

County of Los Angeles

Recovery Plan

State and Local Fiscal Recovery Funds

2025 Report

APPROVED:

Fesia Davenport

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FESIA A. DAVENPORT
Chief Executive Officer

County of Los Angeles

2025 Recovery Plan Performance Report

Table of Contents

General Overview.....	3
Executive Summary	3
Uses of Funds	3
Community Engagement.....	5
Labor Practices.....	7
Use of Evidence.....	7
Performance Report	8
 Project Inventory.....	 8
Example Project	8

GENERAL OVERVIEW

Executive Summary

On July 27, 2021, the Los Angeles County (County) Board of Supervisors (Board) approved a Phase One Spending Plan for the American Rescue Plan Act (ARPA) tranche 1 funds totaling \$975.0 million across three strategic pillars: (1) \$567.9 million for needs-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 ARPA tranche 2 funds totaling an additional \$975 million, for a total investment of \$1.9 billion, which provides an additional \$401.1 million for targeted community investments to position the County to recover better than before the pandemic; an additional \$79.8 million to drive recovery in areas with the greatest need; and 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 communities hardest-hit by the pandemic. The County's ARPA-funded programs (collectively, "ARPA Projects") address entrenched challenges that have grown worse during the pandemic and the unique needs of small businesses, survivors of trauma, including survivors of domestic violence, and people that data show face substantial barriers to services, including older adults, the very poor, and people who do not speak English.

The County's ARPA Projects include data-driven interventions designed to reduce the public health and economic impacts of the pandemic throughout the County's vast and diverse geography and communities. Interventions include, among others, expanding access to public health services in communities showing disproportionate impacts from COVID-19; helping to keep people at risk of evictions in their houses by working with both landlords and tenants; addressing food insecurity by deploying various strategies that help residents, especially older adults, reliably access healthy food; and making it easier for residents in digital deserts to reap the benefits of getting online.

To date, 67 ARPA Projects reported expenditures to the U.S. Department of Treasury (U.S. Treasury) totaling \$1.816 billion. Additional information on these projects is included in the attached Project Inventory. Key compliance requirements and other indicators have been identified and evaluated in accordance with the U.S. Treasury's guidance and reporting requirements and is addressed in the attached Project Inventory.

Uses of Funds

The County Spending Plan for the ARPA tranche 1 and 2 funding totals \$1.9 billion spread across three strategic pillars: (1) needs-based investments to position the County to recover better than before the pandemic; (2) support an equitable and inclusive recovery based on data demonstrating disproportionate impacts from the

pandemic; and (3) to preserve the County's fiscal stability and shore up our safety net programs.

The first pillar recognizes that the State and Local Fiscal Recovery Funds (SLFRF) represent once-in-a generation investments to address the County's most acute and detrimental 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 through partnerships with cities, creation of more affordable housing, disrupting the poverty-to-prison pipeline, reducing the digital divide, and disrupting the cycle of inter-generational poverty in communities with demonstrated barriers to generational wealth gains.

The second pillar recognizes the need to jumpstart recovery for those whom the pandemic impacted the most and are resourced the least. It provides financial supportive services that support small businesses, entrepreneurs, and nonprofits; supports artists and professionals and organizations in the creative economy; creates employment opportunities for workers and youth; helps tenants avoid evictions and works with homeowners to avoid foreclosure; funds essential childcare, recreational, early education, and home visiting programs for families; further addresses trauma and violence; and provides additional food and nutritional resources.

The third pillar 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 to reduce unnecessary ambulance transports and emergency room visits.

Revenue Replacement

As of this reporting date, the County allocated a total of \$1,009,940,000 in revenue replacement funds across the following categories: \$829,108,000 will be applied 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; \$179,662,000 will be applied 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 \$1,170,000 will be applied to the County Fire District, which provides life/safety emergency services pursuant to the County Charter, Article IV, Section 24 1/3 (a)-(j) and County Code section 2.20.

Project-Level Detail

The County has reported expenditures for 67 ARPA programs to the U.S. Treasury. The attached **Project Inventory** includes summaries, goals, categories, and compliance information for each.

Community Engagement

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

- Ensure eligible businesses, Community-Based Organizations (CBOs), and community members are informed of, have access to, and can apply for and receive opportunities to contract, subcontract, and receive grant opportunities;
- Create and expand a vast communication network to widely share critical information about available services and funding opportunities, particularly with hard-to-reach and non-traditional partners; and
- Invest in and provide resources to communities with demonstrated barriers to accessing resources that have been the hardest hit during the pandemic.

Outreach and Engagement on Funding Opportunities: The County's ARPA Contracting Opportunities website and the ARPA Dashboard serve as centralized locations where local businesses and community organizations can find information about various ARPA-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 ARPA-related government contracts. It promotes transparency and enhances the efficiency of the procurement process by streamlining the dissemination of information. As of July 1, 2025, the County had awarded a total of 377 agreements with 263 external agencies, inclusive of service contracts and purchase orders. Awarded agreements totaled a reported \$399,849,727.73.

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 ARPA-funded contracts, grants, and services, including the Community Navigators programs.

The Community Navigators project, funded in the Phase Two Spending Plan, helps ensure that residents who work, serve, and live in communities that require more targeted outreach and engagement strategies beyond the County's typical communication channels due to social, geographic, and/or digital isolation, receive notice of and can access ARPA-related contracts, grants, and services. The program's goal is to link participants to the resources they need to regain or strengthen economic and social stability. The County executed the contract for community navigation with an administrator in July 2023 and onboarded eight service providers by June 2024. The navigators provide services in English, Spanish, and Arabic and have employed both traditional outreach strategies and

novel approaches, such as phone banking campaigns and a podcast, to disseminate information to community members and small businesses. As of June 2025, the navigators have reported reaching more than 47,000 individuals, nearly 1,500 small businesses, and 540 community-based organizations. These encounters have led to the dissemination of more than 23,500 print materials to help promote services and more than 2,600 referrals to ARPA-funded programs in the County. The program also provides referrals to other federal, state, county, and city programs and benefits, including fire recovery services, housing, utility bill discounts, mental health services, employment and job training opportunities, and case management.

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 is conducting a participatory mapping project that aims to augment the existing data-mapping tools through data collection and visualization of non-geographically concentrated communities across the County. The County retained a contractor in October 2024 to conduct the study on non-geographically concentrated communities in the County, which entails:

- Developing a study design for the collection of data;
- Focusing 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; and
- Analyzing the geospatial and other data and creating additional map layers that correspond with where, and potentially how, to best serve these communities.

To date, the contractor has developed a detailed work plan, identified local CBOs that serve targeted communities with demonstrated barriers to accessing resources, and entered into formal agreements with these agencies to help the contractor administer a survey and facilitate participatory mapping sessions with their constituents. In collaboration with the identified CBOs, the contractor co-designed a facilitation guide and worksheets for the participatory mapping sessions, which will take place between June and August 2025. Once the sessions are complete, the contractor will analyze the data collected to develop a set of findings and proposed map layers to better serve populations traditionally omitted from place-based investments due to the difficulties inherent in mapping their location.

Additionally, the County continues to develop 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. Their feedback is informing the participatory mapping process to ensure more culturally relevant practices are reflected in its execution.

The County's community engagement strategy for SLFRF implementation incorporates a wide range of inclusive methods—including surveys, participatory mapping, community-based partnerships, multilingual campaigns, digital tools, and direct outreach—to ensure input from and access communities most impacted by the COVID-19 pandemic.

Labor Practices

The County has five ARPA projects with infrastructure and capital expenditures, two under Expenditure Category 2.15 focused on long-term housing security, and two under Expenditure Category 5.19 supporting broadband infrastructure aimed at expanding connectivity in communities without reliable access to affordable digital connectivity. These projects adhere to rigorous labor standards to ensure quality delivery and promote workforce development opportunities.

Although the broadband projects are not governed by formal Project Labor Agreements (PLAs), the County's procurement policies require compliance with key labor protections, including:

- Payment of prevailing wages in accordance with California labor laws;
- Geographically-based hiring preferences to support workforce growth within impacted communities; and
- Ongoing contractor responsibility and labor compliance monitoring through the County's contracting system.

These labor practices reflect the County's broader commitment to economic recovery and maintaining high standards in public contracting.

Use of Evidence

The County continues to work diligently to implement ARPA-compliant projects. As of the date of this report and as noted in the attached Project Inventory, there are 65 ARPA projects that are planning to do an evaluation, of which 8 projects are planning to use evidence-based interventions. 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.

Evidence-based interventions referenced are aligned with the U.S. Treasury's classification tiers (Strong, Moderate, Promising Evidence) per the SLFRF Compliance Supplement, where applicable.

To support the execution of project-based evaluation plans and a meta-analysis on the overall efficacy of ARPA funding in supporting an inclusive and robust recovery from the COVID-19 pandemic, the County contracted with a team of evaluators and technical advisors to assist the ARPA projects with evaluation and data reporting. The ARPA evaluation team is responsible for overseeing the evaluation design for each project and the Countywide meta-analysis, 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 ARPA Dashboard; and providing consulting and technical assistance to County departments and external partners on reporting their ARPA project outcomes as part of their project evaluations. They will also develop the Countywide comprehensive evaluation report. Metrics to measure successful implementation of ARPA will cover uses of funds, outcomes, and fidelity to project designs.

Performance Report

To date, 67 ARPA Projects have reported expenditures to the U.S. Treasury. The attached Project Inventory includes an overview of each project along with additional information. All other ARPA projects listed in the project inventory note whether they are working to compile performance metrics, including performance indicators, output and outcome measures, and relevant data. All projects have completed the design phase and are currently in various stages of implementation and performance data collection. The County is committed to regularly updating these metrics to ensure transparency and to track the effectiveness of ARPA-funded initiatives.

