REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: January 16, 2026

CAO File No. 0220-05151-0778
Council File No. 23-1022-S5, 23-1022-S18
Council District: All

To: The City Council

From: Matthew W. Szabo, City Administrative Officer
Office of the City Administrative Officer

Reference: Alliance Settlement Agreement Program (ASAP)

Subject: **ALLIANCE SETTLEMENT AGREEMENT (ASAP) TIME-LIMITED SUBSIDIES (TLS) REPORT**

SUMMARY

This report from the Office of the City Administrative Officer addresses the proposed change to the services provided by the Time Limited Subsidy (TLS) program in relation to the Alliance Settlement Agreement Program (ASAP) and associated increase in the annual TLS bed rate. The report recommends a new bed rate structure that delineates costs for services and rental assistance, realigns $8,316,666 from Homeless Housing, Assistance, and Prevention Program (HHAP) Round 3 funding to HHAP-4 to ensure sufficient time to spend down prior to the grant expenditure deadline, transfers $16,287,030 in Homeless Housing, Assistance, and Prevention Program funding to the Los Angeles Housing Department, requests the Los Angeles Homeless Services Authority (LAHSA) to conduct an expedited competitive process for qualified providers, and recommends contract authorities to implement the Alliance TLS Program.

RECOMMENDATION

That the City Council, subject to approval by the Mayor:

1. APPROVE the Los Angeles Homeless Services Authority's (LAHSA) proposed Time-Limited Subsidies (TLS) annual slot rate of $29,560 for the Alliance TLS Program, which reflects the following proportionate costs:
    a. $6,767 annual service costs per TLS slot;
    b. $22,793 annual rental assistance costs per TLS slot;

2. APPROPRIATE up to $8,316,666 from the following accounts to Homeless Housing, Assistance, and Prevention Program Round 4 (HHAP-4) Fund No. 66C/10, Account No. 10Y783, FC - 3 Rapid Rehousing and Housing Navigation:
    a. $1,447,700.00 from Fund No. 66C/10, Account No. 10Y782, FC - 2 Skid Row;
    b. $2,040,745.05 from Fund No. 66C/10, Account No. 10Y784, FC - 4 Outreach, Hygiene, Prevention and Supportive Services;
    c. $4,690,168.09 from Fund No. 66C/10, Account No. 10Y786, FC - 6 Administrative Costs and Systems Support;
    d. $138,052.86 from Fund No. 66C/43, Account No. 43AC94, Shelter Program;

3. APPROPRIATE up to $8,316,666 from Homeless Housing, Assistance, and Prevention Program Round 3 (HHAP-3) Fund No. 65S/10, Account No. 10A780, Master Leasing to Fund No. 65S/10, Account No. 10W741, FC-1 Interim Housing Operations and Capital Costs;

4. APPROPRIATE up to $8,316,666 from HHAP-4 Fund No. 66C/10, Fund No. 66C/10, Account No. 10Y781, FC - 3 Rapid Rehousing and Housing Navigation to HHAP-4 Fund No. 66C/10, Account No. 10A780, Master Leasing;

5. APPROVE and APPROPRIATE up to $16,287,030 from HHAP-4 Fund No. 66C/10, Account No. 10A780, Master Leasing to the Los Angeles Housing Department (LAHD) Fund No. 66C/43, in a new account entitled, “Alliance Time-Limited Subsidies” for the following expenses:
    a. $13,606,515 for the annual cost for 450 Alliance TLS Program slots:
        i. $3,045,150 for service costs;
        ii. $10,256,850 for rental assistance;
        iii. $304,515 for LAHSA Administration;
    b. $2,680,515 for approximately 89 additional TLS slot costs, pending allocation;

6. INSTRUCT the General Manager of LAHD, or their designee, to execute a new contract with Housing Operations and Management, Inc. ("HOM, Inc."), based upon LAHSA's competitively bid contract, "<u>Time Limited Subsidy Financial Assistance Program Agreement,</u>" with HOM, Inc. ("LAHSA/HOM Agreement") for the purpose of providing fiscal support for the Alliance TLS Program. The new contract will be for an amount of up $45,586,000 and will be for a term of commencing on March 1, 2026 and ending on June 30, 2026, however, said term and scope of work may be extended/revised in accordance with extensions/revisions of the underlying LAHSA/HOM Agreement as long as they are also in accordance with all City requirements;

7. INSTRUCT the General Manager of LAHD, or their designee, to amend the Alliance Settlement Agreement Program contract (C-141840) with LAHSA to reflect increases for the following:
   a. Up to $13,534,000 for up to 2,000 Alliance TLS Program slots beginning March 1, 2026, through February 28, 2027;
   b. Up to $1,354,000 for LAHSA administration at 10 percent of the service provider Alliance TLS Program allocated slots beginning March 1, 2026, through February 28, 2027;

8. INSTRUCT CAO, in coordination with LAHD, CLA, and HR&A Associates to report on the feasibility and funding to create a pool of rent reasonable units, bulk landlord negotiation, and housing navigation services to speed up lease up;

9. AUTHORIZE the CAO to:
   a. Prepare Controller instructions or make necessary technical adjustments, including to the names of the Special Fund accounts recommended for this report, to implement the intent of these transactions, and authorize the Controller to implement these instructions; and
   b. Prepare any additional Controller instructions to reimburse City Departments for their accrued labor, material or permit costs related to projects in this report, to implement the intent of these transactions, and authorize the Controller to implement these instructions.

