



# Understanding Homeless Service Providers' Capacity Needs in Los Angeles



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## About This Report

Homeless service providers across Los Angeles implement the majority of programs that compose the homeless service system, including conducting street outreach, administering client assessments, managing access centers, operating shelter and housing programs, and providing supportive services. With the infusion of new funding resources and continued work on systems change, homeless service providers face capacity challenges—many of which were present before, but were less evident before the added demands of system change and dramatic expansion of resources. At the request of the Conrad N. Hilton Foundation, Abt Associates examined the capacity challenges of homeless service providers across Los Angeles County and efforts underway within the community to build capacity.

To support this report, the Abt evaluation team interviewed representatives from homeless service providers, public agencies, philanthropic funders, and community organizations to identify and analyze the most pressing capacity-related issues facing Los Angeles County’s homeless service system. This report, part of a larger Abt evaluation of the Conrad N. Hilton Foundation’s Chronic Homelessness Initiative, describes capacity challenges at both homeless service providers and public agencies, steps taken in the community to address those challenges, and considerations for the future as the system continues to grow.

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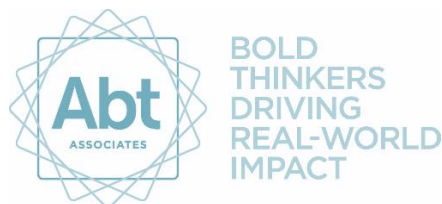
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# 1. Introduction

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Over the past 10 years, the Los Angeles community has come together to develop and scale programs dedicated to ending homelessness. Community stakeholders including the City and County of Los Angeles, the Los Angeles Homeless Services Authority (LAHSA), community organizations, homeless service providers, and philanthropic partners have invested in and implemented various strategies to provide housing and supportive services to the region’s most vulnerable residents. Though these efforts have shown progress, Los Angeles still faces a homelessness crisis. According to the 2019 Point-in-Time count, on any given night an estimated 58,936<sup>1</sup> people experience homelessness, of whom 16,529<sup>2</sup> are experiencing chronic homelessness.<sup>3</sup>

The Los Angeles community has established a series of goals around ending homelessness over the past decade, and after pilot efforts and smaller-scale change, the work has been taken to a dramatically different scale in the past few years. Community stakeholders have come together with shared commitment, both to serve many more people and to work differently within the homeless service system. Stakeholders have worked collaboratively to create a system that prioritizes highly vulnerable clients for housing resources and supportive services, and they have implemented new homeless assistance models and approaches to systems collaboration. Additionally, in late 2016 and early 2017 two ballot measures were approved dramatically increasing the local public funding available for this effort. *As a result of this large-scale systems-change work and increase in funding, the landscape in which homeless service providers operate has changed. This report summarizes both the capacity challenges and efforts underway across the community to implement and support these new programs at an expanded scale.*

## 1.1. Implementing Coordinated Entry

In 2013, the Los Angeles community began to design and implement a Coordinated Entry System (CES) across the region. Coordinated entry (CE)—a key component of community efforts to end homelessness—is an approach to comprehensively coordinate all of the housing and services that are intended to serve homeless people in that region in order to better match people experiencing homelessness with resources that will help them quickly return to stable, permanent housing.

LAHSA oversees the implementation, coordination, and administration of coordinated entry across Los Angeles County. Homeless service providers across Los Angeles implement the majority of programs that compose the homeless service system, including conducting street outreach, administering client assessments, managing access centers, operating shelter and housing programs, and providing supportive services such as case management, mental health, or substance use treatment.

The implementation of CES has *affected homeless service providers both operationally and managerially*. Prior to the CES, most homeless service providers offered housing and services to clients based on some combination of their own internal policies and procedures, using their own eligibility

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<sup>1</sup> LAHSA. Greater Los Angeles Homeless Count. 2019 Results. <https://www.lahsa.org/documents?id=3437-2019-greater-los-angeles-homeless-count-presentation.pdf>

<sup>2</sup> Ibid.

<sup>3</sup> “Chronic homelessness” is defined by the federal U.S. Department of Housing and Urban Development. For more information: <https://www.hudexchange.info/resource/4847/hearth-defining-chronically-homeless-final-rule/>

criteria. They sometimes made referrals to or collaborated with other organizations, but these linkages were often based on personal connections or limited to special projects. ***In contrast, CES requires that resources be allocated to individuals experiencing homelessness based on standardized vulnerability assessments and prioritization protocols across the system.*** Providers now complete a uniform assessment with clients—the Vulnerability Index-Service Prioritization Decision Assistance Tool (VI-SPDAT)—and enter that information in the countywide Homeless Management Information System (HMIS) to identify the most appropriate resources based on clients’ needs and preferences. Additionally, because CES is a coordinated, systematic response to homelessness, service providers spend more time communicating and coordinating with one another in order to align their responses and approaches to serving clients. The goal is that the system is more client-centered providing clients the resources they need from across the system instead of what is available or offered from one provider.

