☐ Rehabilitation of commercial properties, storefront improvement, and façade improvements (FR pg. 151)
- ☐ Potential expenditures for nonprofits (FR pg. 155)
- ☐ Capital expenditures such as technology infrastructure to adapt government operations to the pandemic (FR pg. 190)
- ☐ Video-conferencing software, improvements to case management systems or data sharing resources (FR pg. 190)
- ☐ Reduce government backlogs, or meet increased maintenance needs are eligible (FR pg. 190)

SPECIFICALLY ENUMERATED CAPITAL EXPENDITURES IN CAPITAL PROJECTS SECTIONS (FR pgs. 190-206)

- ☐ Capital investments in public facilities to meet pandemic operational needs, such as physical plant improvements to public hospitals and health clinics (FR pg. 190)
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- ☐ Pre-project development costs that are tied to or reasonably expected to lead to an eligible capital expenditure (FR pg. 208)
- ☐ Planning and engineering for an eligible project (FR pg. 208)

POTENTIALLY INELIGIBLE AND INELIGIBLE PROJECTS

- ☐ Large projects may be less likely to be reasonably proportional to the harm (e.g., construction of a new, larger public facility for the purpose of increasing the ability to socially distance generally as less time and resource-intensive options maybe be available. While "large" projects are not defined, it appears that projects over \$10 million will have heightened scrutiny and projects over \$1 million could also be subject to additional scrutiny as well. (FR pgs. 194-195, 205)
- ☐ Infrastructure Projects are not in the scope of capital projects (FR pg. 195)

WORKSHEET 2 - DETAILED CAPITAL PROJECT
PROGRAM JUSTIFICATION

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- ☐ Brand new correctional facilities are generally not eligible (Capital Expenditures must be related and proportional to the harm – i.e. not proportional to the rising crime rate in relation to the pandemic. FR pgs. 199-200)
- ☐ Construction of new congregate facilities are generally not proportional to the response to mitigate or prevent COVID-19 because it is generally more costly than other alternatives (FR pg. 200)
- ☐ Large capital expenditures intended for general economic development or to aid in travel, tourism, and hospitality centers like convention centers and stadiums on balance are generally not proportional to addressing negative economic impacts (FR pg. 200)

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

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Written Justification and Reporting the Justification to Treasury: (Recipients must provide reports on Capital Projects in the mandatory ARP reporting as required below.) (FR pg. 201)

If a project has total expected capital expenditures of	and the use is enumerated by Treasury as eligible, then	and the use is beyond those enumerated by Treasury as eligible, then
Less than \$1 million	No Written Justification required (Supporting documentation must still be maintained.)	No Written Justification required (Supporting documentation must still be maintained.)
Greater than or equal to \$1million, but less than \$10 million	Written Justification but recipients are not required to submit as part of regular reporting to Treasury	Written Justification required and recipients must submit as part of regular reporting to Treasury
\$10 million or more	Written Justification required and recipients must submit as part of regular reporting to Treasury	

Provide supportive details to the following questions:

- 1. Describe the Public Health harm or Negative Economic Impact need to be addressed:** (Recipients should provide a description of the specific harm or need to be addressed, and why the harm was exacerbated or caused by the public health emergency. When appropriate, recipients may provide quantitative information on the extent and type of harm, such as the number of individuals or entities affected. (FR pgs. 196-197)

The COVID-19 pandemic greatly impacted PEH due to reduced homeless and supportive services, housing, and economic opportunities. The homelessness crisis in the County pre-dates the pandemic, but was exacerbated by the pandemic, due to the economic impacts on communities and because many PEH are in poor health and/or have underlying health conditions that make them more vulnerable to COVID-19. Based on the recent Greater Los Angeles Homeless Count, there are 69,144 PEH within the County, which is a 4.1 percent increase from the last count in 2020 when the count was at 66,436. Further, between the 12-month period preceding the first reported COVID-19 death of a PEH in the County (April 1, 2019 through March 31, 2020) and the 12-month pandemic period that followed (April 1, 2020 through March 31, 2021), the overall number of deaths among PEH increased by 56 percent, from 1,271 to 1,988 deaths.

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

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2. **Explain why a capital expenditure is appropriate:** (Recipients should provide an independent assessment demonstrating why a capital expenditure is appropriate to address the specified harm or need. (FR pg. 197)

The Project will create more affordable housing by providing an additional 98 PSH units within the County to serve people experiencing chronic homelessness. The most effective response to homelessness is to provide PSH to PEH because PSH pairs housing with supportive services. The County has a deficit of affordable housing. According to the California Housing Partnership's report "2021 Los Angeles County Housing Need Report," there is a dire affordable housing shortage of nearly 500,000 units within the County and a large number of low-income households do not have access to an affordable home. According to the Los Angeles Homeless Services Authority (LAHSA), the County has a shortfall of more than 20,000 permanent supportive housing units. Even with the more than 10,000 permanent supportive housing units in the pipeline, there remains a shortfall of nearly 8,000 units.

- a. **Explain why existing capital equipment, property or facilities would be inadequate to address the harm or need.**

The County needs more PSH units. As noted, there is a shortfall in affordable and supportive housing within the County; existing capital properties would not meet the need.