In alignment with the U.S. Treasury guidance, the County provides performance data disaggregated by demographic and cultural backgrounds, income, and other relevant factors to the extent possible. This approach helps the County better assess how programs are performing for different populations, ensuring resources are directed where they can have the greatest impact. All project-level reporting includes demographic data where feasible, in compliance with federal evaluation guidelines.

Project Inventory

All ARPA projects are listed in the attached Project Inventory, which include project names, funding amounts, identification numbers, expenditure categories, and descriptions outlining main activities, timelines, delivery mechanisms, partners, and intended outcomes. The project inventory also identifies whether each project utilizes evidence-based interventions or includes a program evaluation plan and provides associated performance indicators. Justification forms for ARPA-funded capital projects are also included as an attachment.

Project Information										Financial Summary													
Project ID	Project Name	Project Manager	Project Status	Project Start Date	Project End Date	Project Budget	Project Actual Cost	Project Variance	Project ROI	Revenue	Cost	Profit	Margin	ROI	NPV	IRR	Payback Period	Break-Even Point	Net Income	EBITDA	Operating Income	Pre-tax Income	Post-tax Income
1	Project A	John Doe	Completed	2023-01-01	2023-03-31	\$1,000,000	\$950,000	\$50,000	5%	\$1,200,000	\$800,000	\$400,000	33%	15%	\$1,500,000	2.5	\$1,800,000	\$1,200,000	\$600,000	\$1,000,000	\$1,200,000	\$1,000,000	\$200,000
2	Project B	Jane Smith	In Progress	2023-04-01	2023-06-30	\$800,000	\$780,000	\$20,000	2%	\$900,000	\$650,000	\$250,000	31%	12%	\$1,100,000	2.2	\$1,300,000	\$800,000	\$500,000	\$800,000	\$900,000	\$800,000	\$100,000
3	Project C	Mike Johnson	On Hold	2023-05-01	2023-07-31	\$600,000	\$600,000	\$0	0%	\$700,000	\$500,000	\$200,000	29%	10%	\$800,000	2.0	\$900,000	\$600,000	\$300,000	\$500,000	\$700,000	\$600,000	\$100,000
4	Project D	Sarah Brown	Completed	2023-08-01	2023-09-30	\$400,000	\$380,000	\$20,000	5%	\$450,000	\$300,000	\$150,000	33%	15%	\$500,000	2.5	\$550,000	\$400,000	\$150,000	\$250,000	\$450,000	\$400,000	\$50,000
5	Project E	David Wilson	In Progress	2023-10-01	2023-12-31	\$200,000	\$190,000	\$10,000	5%	\$250,000	\$150,000	\$100,000	40%	20%	\$300,000	3.0	\$350,000	\$200,000	\$150,000	\$250,000	\$300,000	\$200,000	\$100,000
6	Project F	Emily Davis	On Hold	2024-01-01	2024-03-31	\$100,000	\$100,000	\$0	0%	\$120,000	\$80,000	\$40,000	33%	15%	\$140,000	2.5	\$160,000	\$100,000	\$60,000	\$80,000	\$120,000	\$100,000	\$20,000
7	Project G	Chris Miller	Completed	2024-04-01	2024-06-30	\$50,000	\$48,000	\$2,000	4%	\$60,000	\$40,000	\$20,000	33%	15%	\$70,000	2.5	\$80,000	\$50,000	\$30,000	\$40,000	\$60,000	\$50,000	\$10,000
8	Project H	Alexander Lee	In Progress	2024-07-01	2024-09-30	\$30,000	\$28,000	\$2,000	7%	\$35,000	\$22,000	\$13,000	37%	18%	\$40,000	3.0	\$45,000	\$30,000	\$15,000	\$20,000	\$35,000	\$30,000	\$5,000
9	Project I	Olivia White	On Hold	2024-10-01	2024-12-31	\$15,000	\$15,000	\$0	0%	\$18,000	\$12,000	\$6,000	33%	15%	\$20,000	2.5	\$22,000	\$15,000	\$7,000	\$10,000	\$18,000	\$15,000	\$3,000
10	Project J	Benjamin Green	Completed	2025-01-01	2025-03-31	\$8,000	\$7,800	\$200	2.5%	\$9,000	\$6,000	\$3,000	33%	15%	\$10,000	2.5	\$11,000	\$8,000	\$3,000	\$4,000	\$9,000	\$8,000	\$1,000

Project Information										Financial Summary																				
Project ID	Project Name	Project Manager	Start Date	End Date	Status	Budget	Actual Cost	Variance	Revenue	Profit	ROI	NPV	IRR	Payback Period	Total Budget	Total Actual	Total Revenue	Total Profit	Total ROI	Total NPV	Total IRR	Total Payback	Overall Status	Overall Score	Overall Rating	Overall Trend	Overall Risk	Overall Impact	Overall Benefit	Overall Value
001	Project Alpha	John Doe	2023-01-01	2023-12-31	Completed	1000000	950000	50000	1200000	250000	25%	150000	18%	1.5	1000000	950000	1200000	250000	25%	150000	18%	1.5	Completed	95	A	Stable	Low	High	Significant	High
002	Project Beta	Jane Smith	2023-02-01	2024-01-31	In Progress	800000	780000	20000	900000	120000	15%	100000	12%	1.2	800000	780000	900000	120000	15%	100000	12%	1.2	In Progress	88	B	Stable	Low	Medium	Significant	Medium
003	Project Gamma	Mike Johnson	2023-03-01	2024-02-28	On Hold	600000	600000	0	700000	100000	17%	80000	13%	1.3	600000	600000	700000	100000	17%	80000	13%	1.3	On Hold	80	C	Stable	Low	Medium	Significant	Medium
004	Project Delta	Sarah Lee	2023-04-01	2024-03-31	On Hold	500000	500000	0	600000	100000	20%	70000	14%	1.4	500000	500000	600000	100000	20%	70000	14%	1.4	On Hold	75	C	Stable	Low	Medium	Significant	Medium
005	Project Epsilon	David Kim	2023-05-01	2024-04-30	On Hold	400000	400000	0	500000	100000	25%	60000	15%	1.5	400000	400000	500000	100000	25%	60000	15%	1.5	On Hold	70	C	Stable	Low	Medium	Significant	Medium
006	Project Zeta	Emily White	2023-06-01	2024-05-31	On Hold	300000	300000	0	400000	100000	33%	50000	16%	1.6	300000	300000	400000	100000	33%	50000	16%	1.6	On Hold	65	C	Stable	Low	Medium	Significant	Medium
007	Project Eta	Chris Brown	2023-07-01	2024-06-30	On Hold	200000	200000	0	300000	100000	50%	40000	20%	2.0	200000	200000	300000	100000	50%	40000	20%	2.0	On Hold	60	C	Stable	Low	Medium	Significant	Medium
008	Project Theta	Alex Green	2023-08-01	2024-07-31	On Hold	100000	100000	0	150000	50000	50%	20000	20%	2.0	100000	100000	150000	50000	50%	20000	20%	2.0	On Hold	55	C	Stable	Low	Medium	Significant	Medium
009	Project Iota	Olivia Black	2023-09-01	2024-08-31	On Hold	50000	50000	0	75000	25000	50%	10000	20%	2.0	50000	50000	75000	25000	50%	10000	20%	2.0	On Hold	50	C	Stable	Low	Medium	Significant	Medium
010	Project Kappa	Noah Gray	2023-10-01	2024-09-30	On Hold	25000	25000	0	37500	12500	50%	5000	20%	2.0	25000	25000	37500	12500	50%	5000	20%	2.0	On Hold	45	C	Stable	Low	Medium	Significant	Medium

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[illegible]



AMERICAN RESCUE PLAN PROPOSAL
BROADBAND INFRASTRUCTURE



Department: Internal Services Department
Program/Expense/Service Title: Accelerate Digital Equity – Community Broadband Networks
Amount Requested: \$50,000,000.00

DECISION TREE

- 1) Is the proposal designed to provide service to households and businesses with one of the following identified needs for additional broadband infrastructure investment? ([Treasury Final Rule](#), pp. 4419)
- A lack of access to a connection that reliably meets or exceeds symmetrical 100 Mbps download and upload speeds;
 - A lack of affordable access to broadband service; or
 - A lack of reliable broadband service.
- YES ☒ NO ☐ MAYBE/UNKNOWN ☐
- 2) Is the proposal designed, upon completion, to provide **one** of the following? ([Treasury Final Rule](#), pp. 4452, 4418, 4443, 4420)
- Reliably meet or exceed symmetrical 100 Mbps download and upload speeds;
 - If 100 Mbps download and upload speeds is not practicable due to excessive cost of the project or geography or topography of the area to be served, reliably meet or exceed 100 Mbps download speed and between at least 20 Mbps and 100 Mbps upload speed; or,
 - If 100 Mbps download and upload speeds is not practicable due to excessive cost of the project or geography or topography of the area to be served, be scalable to a minimum of 100 Mbps download speed and 100 Mbps upload speed.
- YES ☒ NO ☐ MAYBE/UNKNOWN ☐
- 3) Does the proposal require the service provider to either participate in the [Federal Communications Commission's \(FCC\) Affordable Connectivity Program \(ACP\)](#), or otherwise provide access to a broad-based affordability program to low-income consumers in the proposed service area that provides benefits to households commensurate with those provided under the ACP? ([Treasury Final Rule](#), pp. 4452, 4418, 4421)
- YES ☒ NO ☐ MAYBE/UNKNOWN ☐
- 4) If the proposal does not meet #1-3 above, is it a modernization of cybersecurity, including modernization of hardware and software, for existing and new broadband infrastructure, regardless of their speed delivery standards? ([Treasury Final Rule](#), pp. 4422,)
- YES ☐ NO ☐ MAYBE/UNKNOWN ☐ NOT APPLICABLE (#1-3 MET)
- 5) Does the proposal obligate funds by 12/31/2024 and have a project completion date no later than 12/31/2026? ([Treasury Final Rule](#), p. 4386 x 2, 4387, 4390, 4433 x 2, 4433, 4434, 4436,)
- YES ☒ NO ☐ MAYBE/UNKNOWN ☐

If your answer was YES to each question above, move to Broadband Infrastructure~ Program Justifications. If not, consult with your County Counsel to see if your program may still be eligible.

