

## REPORT FROM

# OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: August 1, 2025

CAO File No. 0220-05151-0712

Council File No. 23-1022

Council District: 5

To: The City Council

From: Matthew W. Szabo, City Administrative Officer



Reference: Alliance Settlement Agreement

Subject: **FIFTH FUNDING REPORT: ALLIANCE SETTLEMENT AGREEMENT PROGRAM (ASAP) FUNDING RECOMMENDATIONS**

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## SUMMARY

The City of Los Angeles is required to develop 12,915 new interim or permanent housing units or other interventions by June 14, 2027, to accommodate 60 percent of unsheltered persons experiencing homelessness within the City as listed within the 2022 Point-In-Time Count under the June 14, 2022, Alliance Lawsuit Settlement Agreement. This is the fifth Alliance Settlement Agreement Program funding report.

This report allocates rounds two and four of the Homeless Housing, Assistance, and Prevention Grant funds to two interim housing sites in Council District 5 that will serve Transitional Aged Youth (TAY). This report also requests to increase the appropriation for the reimbursement of Fiscal Year 2024-25 invoices for sites that count towards the Alliance Settlement Agreement.

## RECOMMENDATION

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

1. Determine the funding allocation, lease, and continued use for a period of up to five years for the interim housing/low barrier navigation center facility located at 7253 Melrose Avenue is statutorily exempt from California Environmental Quality Act (CEQA) under Public Resources Code (PRC) Section 21080.27.5, applicable to low barrier navigation centers and Government Code Section 8698.4(a)(4) governing homeless shelter projects under a shelter crisis declaration.
2. AUTHORIZE the General Services Department (GSD) to enter into a lease agreement with 7253 Melrose Partners, LLC for the proposed TAY interim housing site located at 7253 Melrose Avenue with 60 beds in Council District 5 for up to five years;

3. AUTHORIZE GSD to enter into a sublease agreement with Safe Place for Youth (SPY) to operate the proposed TAY interim housing site located at 7253 Melrose Avenue with 60 beds in Council District 5 for up to five years;
4. APPROVE and APPROPRIATE up to \$550,800 from HHAP-2 Fund No. 64J/10, Account No. 10V774, FC-4 Set-Aside for Youth to the Citywide Leasing Fund No. 100/63, Account No. 000027, A Bridge Home Leasing for leasing costs at the proposed TAY interim housing site located at 7253 Melrose Avenue in Council District 5 through June 30, 2026;
5. APPROVE and APPROPRIATE up to \$275,400 from HHAP-4 Fund No. 66C/10, Account No. 10Y785, FC - 5 Youth Experiencing or At Risk of Homelessness to the Citywide Leasing Fund No. 100/63, Account No. 000027, A Bridge Home Leasing for leasing costs at the proposed TAY interim housing site located at 7253 Melrose Avenue in Council District 5 through June 30, 2026;
6. APPROVE and APPROPRIATE up to \$1,457,820 from HHAP-4 Fund No. 66C/10, Account No. 10Y785, FC - 5 Youth Experiencing or At Risk of Homelessness to HHAP-4 Fund No. 66C/43, Account No. 43CD33, Alliance Other Interim Housing Operations for the operations of the proposed TAY interim housing site located at 7253 Melrose Avenue with 60 beds in Council District 5 through June 30, 2026;
7. REQUEST LAHSA to enter into a new, or amend an existing, agreement with SPY for the operations of the proposed TAY interim housing site located at 7253 Melrose Ave. in Council District 5;
8. APPROVE and APPROPRIATE \$213,525 from HHAP-4 Fund No. 66C/10, Account No. 10Y785, FC - 5 Youth Experiencing or At Risk of Homelessness to HHAP-4 Fund No. 66C/43, Account No. 43CB41, Master Leasing Program Youth, for the operations of the TAY site located at 10864 Rochester Ave. in Council District 5 with 15 beds through June 30, 2026;
9. APPROVE and APPROPRIATE up to \$1,013,375.10 in General City Purposes Fund No. 100/56, Account No. 000932, Alliance Settlement Agreement Program from revenue received from the County within Fund No. 100/56, Revenue Source Code No. 3811, Reimbursement from Other Agencies for reimbursement from the County for invoices submitted in 2024-25 relative to sites that count towards the Alliance Settlement Agreement obligation;
10. RESCIND Recommendation 5 of the previously approved Third Alliance Funding Report (C.F. 23-1022-S11);

11. INSTRUCT the General Manager of LAHD, or their designee, to amend the Alliance Settlement Agreement Program contract (C-141840) with LAHSA to:
  - a. Reflect the funding allocated in recommendations six and eight;
12. INSTRUCT the General Manager of LAHD, or their designee, to amend the City's HHAP contract (C-135650) with LAHSA to reflect the changes in recommendation 10;
13. 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**

Under the June 14, 2022, Alliance Lawsuit Settlement Agreement (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 June 30, 2025, there are 7,440 new interventions open and occupiable and 3,776 interventions in progress, for a total of 11,216 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.