Through a Request for Proposals (RFP) process, LAHSA funds lead agencies within each of the eight Service Planning Areas (SPA)s across Los Angeles County to implement CES within their defined geographies. Lead agencies within each SPA may then subcontract with other service providers in their SPA to deliver services to clients. This CES implementation model has resulted in the need for agencies within each SPA to identify a lead agency to fill this role. This change has then tasked these ***lead agencies with advancing the vision for CES implementation, and in some cases performing administrative functions such as administering contracts, monitoring programs, and ensuring subcontract compliance.*** All of this can sometimes challenge and disrupt the balance of traditional agency-to-agency collaboration.

## ***1.2. Funding the Strategy***

In February 2016, the Los Angeles City Council and the Los Angeles County Board of Supervisors approved two comprehensive plans that would synthesize the various efforts to end homelessness throughout the region. The plans contained strategies designed to prevent homelessness, provide case management and supportive services, enhance the community’s CES, increase affordable and permanent housing, and coordinate governance for the community’s homeless service system. The plans were funded with one-time investments from the City and County, but funding was needed to support the ongoing efforts specified in the plans. According to LAHSA’s 2016 countywide homeless housing gaps analysis<sup>4</sup>, the PSH housing gap had risen to over 15,000 units, which highlights and further reinforces the level of crisis and need at this pivotal moment when political, public, and financial support aligned to prioritize countywide change.

In March 2017, LA County voters passed Measure H, a 10-year, quarter-cent sales tax that funds housing, outreach, prevention, and supportive services for people experiencing homelessness. ***This landmark victory for the homeless service system reflected the increased political and public attention on and willingness to build solutions to the mounting homelessness crisis across Los Angeles County.*** However, Measure H also increased public scrutiny of public and private efforts and public expectations for impact. Homeless service providers and public agencies alike are concerned with how the community

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<sup>4</sup> “2016 Report On Homeless Housing Gaps In The County Of Los Angeles.” Los Angeles Homeless Services Authority. January 2016. <https://www.lahsa.org/documents?id=1866-2016-report-on-homeless-housing-gaps-in-the-county-of-los-angeles>

will react when they do not see the visible signs of the homelessness crisis change immediately, or even within a few years.

At the time of Measure H's passage, officials anticipated that it would raise a cumulative \$3.55 billion over its 10-year lifespan and ultimately would support about 45,000 households to move into permanent housing. These estimates were in addition to the funding amounts that were already flowing through the homeless service system from federal, state, local, and philanthropic sources.

In its first two years of implementation, Measure H has infused more than \$661 million of funding into the homeless service system. This immense increase in funding has significantly affected the scale at which service providers are expected to operate across Los Angeles County, especially lead agencies for each SPA. ***Some providers' organizational budgets have more than tripled in the last few years as a result of new contracts and increased funding levels driven by Measure H.*** Homeless service providers have been expected to keep pace with the infusion of resources by greatly expanding programs, hiring and training new staff, and meeting the growing demand for services.

### ***1.3. This Report***

The development of large-scale systems-change work and the infusion of Measure H funding are markers of significant progress toward ending homelessness. However, in requiring service providers to change how they operate and to scale up the services they provide, these markers of progress have also stretched the capacity of homeless service providers across Los Angeles County. At the request of the Conrad N. Hilton Foundation, Abt Associates examined the capacity challenges of homeless service providers across the County and efforts underway within the community to build capacity. To support this report, the Abt evaluation team interviewed representatives from homeless service providers, public agencies, philanthropic funders, and community organizations to identify and analyze the most pressing capacity-related issues facing Los Angeles County's homeless service system.

This report, part of a larger Abt evaluation of the Conrad N. Hilton Foundation's Chronic Homelessness Initiative, describes capacity challenges at both homeless service providers and public agencies, steps taken in the community to address those challenges, and considerations for the future as the system continues to grow. Resulting recommendations highlight opportunities for both Los Angeles County and for other communities that are considering large-scale system change and investment.