BROADBAND INFRASTRUCTURE ~ PROGRAM JUSTIFICATIONS

Departments must provide sufficient detail and supporting information for each question below as it relates to the Program/Expense or Service being provided.

PROJECT DETAILS

1. Provide a brief description of the proposed project.

In Los Angeles County (County), it is estimated that approximately 416,000 households lack broadband internet service. This lack of service disproportionately impacts mostly lower income communities and populations. Several government initiatives are underway to address this crisis, yet digital inequities persist in both rural and urban areas of the County. The County of Los Angeles Board of Supervisors (Board) directed the County Internal Services Department to assess viable options for the County of Los Angeles to facilitate residential access to reliable broadband service in low-income communities where greater than 20% of the households lack internet service, based on data from the United States Census Bureau's American Community Survey. The County's Community Broadband Networks (CBNs) will rely potentially on landlines (wireline) and/or radio links (fixed wireless), leveraging equipment mounted to public buildings, streetlights, and other community real estate assets to deliver high-speed connections to households or other end users who are equipped to receive the signal.

The CBNs will be designed, implemented, and operated by pre-qualified Managed Services Providers under a County Services Master Agreement who are competitively selected under individual Work Order Solicitations for one or more of the CBN service areas. This public-private partnership approach will have the selected MSPs operating as retail internet service providers directly to consumers in the service areas.

- **On August 31, 2021, the Board unanimously adopted [a motion](#) to assess options for the County of Los Angeles to facilitate residential access to reliable broadband service in low-income communities that lack affordable, high-speed internet service.**
- **On September 30, 2021, ISD submitted [a report](#) outlining options for the Board to consider, including the option to deploy Community Broadband Networks.**
- **On November 16, 2021, the Board unanimously approved [a motion](#) to advance the Community Broadband Networks by instructing ISD to coordinate implementation.**
- **The County's Community Broadband Networks will rely potentially on landlines and/or radio links, leveraging equipment mounted to public buildings, streetlights, and other community real estate assets to deliver high-speed connections to households, or to other end users who are equipped to receive the signal.**
- **On January 7, 2022, as part of the planning process, the County of Los Angeles released a [Request for Comments \(RFC\)](#) seeking input from market participants to inform the solicitation requirements, network structure, technical specifications, evaluation metrics, and any other topics that will be instructive to facilitating a competitive solicitation.**
- **On March 21, 2022, the County released a [Request for Statement of Qualifications](#) for the Installation and Operation of Community Wireless Networks to Deliver Residential Broadband Services. The Internal Services Department will be continuously accepting Statements of Qualifications through September 13, 2027, but the purpose of this is to accommodate additional, non-ARP funding sources, to potentially include other State and/or federal grants. No new ARP funds will be allocated for services after 2024, nor will any ARP funds be used after 2026.**

- On July 13, 2022, the County released an addendum to the RFSQ to clarify and rename it to: “Request for Statement of Qualifications for the Installation and Operation of Community Broadband Networks to Deliver Residential Broadband Services.”
 - Beginning in January 2023, ISD released a series of three Work Order Solicitations under the CBNSMA, covering demonstration projects in East Los Angeles, South Los Angeles, the San Fernando Valley, and Southeast Los Angeles. Under these solicitations, the County was seeking qualified Community Broadband Network Services Master Agreement Vendors to deploy and to operate high quality retail broadband internet service, that is affordable and reliable within certain Los Angeles County communities experiencing a lack of broadband internet service. All three WOS are now closed to proposals and are either in the evaluation or award process.
 - ISD anticipates that at least the first WOS, covering the demonstration projects in East Los Angeles and South Los Angeles, will utilize \$50M of \$56M of the ARPA SLFRF allocation for the ISD Accelerate Digital Equity project.
2. Describe how the proposal is designed to provide broadband service to households and businesses with an identified need for additional broadband infrastructure investment, which would include, but not be limited, to a lack of broadband service reliably delivering certain speeds. Also include: 1) how the program is responsive to an identified need to achieve or maintain an adequate minimum level of service, which may include a reasonable projection of increased need, whether due to population growth or otherwise; 2) whether this is a cost-effective means for meeting that need, taking into account available alternatives; 3) how this proposal may provide the greatest public benefit in the area over other options; and, 4) how this proposal encourages high-quality infrastructure, avert disruptive and costly delays, and promote efficiency. ([Treasury Final Rule](#), pp. 4408-4409). **Note: if this proposal relates to cybersecurity, skip questions 2-9.**
- 1) The project addresses the need for affordable, high-speed broadband that enables households in identified areas experiencing the digital divide. These areas are identified as those where the percentage of households without internet subscriptions exceeds 20 percent, and which coincide with household incomes at or below \$50,000 per year (generally less than 200% FPL for a household of four). Through a combination of the federal Affordable Connectivity Program (ACP) subsidy, a requirement for a companion low-cost internet plan at \$30, and connection rate that both far exceeds the 2015 Federal Communications Commission definition of broadband internet (25/3 Mbps) and also exceeds the proposed update to a new 100/20 Mbps standard, the CBN project will be necessary to address the growing dependency on home broadband for learning, telework, telehealth, and other digital needs for the entire household – at an affordable price.
 - 2) The proposed public-private partnerships are a cost-effective way to provide a retail option in these identified areas that also does not require the County to own and operate the service. These partnerships will leverage public assets that exist in the communities, such as school buildings and streetlights, for providers to place equipment, reducing the costs and enabling the reduction of service rates and addition of consumer-friendly terms for a minimum of five years. Alternatives were considered, to include projects requiring the use of fiber optics to the home as well as fee-for-service proposals, but these options were found to be not feasible and would also require substantial, on-going funding while limiting the number of households that the County can assist. ISD submitted [a report](#) to the Board of Supervisors in September 2021 that discusses these options and cost estimates.

- 3) The CBN approach provides the greatest public benefit for several reasons. First, the service areas are coordinated with the cities, who are partnered with the County through agreements to coordinate digital investments. Doing so ensures that the jurisdictions are not competing against each other for funding or pursuing strategies at odds with each other, and that public assets are made available for use in the public-private partnerships. Second, by creating service areas that are large and contiguous, the solicitations are expected to be attractive to the private sector, as proposers can design more efficient, large-scale projects, and have sufficient market-rate customers to support a viable business model despite a large number of ACP-eligible customers. In the identified CBN areas, Spanish and Chinese are the predominant languages used besides English, and the solicitations require that providers conduct outreach and customer service in all of the County's threshold languages. Next, there is public benefit for the CBNs to be part of the Department's comprehensive digital strategy that addresses broadband access (CBN), the need for internet-ready devices (free laptops based upon a needs assessment), adoption of broadband services (community outreach, digital assistance at County libraries, senior centers, community centers, and other locations, and digital literacy training), and technology internships/pre-apprenticeships. Finally, the CBNs are expected to generate local hiring, training, and community-based collaboration opportunities from the CBN Managed Services Providers.
- 4) The CBNs are required to meet built-to-speed and reliability standards that meet modern and forward-looking minimum performance requirements. In addition to pre-qualifying companies that already agree to the County's terms and conditions through the CBN Services Master Agreement and which have previous experience and the financial capacity to deliver these critical projects within the funding performance period, the proposers were required to provide detailed network designs, bills of materials, and were required to respond to at least 85 different requirements or questions. These responses were evaluated and reviewed, including with advice from contracted subject matter experts with expertise in designing and operating wireline and fixed wireless broadband internet service. The cost model assessed the cost of the proposed network over 30 years. The solicitations require completion of the broadband infrastructure no later than December 31, 2025, to ensure quick enablement of retail service and to ensure completion as required by the ARPA deadline of December 31, 2026. As mentioned in #3, the size of the service areas is designed to enable efficiencies and attract the greatest number of proposals versus small, tailored projects that may not be viable for the private sector.

3. Is the proposal designed, upon completion, to reliably meet or exceed symmetrical 100 Mbps download speed and upload speeds? ([Treasury Final Rule](#), pp. 4452, 4418, 4443, 4420)

YES ☒ NO ☐ MAYBE/UNKNOWN ☐

If "yes," move to question #5. If "no," explain why, including a description of why it is not practicable due to excessive cost of the project or geography or topography of the area to be served by the project.

Not applicable, project is designed to deliver minimum of 100 Mbps download speeds and upload speeds.

4. Explain how the project will do one of the following:

- a. Reliably meet or exceed 100 Mbps download speed and between at least 20 Mbps and 100 Mbps upload speed; or,
- b. Be scalable to a minimum of 100 Mbps download speed and 100 Mbps upload speed. ([Treasury Final Rule](#), pp. 4452, 4418, 4443, 4420)

The Work Order Solicitations require the proposers to design and implement last-mile (that is, the final leg of a network that provides service to the home, business or community institution¹) broadband networks that will reliably deliver service to each subscribing household at a minimum download speed of 100 Mbps and 100 Mbps upload speed, thus meeting the requirement in 4a. The Work Order Solicitations include the County's option to consider 100 Mbps download speed and 20 Mbps upload speed, scalable to 100 Mbps upload speed, however, the County has received at least one proposal in each of the first four Work Order Solicitations that has not required the County to consider the lesser requirement.