BACKGROUND

LA Alliance Lawsuit

On March 10, 2020, the LA Alliance for Human Rights, a coalition of downtown Los Angeles residents and business owners, including persons who are currently experiencing and have formerly experienced homelessness, filed suit against the City and the County of Los Angeles ("County") for violating various State and federal laws in connection with the City's and County's alleged failures in responding to homelessness.

Homelessness Roadmap Agreement

On May 15, 2020, the U.S. District Court of Central District of California (District Court) issued a preliminary injunction requiring the City and the County to relocate and shelter all homeless individuals living near freeway overpasses, underpasses, and ramps. On June 16, 2020, the City reached an agreement to create 6,700 new homeless housing units within 18 months to address the COVID-19 emergency. This agreement is referred to as the Homelessness Roadmap.

The City was required to open and maintain 6,000 new beds, not covered by existing City-County agreements. The County provided up to $60 million in annual service funding, totaling up to $300 million over the five-year agreement term, based on the number of interventions open and occupied within 60 days of July 1st each year. Fiscal Year 2024-25 marked the fifth and final year of the Homelessness Roadmap, and the agreement terminated on June 30, 2025. The City has met all obligations under the agreement.

Alliance Settlement Agreement

On June 14, 2022, the District Court approved a Settlement Agreement (Settlement) between the City and the plaintiffs and dismissed the City from the lawsuit. Under the Settlement, the City is required to develop 12,915 new interim or permanent housing units or other interventions by June 13, 2027, in order to accommodate 60 percent of unsheltered persons experiencing homelessness (PEH) within the City based on LAHSA's 2022 Point-in-Time Count who do not have a serious mental illness. As of December 31, 2025, there are 8,530 new interventions open and occupiable and 4,584 interventions in progress, for a total of 13,114 units or beds that satisfy the intent of the Settlement.

On May 2, 2024, the City and County of Los Angeles executed a Memorandum of Understanding, under which the County has allocated up to $259 million for services for the City's interim housing requirements under the Settlement. The City is responsible for initially funding the beds and invoicing the County in arrears for the cost of services. The County will reimburse at the bed rates established by the City and the Los Angeles Homeless Services Authority (LAHSA), which were approved by the City Council on December 3, 2024. The County will contract for and directly fund permanent supportive housing (PSH) services for PSH units established by the City. The MOU will terminate on June 30, 2027.

Alliance Bed Plan

On October 2, 2025, the City Council and Mayor approved the Housing and Homelessness Committee reports relative to recommendations related to the City Administrative Officer's (CAO) memo and supplemental memo on the Alliance Settlement Agreement (ASAP) Bed Plan and Strategy (C.F. 23-1022-S18). To bridge a potential gap of 2,093 beds or units, the approved bed plan included a total of 2,130 beds or units as follows:

- 17 Permanent Supportive Housing units;
- 53 Interim Housing congregate beds currently open as part of Inside Safe, but may require contract extensions to remain open through June 2027;
- 60 Interim Housing non-congregate beds originally anticipated to open in October 2025, but opened in January 2026;
- 2,000 TLS, of which 200 is proposed to be allocated for RV operations.

City Council and Mayor also approved the repurposing of up to $16,287,030 in Homeless Housing, Assistance, and Prevention Program (HHAP) Round 3 and 4 funding to support time-limited subsidies (TLS) under the approved bed plan, which was previously approved for Alliance Settlement Master Leasing costs.

DISCUSSION

The Time-Limited Subsidy (TLS) program provides time-limited rental subsidy and housing stabilization services to participants, with the goal of transitioning to independent housing or transferring qualified participants to permanent supportive housing (PSH). On September 30, 2025, Council approved a bed plan for the Alliance Settlement Agreement that included 2,000 TLS (C.F 23-1022-S18), with all Alliance TLS coming online prior to the settlement obligation date of June 13, 2027. The approved FY 2025-26 TLS rate is $24,309 per slot annually. This rate is meant to cover service provider costs associated with case management, rental and utility assistance, security deposits, participant support (moving costs, utility deposits, transportation, etc.), and service provider administration.