- b. **Explain why policy changes or additional funding to pertinent programs or services would be insufficient without the corresponding capital expenditure.**

Additional funding would not on its own, without capital expenditures, increase the supply of housing.

3. **Provide a comparison of the proposed capital expenditure against alternative capital expenditures:** (Recipients should provide an objective comparison of the proposed capital expenditure against at least two alternative capital expenditures that could be made. Use quantitative data when available, or supplement with qualitative information and narrative description. Analyses with little to no quantitative or qualitative data must provide an explanation for doing so. (FR pgs. 197-198)

- a. **Assess the proposed capital expenditure against at least two alternative types or sizes of capital expenditures that are potentially effective and reasonably feasible.**

Alternative 1: New construction

Building PSH units from the ground up – new construction – is considerably more expensive than renovating and converting a motel. According to a report issued by the City of Los Angeles Controller, the average cost per PSH unit built using Proposition HHH is between \$531,711 (projects under construction) and \$558,847 (projects in

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION
(Required by U.S. Department of Treasury)

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pre-development). In comparison, the per unit cost for converting an existing interim housing to permanent housing here is \$204,081.

Alternative 2: Acquire building outside of the State Homekey Program

The State allocated \$1.45B to the Homekey Program for fiscal year 2021-2022. The Homekey program provides funding to local jurisdictions to purchase and rehabilitate hotels and other properties to be used as interim and permanent housing for PEH who are impacted by COVID-19, with matching funds from local jurisdictions. For the Motel 6 in Whittier, the State awarded the County \$10,327,147 of the total \$10,393,050 acquisition costs. The proposed renovation Project is \$20M. If the County pursued the acquisition of this property, or a similar property, outside of the Homekey program, and renovated/converted it into a PSH, it would cost the County much more in capital funding. Moreover, the legislation that established the Homekey program includes language that streamlines the entitlement and environmental review processes, enabling the rehabilitation of the Homekey properties to be completed faster than it might otherwise be and allows the County to serve the vulnerable PEH population more quickly.

- b. If relevant, compare the proposal against the alternative of improving of improving existing capital assets already owned or leasing other capital assets.**

Compared to the other alternatives, renovating and converting a Homekey property into a PSH is the quickest and least expensive way to increase permanent supportive housing within the County for our vulnerable PEH population.

4. Consider the following factors in comparing this proposal to other alternatives:

- a. Compare the effectiveness of capital expenditures in addressing the harm identified.** (Recipients should generally consider the effectiveness of the capital expenditures in addressing the harm over the useful life of the capital asset and may consider metrics such as the number of impacted or disproportionately impacted individuals or entities served. (FR pg. 198)

The alternatives would address the harm identified in the same way. However, they would cost more, are resource-intensive, and require more time. As such, the alternatives would result in less funding and resources available for other critical interventions to serve PEH.

- b. Identify the relevant time horizons of the project, and describe any uncertainties or risks involved with the capital expenditures.**

For the proposed Project, renovations will be complete by 2024 and occupancy will begin immediately.

Alternative 1 would take significantly longer as the ground up construction would require more time than a project modifying an existing structure.

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Alternative 2 would take significantly longer as well because it would require the County to go through the usual process to acquire a building and then renovate it. The approval processes could slow down progress.

- c. Compare the expected total cost of the capital expenditures.** (Recipients should consider the expected total cost of the capital expenditure required to construct, purchase, install, or improve the capital assets intended to address the public health or negative economic impact of the public health emergency. Predevelopment costs should be included in the calculation and may choose to include information on ongoing operational costs – although not required. (FR pg. 198)

- Alternative 1: Expected costs would be approximately \$52.1M to \$54.7M for new PSH construction for 98 units; and
- Alternative 2: Expected County cost to acquire and renovate a 98 unit building into a PSH would be approximately \$30M.

- d. Demonstrate how the proposed capital expenditure is superior (i.e. effectiveness).** (Recipients should balance the effectiveness and costs of the proposed capital expenditure and against alternative and demonstrate that their proposed capital expenditure is superior. Recipients should choose the most cost-effective option unless it substantively reduces the effectiveness of the capital investment in addressing the harm identified. Additional factors impacting effectiveness include when the facilities will become operational etc. See examples of the analysis pgs. (FR 198-199).

The State's report on the first round of Homekey funding, which supported local jurisdictions' purchase and rehabilitation of motels and hotels to be used as interim and permanent housing for PEH, found that it promoted expedient, cost-effective housing solutions. Motel conversions are faster and lower in cost than new construction. Moreover, the funding offered through Homekey provides a once in a generation opportunity for local jurisdictions like the County to considerably increase the availability of homeless housing, in particular PSH, to address the homelessness crisis. According to the National Alliance to End Homelessness, which provides data and research to policymakers and elected officials in order to inform policy debates, PSH is a proven solution to homelessness for the most vulnerable chronically homeless people. It is cost-effective and has been shown to lower public costs associated with the use of crisis services such as shelters, hospitals, jails and prisons.