5. How will you ensure that the broadband infrastructure provides "reliable" service at required speeds (and not simply rely on providers' advertised speeds in their assessments)? ([Treasury Final Rule](#), p. 4420)

In the Work Order Solicitations, the County requires detailed network designs, down to the site and equipment level, for the defined service areas in order to clearly demonstrate that the proposers' designs have the network coverage and capacity to deliver the required speeds and reliability based on a take rate assumption of 40 percent of the households in each Census Block. These design proposals are evaluated by the Evaluation Committee, advised by subject matter experts who conduct an engineering review of the proposals to validate the ability of the network designs to meet the service requirements.

6. Does the proposal prioritize providing service to locations not currently served by a wireline connection that reliably delivers at least 100 Mbps of download speed and 20 Mbps of upload speed? If so, how? ([Treasury Final Rule](#), pp. 4419)

The Community Broadband Networks projects are designed to provide a retail broadband service option within the service areas to all consumers, to include those communities with demonstrated barriers to accessing resources. Depending on the awarded contractors' network designs and implementation plans, the roll-out plan may implement the unserved locations first if economically and technically feasible.

7. Does the proposal prioritize fiber optics, if feasible? ([Treasury Final Rule](#), pp. 4417, 4418, 4420 x 2,)

The Work Order Solicitations allow for either type of wireline, including fiber optics, or fixed wireless last mile connections. The County is soliciting for public-private partnerships that provide the best value, including the use of a financial model that assesses the value of proposals over a 30-year lifespan and considers other factors, such as community benefits, that comply with the Treasury's built-to-speed and affordable plan requirements. The Treasury Final rule encourages, but does not require, the prioritization of fiber optics.

8. If the proposal will deploy broadband to locations where there are existing enforceable federal or state funding commitments for reliable service at speeds of at least 100 Mbps download speed and 20 Mbps upload speed, how will you ensure that SLFRF funds are designed to address an identified need for

¹ <https://cdt.ca.gov/middle-mile-advisory-committee/middle-mile-faq/>

additional broadband investment that is not met by existing federal or state funding commitments? ([Treasury Final Rule](#), pp. 4418, 4422,)

The Community Broadband Networks demonstration projects are meant to primarily address the lack of affordability of residential broadband internet services in the service areas, which exhibit high percentages of homes that lack internet subscriptions despite overall broadband service availability by one or more providers. According to the California Public Utilities Commission Federal Funding Account Map, compared to the Community Broadband Networks proposed service areas, there are only 12,958 unserved households (defined as locations with either unreliably legacy wireline technologies or without a wireline provider that reliably offers broadband service of at least 25 Mbps downstream and 3 Mbps upstream) over 145 square miles, contrasted to approximately 524,000 households in that same area, and an estimated 217,000 of those households are without an internet service subscription. This is the basis for the County's identified need of additional broadband investment that is not met by existing federal or state funding commitments.

9. Does the proposal prioritize last-mile connections to households and businesses, either by focusing directly on funding last-mile projects or by ensuring that funded middle-mile projects have commitments in place to support new and/or improved last-mile service? ([Treasury Final Rule](#), pp. 4418, 4421)

Yes. The Community Broadband Networks demonstration projects will provide last-mile broadband connections to households and businesses in the identified service areas.

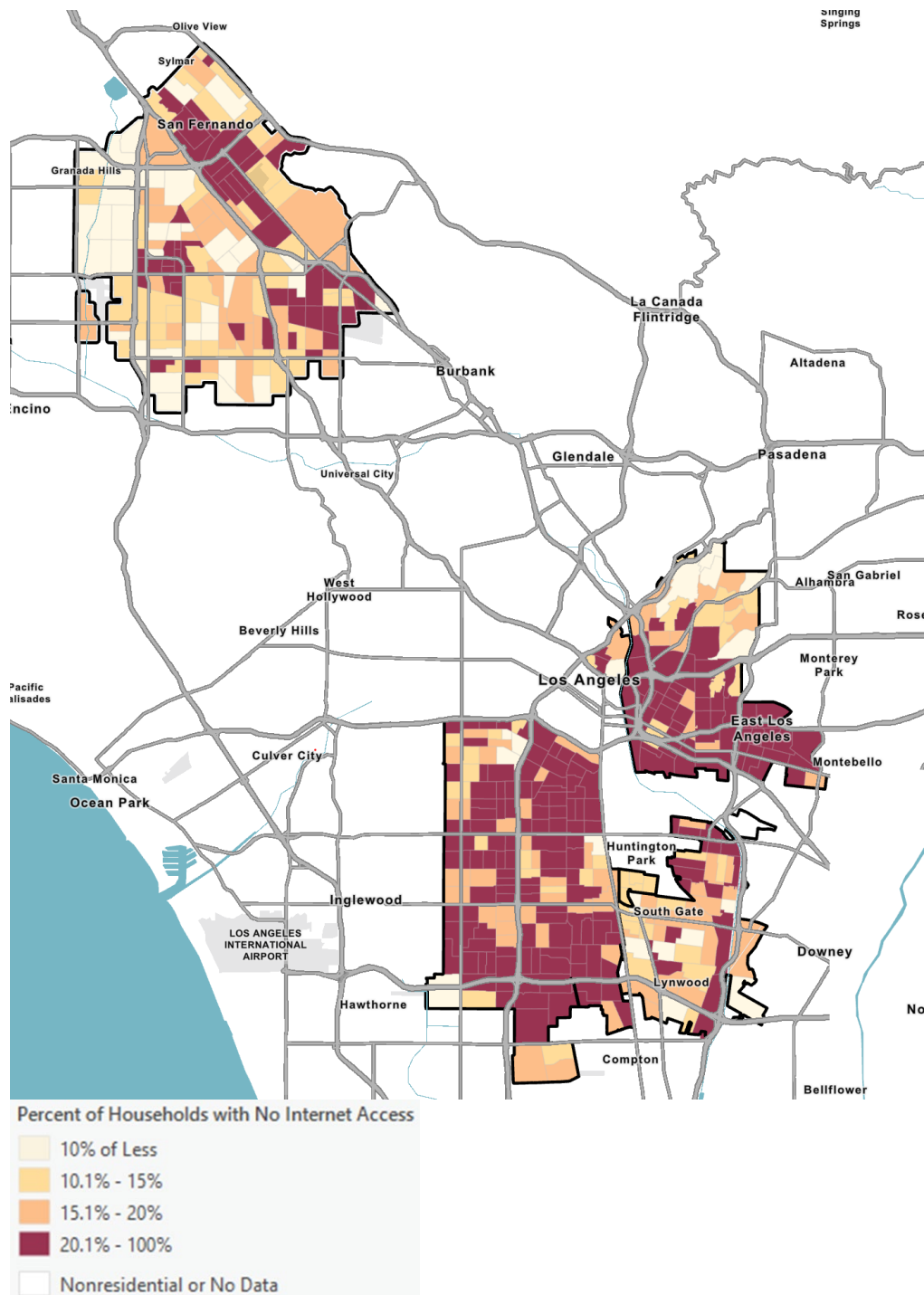
10. Does this proposal relate to cybersecurity, including modernization of hardware and software, for existing and new broadband infrastructure, regardless of their speed delivery standards? If so, how? ([Treasury Final Rule](#), pp. 4422,)

The Work Order Solicitations require proposers to operate a secure service provider network with comprehensive cyber security operations and governance programs to ensure the confidentiality, integrity, and availability of the Service and customers. This includes, but is not limited to, 24x7x365 cyber security monitoring, incident response, and timely remediation.

11. How were areas of areas for investment determined? (Treasury permits SLFRF recipients to choose to consider any available data, including but not limited to documentation of existing broadband internet service performance, federal and/or state collected broadband data, user speed test results, interviews with community members and business owners, reports from community organizations, and any other information they deem relevant. In evaluating such data, recipients may take into account a variety of factors, including whether users actually receive internet service at or above the speed thresholds at all hours of the day, whether factors other than speed such as latency, jitter, or deterioration of the existing connections make their user experience unreliable, and whether the existing service is being delivered by legacy technologies, such as copper telephone lines (typically using Digital Subscriber Line technology) or early versions of cable system technology (DOCSIS 2.0 or earlier), and other factors related to the services to be provided by the project. Recipients may consider the actual experience of current broadband customers when making their determinations; whether there is a provider serving the area that advertises or otherwise claims to offer broadband at a given speed is not dispositive.) ([Treasury Final Rule](#), pp. 4419)

The areas were determined by a combination of factors, including:

- **Areas where, on average, 20 percent or more households lack broadband subscriptions, according to the U.S. Census Bureau's American Community Survey data**



- Agreement through Memorandum(s) of Understanding with the local city/cities to ensure coordination of investment and cooperation on available public assets.
- Agreement with the relevant Supervisorial District
- Uniform geography and built topology that would be suitable for efficient broadband deployment
- Large enough area to enable efficient network infrastructure designs and offer a business case for the Managed Services Providers to sustain their business operations.

Additionally, the Department utilized the conclusions from a [2021 report by the California Emerging Technology Fund and the University of Southern California](#) that surveyed 1,650 California adult residents. It concludes that income is a key determinant of broadband

adoption, with only 74 percent of low-income residents (below 200% of FPL) connected to the internet at home through a computing device other than a smartphone. For residents who are not of low-income status, the adoption rate is 96 percent.

The identified areas exceed the Board of Supervisors-approved Per-Capita Allocation in the County's data mapping tool. The combined Highest and High actual need tiers account for 83.4% of the Census Tracts, exceeding the target of 75% for those two tiers. Moderate, Low, and Lowest-need tiers make up only 16.6 percent of the Census Tracts.

Within the target areas as of November 2023, there are 510 K-12 schools with 271,574 students, of whom 251,567 are socio-economically disadvantaged, with 71,376 English learners, according to the 2022-2023 school-level demographics from the California Department of Education. With the sunset of the FCC's Emergency Connectivity Fund due to the ending of the COVID-19 public health emergency, the reimbursement of schools for equipment and services to keep students and staff connected will end on June 30, 2024. The Community Broadband Networks can be a way to ensure that students in these areas have affordable, reliable, and high-speed broadband at home to support remote learning as well as access to educational resources.