The utilization of TLS was proposed due to the cost effectiveness of the program as compared to interim housing and permanent supportive housing interventions, as presented to the Homeless Strategy Committee on September 11, 2025.[1] Based on data reported by LAHSA on exits from the program since July 2024, the TLS program has a high throughput with 67 percent of participants transitioning into a permanent situation after exiting from the program. The TLS program model has proven effective in communities nationwide[2], and a study completed in Los Angeles by the California Policy Lab showed that enrollment in TLS reduced future homelessness by 25 percent over four years.[3]

Time-Limited Subsidy Program Redesign

On January 15, 2026, a proposal was presented to the Homeless Strategy Committee to redesign the TLS program and included two options to increase the annual subsidy rate. The first option would delineate the slot cost for services, such as case management and participant support for moving costs, etc., which a service provider would continue to provide, and rental assistance costs, which would be centralized with a fiscal agent to administer on-time rental payments and security deposits. The second option would cover the same services as the first and add employment and/or

[1] Time Limited Subsidy Program: Opportunities to Strengthen Performance. Homeless Strategy Committee, Sept 11, 2025. https://cao.lacity.gov/Homeless/HSC/hsc20250911c.pdf

[2] National Alliance to End Homelessness (2014). Rapid Rehousing: A History and Core Components. https://endhomelessness.org/resources/policy-information/rapid-re-housing-a-history-and-core-components/

[3] Blackwell, B., Santillano, R. (2023). Do Time-Limited Subsidy Programs Reduce Homelessness for Single Adults?. California Policy Lab, University of California. https://capolicylab.org/do-time-limited-subsidy-programs-reduce-homelessness-for-single-adults/

permanent housing access specialist support to be administered by service providers, as well as adding additional fiscal agent responsibilities for consolidated lease up including rent negotiation, dispute resolution/eviction prevention, household rent reasonableness determinations, and pre-move in inspections, as well as damage mitigation, including move out inspections, negotiation and verification of damage claims / return of security deposit, and processing damage claims of up to one month of contract rent, beyond security deposit. The annual option costs are $29,560 and $35,732 per TLS, respectively.[4]

The two proposed options aim to allow service providers to focus on case management and client services while shifting monetary management to a centralized fiscal agent. The second option incorporates service provider intensive support to help individuals secure employment and find long-term housing as well as providing centralized lease up (i.e. one entity with multiple listings throughout the City) and damage mitigation services intended to protect City-invested funding.

Attachment 1 shows a comparison between the FY 2025-26 adopted TLS and the two proposed options for the Alliance TLS Program. Each annual TLS slot budget is itemized by cost per slot and identifies which entity is responsible for each component.

Alliance TLS Program

This Office recommends implementing the $29,560 annual rate for the Alliance TLS Program to provide dedicated, centralized fiscal oversight of TLS rental payments, occupancy verification, and streamlined reporting. This shift also allows service providers to focus on case management and participant support with the intention of increasing program-related outcomes.

In January 2025, LAHSA released a competitive process to identify a centralized financial assistance fiscal agent, which resulted in the selection of HOM, Inc. The initial contract term began in March 2025 and is active through June 30, 2026. LAHSA reports that it is in discussions to extend the agreement for an additional year. It is recommended that LAHD execute a direct contract with HOM, Inc., based on this procurement and resulting contract, to ensure that City has direct access to reporting provided by the centralized fiscal agent in relation to the Alliance TLS Program. The not to exceed contract amount of $45,586,000 is based on a one-year projection of 2,000 TLS slots at the rental assistance annual rate of $22,793. Attachment 1 provides a breakdown of the items included in the associated centralized fiscal agent annual rate. The majority of this cost, approximately $40,800,000, would cover lease payments for participants of the program and be paid directly to landlords.

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[4] Redesigning the City's Time Limited Subsidy Program. Homeless Strategy Committee, Jan 15, 2026. https://cao.lacity.gov/Homeless/HSC/January%20HSC%20Materials%20-%20Item%20Fours%20and%20Five.pdf

This report also recommends amending the Alliance Settlement Agreement Program Contract (C-141840) between LAHD and LAHSA to provide contract authority for the services component of the new Alliance TLS Program slots based on a one-year projection of 2,000 TLS slots at $6,767 each for a not to exceed amount of $13,534,000 and an associated 10 percent LAHSA administration cost not to exceed $1,353,400.

The proposed strategy to lease up the 2,000 Alliance TLS Program slots before the Settlement end date is to bring approximately 150 TLS online per month, beginning April 2026, with all 2,000 slots online by April 2027. The goal is to have at least 450 slots online prior to the end of FY 2025-26. LAHSA and City partners have been working closely together to identify the timelines and steps needed to meet this goal to present for Council and Mayor approval.