## 2. Challenges Facing Service Providers, and Efforts to Enhance Capacity

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During interviews with the evaluation team in early 2019, service providers reported that they are experiencing an array of specific capacity challenges. Many of the issues identified are consistent with the general capacity-building issues that social service agencies in every sector face. However, in Los Angeles County, homeless service providers have taken part in major systems-change work, most notably through the adoption of the Coordinated Entry System (CES), over the past few years that has permanently altered both how they operate internally and how they serve clients externally. The infusion of Measure H resources has provided important opportunities to support their goals but also exacerbated those capacity-related needs by requiring them to scale up quickly and significantly.

### 2.1. Service Provider Capacity Challenges

Providers described challenges that affect both individual organizations and the system. These challenges are (1) staff recruitment, training, and retention; (2) physical space and technology; (3) client-level data management; (4) organizational infrastructure; and (5) funding levels and cash flow. Each is described below and shown in Exhibit 1.

#### 2.1.1 Staff Recruitment, Training, & Retention

With the increase in funding and implementing new, larger programs, service providers need to recruit, hire, and train an unprecedented number of new employees, from direct-service and front-line staff to back-office staff and organizational leadership. On an individual level, *some service providers have doubled their staff in the last few years, and, in many cases, that growth has yet to stagnate*. For example, one provider reports that its staff has grown from 129 employees at the start of 2016 to 243 employees at the beginning of 2019. As of the end of April 2019, that same provider had 281 employees, with an additional 23 vacant positions waiting to be filled. This growth and relatively high number of staff vacancies is prevalent countywide. As of January 2019, LAHSA reported that homeless service providers across the County have more than 1,900 job openings.

For direct-service positions (meaning staff who work directly with clients), providers and funders report that there are many more employment opportunities available than there are qualified candidates. The large number of vacancies has incited substantial competition among providers to secure qualified staff, resulting in what one service provider described as a “poaching” culture. Service providers also find themselves in competition with public agencies, including the Los Angeles County Department of Health Services (DHS), the Los Angeles County Department of Mental Health (DMH), and the Los Angeles Homeless Services Authority (LAHSA), which also are scaling program administration and hiring for staff vacancies. Public agencies are often able to provide higher salaries and more benefits than most non-profit service providers.

Service staff have shown little organizational commitment and move freely and quickly—sometimes within a matter of weeks or months—from one employer to another in pursuit of better pay and benefits. One stakeholder noted the challenge of recruiting and retaining staff:

*That pipeline of people [workforce] is not sufficient given the growth that is happening. Even when we get to a more steady state, retention will be a challenge. It's not just a salary issue. It's about support. These are really hard jobs.*

Some service providers expressed frustration that staff turnover disrupts learning processes and threatens organizational culture and cohesiveness. They struggle between serving fewer clients and increasing client caseloads of remaining staff. Additionally, constant turnover affects provider overhead costs and capacity, as organization leadership is continuously consumed with interviewing, hiring, and training new staff.

Direct-service staff turnover of this magnitude creates large-scale, systems-level service delivery inefficiencies. As staff move between agencies, care is disrupted, which can affect outcomes for clients. Moreover, communication and collaboration between providers becomes cumbersome when a contact at an agency is no longer in that position.

Many service providers highlighted organizational leadership as one of their primary challenges. Providers noted that recruiting and retaining highly qualified staff who possess the skills needed for key management positions during major program scaling was a significant challenge. Several providers emphasized the importance of developing a “bench” of leaders to depend on when entry- and mid-level staff turnover is constant and when system policies, procedures, and priorities are in flux. Service providers spoke about the need for organizational leaders to be flexible, strategic, and forward thinking. Additionally, leadership capacity directly affects how well organizations manage their short-term needs and long-term vision and strategic growth.

### 2.1.2 Physical Space & Technology

Central to supporting a robust staff and a growing organization is physical office space and technology. The majority of service providers reported outgrowing their space and lacking the information technology (IT) needed to complete their work. These two issues are integral to service providers’ work and are growing increasingly intertwined.

Prior to receiving Measure H funding, a few service providers were able to plan for growth by building or renting additional office space. Following the infusion of Measure H funding, however, these providers report that any additional office space they had for employees or convening meetings is now fully occupied. Some providers reported opening small, satellite offices across the County, but said that they then struggle coordinating staff among multiple offices and maintaining strong communication and organizational culture. Other providers have shifted traditional office layouts to open floor plans designed to accommodate more staff. As programs continue to expand, space constraints are a serious impediment to providers’ ability to implement services.

Space constraints extend to lack of parking. As homeless people move into available housing, which might be far from where they first engaged services, and as programs expand to reach previously underserved communities, direct-service staff often must travel across Los Angeles County to meet with their clients. More staff means more staff vehicles. Service providers reported not having the space to park their increased fleets. Multiple providers expressed frustration that public funding could not be used for employee supports such as parking, despite the contractual expectation to perform work that required driving across the County.