SERVICE PRICING

12. Does the proposal require that services include at least one low-cost option offered without data usage caps and at speeds that are sufficient for a household with multiple users to simultaneously telework and engage in remote learning? If yes, how? ([Treasury Final Rule](#), p. 4418, 4421)

Yes. The Work Order Solicitations require the proposers to fix plan pricing for a minimum of five years and to provide a low-cost service plan that meets the following criteria:

- **Must not include data usage caps, surcharges, or usage-based throttling;**
- **Must offer a minimum speed of 100/100 Mbps;**
- **Must cost no more than \$30 per month, inclusive of all taxes, fees and charges;**
- **Must not charge for installation or setup;**
- **Must provide a free modem, router, or other similar CPE;**
- **Must not require a minimum term;**
- **In the event the Proposer later offers a service plan at the same or lower cost with higher speeds downstream and/or upstream, the provider must permit subscribers to the low-cost service plan to upgrade to the faster and/or lower cost plan.**

13. Does the proposal require the service provider to either participate in the [Federal Communications Commission's \(FCC\) Affordable Connectivity Program \(ACP\)](#), or otherwise provide access to a broad-based affordability program to low-income consumers in the proposed service area that provides benefits to households commensurate with those provided under the ACP? ([Treasury Final Rule](#), pp. 4418, 4421, 4452,)

Yes. The Work Order Solicitations require the proposers to provide a low-cost residential broadband service plan and participate in the federal Affordable Connectivity Program (ACP). The Proposer must be either an Eligible Telecommunications Carrier (ETC) in the state of California or approved by the FCC to provide Affordable Connectivity Program (ACP) benefits in California as a non-ETC broadband provider.

PROJECT FUNDING

14. Can you confirm that SLFRF funds will not be used for costs that will be reimbursed by the other federal or state funding streams? ([Treasury Final Rule](#), p. 4418, 4422)
Yes. At this time, there are no costs that will be reimbursed by other state or federal funding streams. The Department has applied for a state grant (Last Mile Federal Funding Account) and has indicated in that grant application that it would coordinate the funding to ensure that there is no duplication of funding should the County be awarded that grant. This would likely involve partitioning the funded broadband infrastructure between federal and state grants.
15. Can you ensure that SLFRF funds will not be used to procure or obtain certain telecommunications and video surveillance services or equipment as outlined in [2 CFR 200.216](#) and [2 C.F.R. 200.471](#)? ([Treasury Final Rule](#), p. 4418, 4422)
Yes. The Work Order Solicitations included requirements for the proposers to comply with the Treasury Final Rule, as well as to list the manufacturers of all equipment in the network design bill of materials. The Department will ensure that no equipment or services in the network design will use the prohibited telecommunications equipment or services listed in the 2 CFR 200.216. The required provision will be included in the Work Orders.
16. What is the deadline to obligate funds (must be by 12/31/2024)? ([Treasury Final Rule](#), p. 4452, 4418, 4443, 4420)
The Department is setting a deadline of September 30, 2024, to complete the obligation of funds to ensure adequate time to complete the obligation by December 31, 2024.
17. What is the project completion date (must be by 12/31/2026)? ([Treasury Final Rule](#), p. 4452, 4418, 4443, 4420)
The Department anticipates project completion no later than September 30, 2026, although in the Work Order Solicitations, it is requiring the completion of the network infrastructure construction by December 31, 2025, to ensure adequate time to complete the project prior to the required latest completion date of December 31, 2026.

CONTRACTING & REPORTING

18. Does the proposal encourage the use of strong labor standards, including project labor agreements and community benefits agreements that offer wages at or above the prevailing rate and include local hire provisions? If so, how? ([Treasury Final Rule](#), p. 4409)
The Work Orders require compliance with the prevailing wages for applicable positions covered by the State of California Department of Industrial Relations Determinations. Proposers are encouraged, but not required, to provide employment opportunities for local workers in the projects within their communities.
19. Does the proposal require that all contracts in excess of \$100,000 involving employment of mechanics or laborers include a provision for compliance with certain provisions of the Contract Work Hours and Safety Standards Act, 40 U.S.C. 3702 and 3704, as supplemented by Department of Labor regulations (29 CFR Part 5)? ([Treasury Final Rule](#), p. 4409, 4393)
The Work Orders will contain the required provision.
20. Does the proposal comply with applicable federal, state, and local laws, including:
- Environmental and permitting laws and regulations; and

- Meeting design and construction methods and use materials that are approved, codified, recognized, fall under standard or acceptable levels of practice, or otherwise are determined to be generally acceptable by the design and construction industry.

([Treasury Final Rule](#), p. 4393, 4409)

Yes, the Master Agreement includes the requirement to comply with applicable federal, state, and local laws and that “All tasks, subtasks, deliverables, Assets, goods, Services, and other work shall be completed in accordance with this Master Agreement and industry standards.” The Work Order Solicitations include an evaluated response that requires the proposers to confirm that their proposed solution complies and to show how it complies with a requirement that it be constructed according to industry standards.

The Work Orders will include requirements related to compliance with the California Environmental Quality Act, and the Department will be the Lead Agency that makes the CEQA determinations.

The selected providers are required to secure permitting for the project and comply with local ordinances. The relevant County and municipal planning and public works departments will review and approve the providers’ applications and plans, negotiate license agreements, and inspect the work as applicable.

21. As part of your selection process, do you plan to consult with the community on the general affordability needs of the target markets in the proposed service area? If yes, how? ([Treasury Final Rule](#), pp. 4418, 4421)

Yes, the Department plans on engaging a contractor to conduct data collection, analysis and reporting on community digital needs across the County, including affordability. The Work Order Solicitations already contemplate an Affordable Connectivity Program requirement in conjunction with a low-cost plan of no more than \$30/month for 100 Mbps download speed and 100 Mbps upload speed, which would reduce the plan to no-cost for those enrolled in ACP and applying their benefit toward the service.

22. Does the proposal prioritize support for broadband networks owned, operated by, or affiliated with local governments, nonprofits, and cooperatives? If yes, how? ([Treasury Final Rule](#), pp. possibly 4417, 4418, 4421,)

Yes, the Community Broadband Network projects are affiliated with the County of Los Angeles and its partner municipal jurisdictions. The Department has entered into Memorandums of Understanding with these cities and the Los Angeles County Office of Education to coordinate digital connectivity investments.

23. Does the proposal prioritize employers (including contractors and subcontractors) without recent violations of federal and state labor and employment laws? ([Treasury Final Rule](#), pp. 4409, 4393,)

The WOS requires proposers to disclose all judgments and litigation. The Work Orders will include requirements to comply with the State prevailing wage law, including applicable determinations by the State of California Department of Industrial Relations. The Master Agreement includes the requirement that, “In the performance of this Master Agreement, Contractor shall [comply with all applicable Federal, State and local laws, rules, regulations, ordinances, directives, guidelines, policies and procedures, and all provisions required thereby to be included in this Master Agreement are hereby incorporated herein by reference.”

24. Does the proposal prioritize procurement decisions on employers who can demonstrate that their workforce meets high safety and training standards (e.g., professional certification, licensure, and/or

robust in-house training), that hire local workers and/or workers from communities with demonstrated barriers to accessing resources, and who directly employ their workforce or have policies and practices in place to ensure contractors and subcontractors meet high labor standards? ([Treasury Final Rule](#), pp. 4409, 4393)

Ten percent of the scoring of the Work Order Solicitations comprises the County’s evaluation of the proposer’s approach to reporting, transparency, and compliance. An evaluated component of the category includes the proposers’ workforce training and safety standards, including safety, certifications, and licensing, and whether there are professional certifications and/or in-house training in place to ensure that deployment is done at a high standard. The WOS also included the County’s statement that employment opportunities for local workers on projects situated within their communities are a key element of County investments and that construction and operation of the Community Broadband Network is expected to improve workforce and job readiness among fiber and telecom workers.

25. Are you prepared to report speed, pricing, and any data allowance information as part of mandatory reporting to Treasury? ([Treasury Final Rule](#), pp. 4418, 4421)

Yes. The Work Order Solicitations included requirements for the Contractor to report on service and pricing attributes that are required for reporting to the Treasury Department.

Name: **Eric Sasaki**

Title: **Manager, Major Programs**

Click or tap to enter a date.

December 7, 2023

Are there any attachments? YES ☐

NO ☒



AMERICAN RESCUE PLAN PROPOSAL CAPITAL EXPENDITURES



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: Chief Executive Office
Program/Expense/Service Title: Los Angeles County Care Community at Metropolitan State Hospital
Amount Requested: \$5,000,000

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.
 - Los Angeles County Care Community at Metropolitan State Hospital

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

Page 2 of 7

- Administered by the Department of Mental Health, Department of Public Works, and Chief Executive Office - Capital Programs.
2. Provide a brief description of the Capital Project/Expenditure proposal.
- The abatement work includes conducting thorough inspections to evaluate the presence and condition of hazardous materials; as well as safely removing and properly disposing of hazardous materials from the site, in compliance with federal, state, and local regulations. Additionally, the make-ready work would include preparing the buildings and courtyard for construction.
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.)

- Project cost projected to be \$5,000,000.

The project funded as follows:

- \$3,900,000 in ARPA CLFRF funds from Internal Services Department-administered Accelerate Digital Equity Community Broadband Network 3 Program; and
 - \$1,100,000 of ARPA CLFRF funds via ARP's revenue loss provision from the CEO Homeless Initiative administered Safe Parking program to increase the appropriation.
4. Explain whether the entire project can be obligated by December 31, 2024, and fully expended before December 31, 2026.
- \$3,900,000 in American Rescue Plan Act (ARPA) to be fully obligated by December 31, 2024, and fully expended before 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.)
- As a result of COVID-19, more housing and treatment facilities need to be developed to address the housing emergency.
6. Describe how the Capital Project/Expenditure responds to or addresses the COVID-19 effect or need.
- The State and County have identified a portion of the Metropolitan State Hospital campus in the City of Norwalk that is underutilized and can be renovated and transformed into a continuum of housing and treatment options for people with

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

Page 3 of 7

mental health challenges – the proposed Los Angeles County Care Community at Metro State Hospital.