LAHSA is presenting to its Program and Contracts Committee on January 21, 2026, for approval to release an expedited competitive process to solicit proposals from qualified contractors that it already contracts with in order to assess their capacity to quickly match participants with the Alliance TLS Program. The procurement will request qualifications to meet expectations under both TLS redesign options presented to the Homeless Strategy Committee on January 15, 2026. The opportunity is expected to be released no later than January 23, 2026, and has a submission deadline of February 11, 2026. The LAHSA Commission is anticipated to vote on the results on February 27, 2026, with subrecipient contracts executed by April 1, 2026, dependent upon the City contract being executed by March 1, 2026. City Partners and LAHSA will coordinate allocation of the Alliance TLS Program slots based on the ramp up projections and service providers' capacities to match participants. Furthermore, a City Prioritization Policy to provide guidance on participant prioritization is in development and will be provided for Council and Mayor consideration and approval.

Monthly progress updates will be agendized for the Homeless Strategy Committee to monitor progress along with frequent meetings between LAHSA and the City. LAHSA has shared that it will utilize its Active System Management (ASM) to track the program's progress, which includes data dashboards with information at the agency level and participant level. ASM also provides coordinated outreach to agencies to ensure metrics and outcomes are met. As TLS slots are leased up in Council Districts, they will be counted towards the Council District's Alliance obligations in the quarterly court reporting and subsequent Council report released by this Office.

It is recommended to have this Office, in coordination with LAHD, CLA, and HR&A Associates, to engage in further discussions to define the advantages and disadvantages of including employment/permanent housing support and consolidated lease up and damage mitigation, and how those enhanced services could be funded. Therefore, this redesign option of the TLS program is not recommended at this time.

Funding - Transfers and Reprogramming

On October 2, 2025, City Council and Mayor approved the repurposing of up to $16,287,030 in Homeless Housing, Assistance, and Prevention Program (HHAP) Round 3 and 4 funding to support TLS under the approved bed plan, which was previously approved for Alliance Settlement Master Leasing costs. This report recommends the realignment of $8,316,666 of HHAP-3 funding to HHAP-4 to ensure there is sufficient time to spend down the funding prior to the grant expenditure deadlines: the HHAP-3 expenditure deadline is June 30, 2026; and the HHAP-4 expenditure deadline is June 30, 2027. HHAP-4 funding was originally allocated for last fiscal year and CAO has received confirmation that these savings may be reprogrammed for other purposes. This report also transfers $16,287,030 to LAHD to fully fund 450 Alliance TLS program slots that are anticipated to come online prior to June 30, 2026, with additional funding identified for 89 additional Alliance TLS Program slots. This Office will recommend further funding in future reports as funding reconciliations are finalized and other cost savings are identified.

FISCAL IMPACT STATEMENT

There is no immediate General Fund impact as a result of the recommendations in this report as it recommends using Homeless Housing, Assistance, and Prevention funding. There may be a potential future General Fund impact of up to $21.6 million in FY 2026-27 and $13.5 million in FY 2027-28, if alternative funding sources are not identified.

FINANCIAL POLICIES STATEMENT

The recommendations in this report comply with the City Financial Policies in that budgeted funds are being used to fund recommended actions.

Attachments:

1. Time-Limited Subsidies Costs by Type

MWS:ECG:KML:SBL:YLH 16260074

Attachment 1: Time-Limited Subsidies Costs by Type

Budget Item	**Current:** FY 2025-26 Adopted TLS	**Option 1:** Case Management + Fiscal Agent	**Option 2:** Expanded Case Management + Fiscal Agent
Administered by Service Providers			
Case Management	$3,990	$4,788[1]	$4,788[1]
Rental Assistance	$15,500	-	-
Household Security Deposit	$1,109	-	-
Participant Support	$1,500	$1,500	$1,500
Employment and/or permanent housing access specialist support	-	-	$3,384
Service Provider Administration	$2,210	$479	$817
Service Provider Subtotal	*$24,309*	*$6,767*	*$10,489*
Administered by Centralized Fiscal Agent			
Rental Assistance	-	$20,400	$20,400
Household Security Deposit	-	$1,109	$1,109
Fiscal Agent Responsibilities	-	$1,284[2]	$1,284[2]
Consolidated Lease Up	-	-	$828[3]
Damage Mitigation	-	-	$204[4]
Centralized Fiscal Agent Subtotal	-	*$22,793*	*$23,825*
Annual Total Budget Cost	**$24,309**	**$29,560**	**$34,314**

[1] 1:20 case management ratios and program manager

[2] Includes verification of occupancy, lease, and rental payments.

[3] Includes lease negotiation, landlord-tenant dispute resolution/eviction prevention, income and homelessness status verification, determination of rent reasonableness for each household, unit inspection pre-move in

[4] Includes unit inspection at move out, negotiation and verification of damage claims / return of security deposit, processing claims for damages up to one month of contract rent, beyond security deposit.