## **DISCUSSION**

### **7253 Melrose Avenue in Council District 5**

The proposed interim housing site located at 7253 Melrose Avenue was previously a board and care facility that has received site improvements to operate as interim housing for people experiencing homelessness. The property owned by 7253 Melrose

Partners, LLC will provide 60 beds to transitional aged youth (TAY) and will be operated by the service provider, Safe Place for Youth (SPY). This report recommends Homeless Housing, Assistance, and Prevention (HHAP) funds to support lease costs from October 2025 to June 2026 in the total amount of \$826,200. The base lease is \$90,000 a month with an additional \$1,800 for parking, for a total of \$91,800 a month. Leasing will be supported by two different rounds of HHAP, given the expenditure deadline of June 30, 2026 specifically for HHAP round 2. Funding for operations in the amount of \$1,457,820 are recommended in this report, which will support operations from October 1, 2025 to June 30, 2026.

*Table 1: 7253 Melrose Ave. HHAP Funding Breakdown*

Funding Item	Time Period	Fund Amount	HHAP Round
Leasing Part 1	October 2025 - March 2026	\$550,800	Round 2
Leasing Part 2	April 2026 - June 2026	\$275,400	Round 4
Operations	October 1, 2025 - June 30, 2026	\$1,457,820	Round 4

The recommendations in this report would provide the General Services Department, Real Estate Services Division the authority to enter into a lease agreement with 7253 Melrose Partners, LLC and a sublease agreement with the SPY for site operations. These agreements will be in place for up to five years. The Bureau of Engineering (BOE) has conducted an updated California Environmental Quality Act (CEQA) analysis for this site, which is transmitted under a separate cover. The Mayor and City Council must approve BOE's determinations that these uses are categorically exempt from CEQA in order to proceed.

### **10864 Rochester Avenue in Council District 5**

The interim housing site known as Lighthouse that serves TAY became open and operational on January 4, 2024. The program is currently operated by SPY and provides 15 beds for individuals aged 18 to 25. In the CAO's FY 2025-26 Annual Homelessness Funding Report (C.F. 23-1022-S16; July 2, 2025), this program was allocated \$421,575 of HHAP-2 funds, which supports a year of operations at \$77 per bed per night. On June 18, 2025 (C.F. 23-1348-S1), the City Council approved the new TAY interim housing rates of \$116 per bed per night for sites with 50 beds or less, and \$89 per bed per night for sites with 51 beds or more. The recommendations in this report close the operational shortfall due to the increased bed rate to \$116 per bed per night in the amount of \$213,525, for a new yearly budget of \$635,100.

### **County Reimbursement**

On July 2, 2024, the Mayor and Council approved the appropriation of up to \$12,500,000 in General Fund for reimbursement from the County for services for sites

that count towards the Alliance Settlement Agreement obligation. The City submitted the first reimbursement invoice in December 2024 and received the first check in the amount of \$1,723,150 in February 2025. A second and third invoice were submitted in March 2025 and May 2025, respectively, and reimbursement was received in July 2025. The total reimbursement received to date is \$13,513,375.10. A total of \$12,500,000 has been appropriated.

This report requests authority to appropriate the remaining \$1,013,375.10 for invoices of prior fiscal year service costs that were submitted in FY 2024-25. This amount is separate from the \$39,027,707 that was approved in the FY 2025-26 Adopted Budget for reimbursement of FY 2024-25 service costs that will be submitted in FY 2025-26.

### **Third Alliance Funding Report Recommendation**

On December 19, 2024, the Council and Mayor approved the Third Alliance Funding Report (C.F. 23-1022-S11), which included the authority for the Los Angeles Housing Department to amend the City's HHAP Contract (C-135650) to add \$10,000 of HHAP-1 for accessibility improvements of the interim housing site located at 4969 Sunset Blvd. in Council District 13. These funding recommendations were rescinded in the CAO's FY 2025-26 Annual Homelessness Funding Report (C.F. 23-1022-S16; July 2, 2025) in order to realign the funding source from round one of HHAP to round two. The recommendations in this report furthermore rescind the original contract authorities to effectuate this swap.

### **FISCAL IMPACT STATEMENT**

There is no General Fund impact as a result of the recommendations in this report. The recommendations in this report utilize HHAP rounds two and four. There is a potential impact on the General Fund for future Fiscal Years relative to supporting ongoing services and leases, if not addressed through the budget.

### **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.