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)
- The Los Angeles Care Community at Metro State Hospital will provide:
 1. Mental Health Rehabilitation Center (Psychiatric Subacute) Male/Female;
 2. Interim Housing for Adult & TAY; and
 3. Permanent Supportive Housing.
 - The project scope is for the removal and remediation of environmental contaminants or hazards from the vacant properties. The scope will be conducted in compliance with applicable environmental laws or regulations.
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.)
- See the “Written Justification” below.
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)

Matthew J. Diaz

Digitally signed by Matthew J. Diaz
Date: 2024.12.16 15:58:17 -08'00'

12/16/24

Name/Signature of high-level department person

Date

WORKSHEET 2 - DETAILED CAPITAL PROJECT
PROGRAM JUSTIFICATION

Page 4 of 7

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**

Page 6 of 7

- ☐ 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

Page 7 of 7

- ☐ 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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- ☐ 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

Page 8 of 7

- ☐ 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:

- 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))
 - With the onset of the pandemic, the number of deaths among People Experiencing Homelessness (PEH) in the County increased, going from 1,271 deaths pre-pandemic (March 31, 2019-April 1, 2020) to 1,988 deaths (April 1, 2020-March 31, 2021). While COVID-19 became the third leading cause of death among PEH in the post-pandemic onset year, the overall increase was driven to an equal or more considerable degree by increases in overdoses, homicide, congenital heart disease, and traffic injury deaths.
 - Evidence shows the COVID-19 pandemic may have exacerbated stressors already present in the lives of PEH, leading to increases in other causes of death, even as we intensified our COVID-19 prevention efforts in this population.
 - This project will help reduce these stressors and create more stability for PEH,

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

Page 2 of 3

increasing their ability to secure safe housing and comprehensive supportive services to stabilize and maintain their housing.

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)

- This investment focuses on renovating facilities for permanent supportive housing units, subacute treatment facilities, and interim housing. This is a long-term solution rather than temporary fix.
- Investing in housing and supportive services can significantly improve the quality of life for individuals experiencing homelessness, leading to better health outcomes and increased productivity.
- By investing in comprehensive solutions that combine housing with services like mental health care, substance abuse programs, and job training, municipalities can address the root causes of homelessness more effectively.

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

- The County of Los Angeles continues to develop ideas and solutions regarding homelessness and affordable housing options. Through the County's efforts, a group of buildings at the Metropolitan State Hospital campus has been identified to provide a continuum of housing options for people experiencing homelessness.
- This site is centrally located in an area that does not provide similar services.

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

Addressing the housing emergency in LA County requires a multifaceted approach, where policy changes and additional funding alone may not be enough without corresponding capital expenditures. Here are several reasons why:

1. Infrastructure and Development Costs: Rehabilitating existing buildings necessitates significant capital investment. This includes construction materials, labor, and compliance with local regulations. Without capital expenditures, even the best policies or increased funding for services won't translate into physical housing solutions.

2. Long-Term Solutions: Housing emergencies often stem from systemic issues such as inadequate supply, rising costs, and displacement. Policy changes may provide temporary relief or improve access to services, but without the investment in actual housing development, these solutions will not address the root of the problem.

3. Maintenance and Operations: Funding for programs may help in the short term, but ongoing capital investment is essential for the maintenance and operation of housing

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

Page 3 of 3

projects. Without it, existing properties may fall into disrepair, undermining efforts to provide stable housing.

In summary, while policy changes and additional funding are important components in addressing the housing emergency, they must be paired with significant capital expenditures to create actual housing solutions and infrastructure that can support long-term stability in LA County's housing market.

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.**

Rehabilitating an existing structure vs. new construction

- Rehabilitating an existing structure typically has lower upfront costs compared to new construction.
 - Possible financial incentives, such as tax credits or grants, for rehabilitating historic buildings.
 - Ongoing maintenance costs may be higher if the property is older and requires significant updates.
 - New construction has higher initial costs due to land acquisition, construction materials, and labor.
- Rehabilitating an existing structure is typically faster than new construction.
 - Generally faster to complete than new construction, especially if the structure is in reasonable condition, therefore can be a quicker way to bring units to market and address housing shortages.
 - Longer timeframes can lead to increased costs due to inflation and changing market conditions.
- Rehabilitating an existing structure has social impacts.
 - Preserves community character and history, which can enhance social cohesion.
 - Often addresses issues of blight and vacancy, improving overall community aesthetics.

Rehabilitating an existing structure vs. leasing from private owner

- Rehabilitating an existing structure vs. leasing a structure from private owner.
 - Lease payments may increase over time.
 - Leased facilities offer less flexibility with the use of the facility.

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

Page 4 of 3

In summary, while new construction and leasing from a private owner is an option, refurbishing and existing underutilized building is the option that is deemed most beneficial to address the County's housing needs.

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

- N/A

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 Project will add an additional 50 permanent supportive housing; 32 psychiatric subacute; and 137 interim housing for adult & transitional age youth opportunities for and people experiencing homelessness. The County is entering
- a long term gratis or low-cost lease with the State of California for the use of the structures, parking lot and surrounding courtyards.

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

- This project is projected to be completed by December 2025.
- This project is part of the development stage of three subsequent projects to rehabilitate six buildings, three courtyards and a parking lot to create the Los Angeles Care Community at Metro State Hospital.

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

Page 5 of 3

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)

- This phase of the project will be funded with \$5 million ARPA revenue. DPW will deliver the abatement and make-ready activities on five of the six buildings in compliance with all ARPA obligations, spending, and other requirements.
- The overall rough order magnitude (ROMs) for the project are as follows:

Program	Hard Cost	Soft Cost	Total ROM
Mental Health Rehabilitation Center Male and Female Facilities (Psychiatric subacute)	\$53,560,000	\$ 9,050,000	\$62,610,000
Interim Housing Adult and TAY Facilities	\$44,900,000	\$ 8,700,000	\$53,600,000
Permanent Supportive Housing Facility	\$38,000,000	\$ 11,000,000	\$49,000,000

To date, the anticipated/secured funding by project component is as follows:

- Abatement and make-ready work - \$5M (Secured)
- Permanent Supportive Housing- No Place Like Home Funding - \$20M (Secured) \$29M TBD.
- Mental Health Rehabilitation Center - BHCIP/Prop 1 Funding - \$62.61M (Pending Application Approval)
- Interim Housing Adult and TAY Facilities - BHBH and MHSA Funding (TBD).

Funding sources for the psychiatric subacute and interim housing options has been identified and the County expects to make future applications for Behavioral Health Bridge Housing and Proposition 1 funding, respectively. For the permanent supportive housing opportunity, the County is currently administering the No Place Like Home program, under which the State Department of Housing and Community Development provided more than \$700 million to assist in the development of supportive housing for those experiencing homelessness, chronic homelessness or are at-risk of chronic homelessness, and living with mental illness.

The No Place Like Home funding program is administered by LACDA and DMH. \$20 million of this funding has been allocated to this project.

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

Page 6 of 3

- 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).

- See response for 3(a) above.



AMERICAN RESCUE PLAN PROPOSAL CAPITAL EXPENDITURES



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 – 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.)

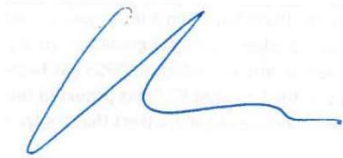
**WORKSHEET 2 - DETAILED CAPITAL PROJECT
PROGRAM JUSTIFICATION**

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

2-1-2023

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**

Page 6 of 7

- ☐ 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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- ☐ Projects that are eligible under either the National Housing Trust Fund (HTF) or the Home Investment Partnerships Program (Home) (FR pg. 106)
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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:
 - ☐ 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

Page 7 of 7

- ☐ 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)
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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)
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- ☐ 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

Page 8 of 7

- ☐ 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)

Page 2 of 3

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

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 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 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 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.

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.

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

Page 4 of 3

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 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



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 – 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.)

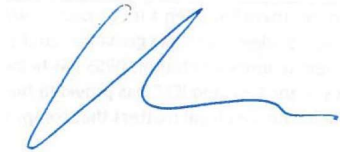
Attached.

WORKSHEET 2 - DETAILED CAPITAL PROJECT
PROGRAM JUSTIFICATION

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**

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**

Page 6 of 7

- ☐ 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

Page 7 of 7

- ☐ 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

Page 8 of 7

- ☐ 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)

Page 2 of 3

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
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,

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

Page 3 of 3

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 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 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)

Page 4 of 3

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 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



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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- ☐ 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)
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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

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

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

Page 6 of 7

- ☐ 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

Page 7 of 7

- ☐ 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**

Page 8 of 7

- ☐ 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)

Page 2 of 3

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

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 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 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 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)

Page 4 of 3

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 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



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 – 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

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 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

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**

Page 6 of 7

- ☐ 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

Page 7 of 7

- ☐ 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)
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- ☒ 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

Page 8 of 7

- ☐ 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:

- 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)

Page 2 of 3

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.

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 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 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)

Page 4 of 3

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 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



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 – 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.)

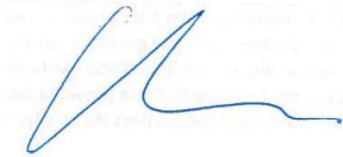
Attached.

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

Page 4 of 7

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**

Page 6 of 7

- ☐ 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

Page 7 of 7

- ☐ 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

Page 8 of 7

- ☐ 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

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

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

Page 3 of 3

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 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 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)

Page 4 of 3

- 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 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



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)
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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 (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)
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- ☐ 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

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 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

Page 3 of 7

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**

Page 4 of 7

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

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**

Page 6 of 7

- ☐ 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

Page 7 of 7

- ☐ 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

Page 8 of 7

- ☐ 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:

- 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)

Page 2 of 3

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 issued by the City of Los Angeles Controller, the average cost per unit for PSH built

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

Page 3 of 3

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 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.**

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

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

Page 4 of 3

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)

Page 5 of 3

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. 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



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)
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- ☐ 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 – 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

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 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

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 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

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**

Page 6 of 7

- ☐ 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

Page 7 of 7

- ☐ 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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- ☐ 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**

Page 8 of 7

- ☐ 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:

- 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)

Page 2 of 3

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

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 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 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 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.

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.

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

Page 4 of 3

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 tchronically 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



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**

Page 6 of 7

- ☐ 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

Page 7 of 7

- ☐ 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)
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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)

WORKSHEET 2 - DETAILED CAPITAL PROJECT
PROGRAM JUSTIFICATION

Page 8 of 7

- ☐ 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)

Page 2 of 3

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

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 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 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 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)

Page 4 of 3

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 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



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: **Homekey 2.0 – HOTV 818**

Amount Requested: **\$10M**

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 2.0 – HOTV 818; CEO will administer the expenditure.

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

Page 2 of 7

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

The 818 Project is the acquisition and conversion of a 100-door motel into a 100 units family interim housing in the high amenities community of Woodland Hills, Los Angeles in the County of Los Angeles ("County") to serve families experiencing homelessness. The project will not only provide temporary housing for homeless families but will also offer supportive services, meals, and housing navigation. The County has a shortage of interim housing units. The building is in good condition and will be rehabilitated and placed in service within 8 months of Homekey award. The scope of rehabilitation includes filling the pool and converting the area to open space, ADA improvements and general unit repair, and upgrades to the lobby and service areas. The Project enjoys wide support from the community. The California Department of Housing and Community Development (HCD) has approved and awarded some funds for the acquisition and rehabilitation of the property. ARP funds will be used to complete the acquisition of the property.

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 total project cost is \$38.5M. HCD has awarded \$28.5M for the acquisition and rehabilitation of the property. ARP funds of \$10M will be used to complete the acquisition.

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

Yes, the property acquisition and rehabilitation will be completed by December 31, 2022.

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.)

~~The 818 Project is a motel acquisition and conversion that will produce 100 interim~~ housing units in the County of Los Angeles ("County") to serve people experiencing homelessness. The project will not only provide temporary housing for homeless individuals but will also offer supportive services, meals, and housing navigation. The County has a shortage of interim housing units. There are 66,436 people experiencing homelessness within the County per the 2020 Greater Los Angeles Homeless Count. The Project will increase the supply of interim housing units in the County and assist the most people experiencing homelessness, who are heavily impacted by

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

Page 3 of 7

COVID-19 due to limitations on homeless and other supportive services, reduced housing capacity, and fewer economic opportunities. The homelessness crisis in Los Angeles County pre-dates the pandemic, but was exacerbated by the pandemic, both due to the economic impacts on communities and because many people experiencing homelessness are in poor health or having underlying conditions that made them more vulnerable to COVID-19.

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

Due to the COVID-19 pandemic impacts, a growing number of people are living in the streets. People of color are disproportionately represented among the homeless population in Los Angeles County prior to the pandemic, but the pandemic has exacerbated the racial gaps in financial and housing security and health. In addition, people experiencing homelessness are also greatly impacted by the limited homeless and supportive services and housing/shelter availability due to the pandemic. This Project will provide non-congregate shelter and supportive services to people experiencing homelessness, who are inherently impacted by COVID-19 or at increased risk for medical diseases or conditions due to the COVID-19 pandemic or other communicable diseases.

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)

The acquisition costs/expenses are consistent with the appraised value of the property. The Project was underwritten by the County and HCD as a part of the Homekey Program, with appraisals and other due diligence documentation reviewed by County and HCD staff. The alternative of leasing properties for the same use is highly cost-ineffective because the cost is approximately \$100 or more per unit per night, amounting to more than \$36,000 per year per unit.

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**

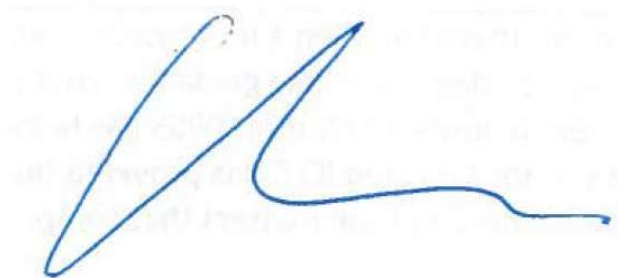
Page 4 of 7

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.



5/25/2022

Name/Signature of high level department person

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**

Page 6 of 7

- ☐ 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

Page 7 of 7

- ☐ 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

Page 8 of 7

- ☐ 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)

People experiencing homelessness were heavily impacted by COVID-19 due to limitations on homeless and other supportive services, reduced housing capacity, and fewer economic opportunities. The homelessness crisis in the County of Los Angeles ("County") pre-dates the pandemic, but was exacerbated by the pandemic, both due to the economic impacts on communities and because many people experiencing homelessness are in poor health or having underlying conditions that make them more vulnerable to COVID-19. According to data from the most recently completed Greater Los Angeles Homeless County, there are more than 66,000 people experiencing homelessness in Los Angeles County. 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)

Page 2 of 3

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 County has a shortage of housing units, including interim housing. Interim housing is an important component of the continuum of care for people experiencing homelessness. It provides a safe environment and the stability needed to plan for and obtain permanent housing. With more than 48,000 people experiencing unsheltered homelessness in the County, there is a critical need for shelter options to bring people inside immediately. Moreover, the Project offers non-congregate shelter. There are very few permanent non-congregate shelters in the County, with most being temporary programs created during the pandemic, which will terminate in the coming year. Non-congregate shelters are well suited for people experiencing homelessness who are vulnerable to communicable diseases because they provide the ability to self-isolate when needed. Further, for many people experiencing homelessness, the privacy afforded by non-congregate shelter is much more desirable than congregate shelter, making it more likely that they will come inside and begin their pathway to exiting homelessness.

Further, 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.

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

As noted, there is a shortage of housing units in the County and there are very few permanent non-congregate shelters available for people experiencing homelessness. Existing non-congregate shelters are leased from hoteliers, who will soon return them to their usual use after Project Roomkey concludes.

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

Project Roomkey provided emergency housing to many people experiencing homelessness amid the pandemic. As the Project Roomkey program ramps down, the non-congregate interim housing supply is also dwindling. Additional funding to continue to lease hotels/motels, if hoteliers were willing, would not meet the need because the cost of leasing vacant hotel/motel rooms as non-congregate shelter would be so high that it would lead to the County reducing homeless services and investments in other areas, which would negatively impact the homeless population. Leasing costs are approximately \$100/per room/per night in the County.

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

WORKSHEET 3 - WRITTEN JUSTIFICATION AND REPORTING JUSTIFICATION

(Required by U.S. Department of Treasury)

Page 3 of 3

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: Leasing hotels/motels for use as interim housing

During the first two years of the COVID-19 pandemic, the County of Los Angeles leased hotels as a part of Project Roomkey, in order to provide non-congregate shelter to people experiencing homelessness who are vulnerable to serious illness or death if infected with COVID-19. Leasing hotels in this manner would be an alternative to acquisition and rehabilitation of the 818 Hotel.

The per unit total development cost for the proposed ARP funded project (818 Hotel) is approximately \$385,500 per unit. The cost for the Project Roomkey leases was approximately \$100/unit per night, or approximately \$36,000 per unit per year. At this rate, the cost of leasing a hotel would match the cost of acquiring the 818 Hotel within fewer than 11 years. Since there will be a 15-year affordability covenant on the 818 Hotel upon completion of renovations, it is known that it will be used for interim housing for at least 15 years, and likely beyond. In addition to leasing costs, the County incurred costs for damages and biohazard cleanings while leasing the sites, which would further increase the cost of leasing. Therefore, within the 15 year period that the site must be used for interim housing, the County would expend more funds on leasing than it would have for this acquisition.

As the County recovers from COVID-19, fewer motel and hotel owners are willing to lease their sites and are moving back toward their typical tourism functions. The return of tourism will also likely push up the lease rates owners would demand for their properties.

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 818 Project, the state is providing \$28.5M of the total \$38.5M costs. 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, approximately \$38.5M. 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 otherwise would— allowing the County to serve

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

Page 4 of 3

this population quickly – and allowing the County to serve this population quickly.

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

In the County of Los Angeles, most of the existing interim housing sites are congregate sites, so adding or improving existing sites would not meet the need because they are not set up to be used as non-congregate shelters and are already providing shelter to others. See the comparison to leasing in “Alternative 1.”

- 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)

Alternative 1:

Leasing hotels/motels for use as interim housing

The cost of leasing hotels/motels would exceed that of acquiring the 818 Hotel within 11 years. Therefore, leasing would result in reduced availability of County funds for other purposes related to serving people experiencing homelessness – including for acquisition or lease of additional properties – which would hinder the County’s ability to address the harms identified.

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

This alternative is costlier and would result in less funding available for other critical interventions to serve people experiencing homelessness.

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

Alternative 1 would not require time for construction, but the time needed to identify properties for lease could be significant. As the County recovers from COVID-19, fewer motel and hotel owners are willing to lease their sites and are moving back toward their typical tourism functions.

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

Page 5 of 3

Alternative 2 might take a similar amount of time, but may first have to comply with the entitlement and CEQA review process, potentially adding a year or more to the process.

- 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: The cost of leasing (\$36,000 per year per unit or more) would exceed the cost of acquisition and rehabilitation of the 818 Hotel (\$385,500 per unit) within 11 years, which is less than the length of the affordability covenant required for this acquisition (15 years). As such, leasing is more expensive in the medium term. The County expects to have an ongoing need for this type of interim housing for the foreseeable future.
 - Alternative 2: Expected County contribution (ARP) would increase from \$10M to \$38.5M.
- 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. Similarly, the Homekey Round 2 opportunity, which this project is partially funded through, presents a similar opportunity for highly cost-effective and impactful development of homeless housing. 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 of Los Angeles to considerably increase the availability of homeless housing and address the homelessness crisis.



AMERICAN RESCUE PLAN PROPOSAL CAPITAL EXPENDITURES



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 2.0 - The Wiengart Greenleaf**

Amount Requested: **\$10.2M**

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 2.0 - The Weingart Greenleaf. CEO will administer the expenditure.](#)

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

Page 2 of 7

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

The Count of Los Angeles, Wiengart Center Association (Weingart), and Valued Housing II, LLC (Valued) will be acquiring Greenleaf a 101-unit property. The Property is currently under construction as the current owner is in the process of renovating what was operating as a hotel to studio apartments. The owner received his letter of determination for the conversion process in November 2019. Weingart and Valued are purchasing the property after the current owner completes the renovations needed to convert the units to apartments. The renovations the owner is currently undertaking include but are not limited to: new roof for the building, new plumbing, new wiring, new fire alarms, new sprinkler systems, adding kitchenettes (range, sink, cabinets and small countertop), adding bicycle parking and ADA upgrades to 5% of the rooms. The California Department of Housing and Community Development has approved and awarded some funds for the acquisition of the property. ARP funds will be used to complete the acquisition of the property.

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 total projected cost of the Capital Project is \$41M. The California Department of Housing and Community Development has awarded \$30.8M for the acquisition of the property. ARP funds of \$10.2M will be used to complete the acquisition.

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

Yes, the property acquisition will be completed by December 31, 2022.

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.)

~~The project is a motel acquisition and rehabilitation that will create 101 permanent~~ supportive housing units in the County of Los Angeles to serve people experiencing chronic homelessness. This property will provide permanent, supportive housing for homeless individuals by providing rental subsidies and on-site supportive services, including intensive case management services. The County has a shortage of affordable housing units and there are 66,436 people experiencing homelessness within the County per the 2020 Greater Los Angeles Homeless Count. The project will increase the supply of affordable housing unit in the County and assist the most people experiencing homelessness, who are inherently impacted by COVID-19 or at increased risk for medical diseases or conditions due to the COVID-19 pandemic or other communicable diseases.

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.

Due to the COVID-19 pandemic impacts, a growing 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, people experiencing homelessness were also greatly impacted by the limited homeless and supportive services and housing/shelter availability due to the pandemic. The project will increase the supply of affordable housing in the County and provide a safe and stable housing environment with supportive services to help people experiencing homelessness 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 acquisition 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.)

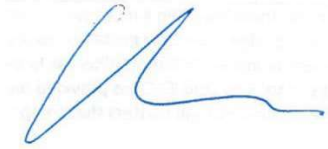
Attached.

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

Page 4 of 7

Attached.



Name/Signature of high level department person

5/25/2022
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**

Page 6 of 7

- ☐ 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

Page 7 of 7

- ☐ 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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- ☐ 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

Page 8 of 7

- ☐ 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)

People experiencing homelessness were heavily impacted by COVID-19 due to limitations on homeless and other supportive services, reduced housing capacity, and fewer economic opportunities. The homelessness crisis in Los Angeles County pre-dates the pandemic, but was exacerbated by the pandemic, both due to the economic impacts on communities and because many people experiencing homelessness are in poor health or having underlying conditions that make them more vulnerable to COVID-19.

According to data from the most recently completed Greater Los Angeles Homeless County, there are more than 66,000 people experiencing homelessness in Los Angeles County. 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)

Page 2 of 3

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 most effective response to homelessness is to provide housing to people experiencing homelessness. Los Angeles 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 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.**

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. Leasing facilities is also not a viable option, since the ongoing cost of leasing is extremely high, costing at least \$100 per unit per night, or \$36,000 per unit per year.

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). Therefore, the average cost per unit, taking into account the HHH costs for projects under construction and projects in pre-development, is \$545,279. In comparison, the per unit cost for the Weingart Greenleaf project proposed here is \$408,465. Further, without the legislative exemptions provided in the

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

Page 3 of 3

HOMEKEY program, potentially years long entitlement and CEQA review process may be required before any such project could begin. This will significantly delay services to this population.

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 Weingart Greenleaf, the California Department of Housing and Community Development has awarded \$30.8M for the acquisition and renovation of the property. ARP funds of \$10.2M will be used to complete the acquisition and renovations. If the County of Los Angeles pursued this acquisition outside of the Homekey program, it would need to contribute more than 4 times the amount of capital funding for this project, or approximately \$41M. 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 otherwise would be - thus allowing the County to serve this 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.

Improving existing capital assets would not result in increased housing availability or supply because the improvements would not yield additional units of housing at the scale created by the new acquisition in this project. Leasing other capital assets would be much more costly in the long term, with leasing costs amounting to approximately \$36,000 per unit per year or more, ongoing.

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)

While the alternatives discussed above would ultimately address the same harms, those alternatives would be much costlier, thus resulting in less funding available for other critical interventions to serve people experiencing homelessness, and would take potentially years longer to implement, thus delaying help to this population.

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)

Page 4 of 3

For the proposed project construction will be complete by December 2022 and occupancy will begin immediately.

Alternative 1 would take significantly longer both because new ground up construction will take a significantly longer period of time to complete compared to modifying an existing structure, and because the County may first have to comply with the entitlement and CEQA review process, potentially adding a year or more to the process.

Alternative 2 (independently acquiring a motel to refurbish/reconfigure) might take a similar amount of time for the construction work but may first have to comply with the entitlement and CEQA review process, potentially adding a year or more to the process.

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

Page 5 of 3

- 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 \$55M (assuming the average HHH unit cost of \$545,279, for the 101 units in this project)
 - Alternative 2: Expected County contribution (ARP) would increase by \$31M because the County would bear the entire cost of the project rather than just the local match.
- 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. Similarly, the Homekey Round opportunity, which this project is partially funded through, presents a similar opportunity for highly cost-effective and impactful development of homeless housing. 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 and address the homelessness crisis.



AMERICAN RESCUE PLAN PROPOSAL CAPITAL EXPENDITURES



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 3.0 – Knight's Inn / Palmdale**

Amount Requested: **\$12M**

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 3 – Knight's Inn Palmdale / Hope the Mission

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.

The County of Los Angeles and Hope the Mission will be acquiring Knight's Inn Palmdale, a 100-unit property.

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 \$12M. which is the ARP amount needed to support the renovations. However, the entire capital project cost including Hope the Mission's projected renovation cost is over \$40M.

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 2026. 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 75,518 PEH within the County. This is a 9 percent increase from the last count in 2022. 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.

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 over 100 PSH units to serve people experiencing chronic homelessness.

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

Page 3 of 7

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.

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.

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

Page 4 of 7



Elizabeth Ben-Ishai

Name/Signature of high level department person

12-19-2023

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**

Page 6 of 7

- ☐ 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)
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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:
 - ☐ 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

Page 7 of 7

- ☐ 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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- ☒ 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

Page 8 of 7

- ☐ 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:

- 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 75, 518 PEH within the County, which is a 9 percent increase from the last count in 2022 when the count was at 64,199. 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)

Page 2 of 3

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 100 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 pre-development). In comparison, the per unit cost for converting an existing hotel to permanent housing here is \$300,000 (total Capital Cost of Approx \$30M/100 units).

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 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 in Palmdale, the State awarded Hope the Mission \$28M of the total \$40M. 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 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 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.

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.

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

Page 4 of 3

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 \$53M for new PSH construction for 100 units; and
- Alternative 2: Expected County cost to acquire and renovate a 100 unit building into a PSH would be approximately \$40M

- 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 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



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 3.0 – Baldwin Park / Weingart**

Amount Requested: **\$16.1M**

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 3 – Baldwin Park / Weingart

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.

The County of Los Angeles and Weingart Center Association (Weingart) and Valued Housing II, LLC (Valued) will be acquiring Sycamore Baldwin Park, a 109 unit property.

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 \$16M. which is the ARP amount needed to support the renovations. However, the entire capital project cost including Weingart's projected renovation cost is over \$40M.

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 2026. 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 75,518 PEH within the County. This is a 9 percent increase from the last count in 2022. 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.

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 over 100 PSH units to serve people experiencing chronic homelessness.

WORKSHEET 2 - DETAILED CAPITAL PROJECT PROGRAM JUSTIFICATION

Page 3 of 7

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.

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.

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

Page 4 of 7



Elizabeth Ben-Ishai

Name/Signature of high level department person

12-19-2023

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**

Page 6 of 7

- ☐ 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

Page 7 of 7

- ☐ 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

Page 8 of 7

- ☐ 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:

- 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 75, 518 PEH within the County, which is a 9 percent increase from the last count in 2022 when the count was at 64,199. 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)

Page 2 of 3

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 100 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 pre-development). In comparison, the per unit cost for converting an existing hotel to permanent housing here is \$275,229 (total Capital Cost of Approx \$30M/109 units).

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 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 in Baldwin Park, the State awarded Weingart \$34M of the total \$42M. 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 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 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.

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.

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

Page 4 of 3

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 \$58M for new PSH construction for 109 units; and
- Alternative 2: Expected County cost to acquire and renovate a 109 unit building into a PSH would be approximately \$42M

- 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 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.