With staff becoming increasingly mobile, agencies also need updated technology. Providers reported that aging IT hardware and outdated software limit both individual staff and organizational capacity, and that IT improvements are imperative to enhancing that capacity. For example, service providers identified comprehensive web-based accounting software, a better time-tracking system, network coordination



between satellite offices, and mobile technology such as tablets as crucial to delivery of services to clients and to their organizations' growth. Though many providers noted that purchasing new IT software and hardware is relatively easy with flexible funding, implementation and support is difficult.

### 2.1.3 Client-level Data Management

All homeless service providers that receive LAHSA funding are required to use the County-wide Homeless Management Information System (HMIS), the central database for all interactions with clients within the region's homeless service system. HMIS tracks important client data, including assessment scores, program enrollment and exit, and case notes. Meanwhile, providers that maintain DHS's contracts for Intensive Case Management Services (ICMS) are required to use the County's Comprehensive Health Accompaniment Platform (CHAMP) database. CHAMP also records client data such as service receipt and case notes. Negotiating two client-level data management systems poses a number of concerns for service providers.

Providers who receive funding from both LAHSA and DHS must enter data into both HMIS and CHAMP. ***These providers cited the burden of entering data in two data systems to comply with each public agency's requirements.*** This additional time spent on data entry detracts from the time available to directly serve clients, and in turn, it affects staff capacity. ***Providers also noted data quality concerns.*** Providers reported staff forgetting to complete data entry in the second system and errors occurring when they have to enter data twice. Providers also discussed the time needed to train new staff on multiple systems, and continuously retraining staff when modifications were made to either system. These challenges were exacerbated when onboarding staff quickly and trying to manage client information for a much larger pool of clients without being fully staffed to manage the data reporting responsibilities.

Managing client data in two systems also creates challenges with effective coordination of care. A provider explained:

*If we have a[n] ICMS client in our shelter, the shelter staff are on HMIS and can't see what the ICMS case manager is working on, since their notes are in CHAMP.*

Depending on the program, staff might have limited access to client data in the other data system.

Providers understand the reasons for using both systems, but ensuring staff competency in two systems, the burden of duplicate data entry, and fragmented case documentation further stresses staff capacity and impacts service effectiveness.

### 2.1.4 Organizational Infrastructure

Some providers, both large and small, discussed the challenges of lacking the organizational infrastructure to support the expanded programs and the evolving homeless service system in Los Angeles. Providers reported having to create new positions and new layers of management to oversee the additional compliance, contracting, and monitoring work due to increased governmental contracting. To manage larger contract portfolios and ensure contract compliance for existing contracts and new Measure H contracts, providers need staff with experience in accounting, human resources, monitoring, payroll, quality assurance, and compliance. Some providers have never staffed these positions before, while others have but now need to add more staffing to support the increased workload.

One provider discussed the difficulty of reviewing contracts without having a human resources or contracting department:

*There have been so many more contracts, do we have someone looking at contracts and performance resources, HR? We can't hire anyone because we don't have HR! My peers laugh at my humor when I say, "Do you have a sub-contractor agreement," and they say, "Let me talk to my contracts department," and I say, "You have a contracts department?" They laugh at me.*

Some providers suggested it might be more efficient to centralize these activities within one entity, such as one organization performing back-office or administrative tasks for several providers in a service area; however, there has not been time or space for providers to think creatively about how to meet their growing organizational challenges.

Since the implementation of the community's coordinated entry system (CES), LAHSA has released official CES policies and interim guidance to formalize, standardize, and document County-wide principles and policies. Homeless service providers report that policies and guidance have changed--sometimes drastically and as frequently as every few months. Multiple providers commented that tracking the nuances of these changes has been a cumbersome task—one that significantly strained their capacity and hampered their efforts to comply with contract expectations. Some service providers have hired staff dedicated to tracking and ensuring they implement and adhere to those policy changes across the organization. However, not all service providers have the funds or capacity for this. Other service providers take a more passive and reactionary approach and try to respond as they are able. Evolving policies pose a barrier to providers' capacities, as they have to adjust staff training, guidance, workflow, and documentation systems to operationalize new policies.

### 2.1.5 Funding Levels & Cash Flow

Measure H's passage brought homeless service providers an influx of funding which enabled the homeless service system to grow significantly; yet often the new contracts do not cover all costs incurred by a service provider. In particular, service providers have been challenged to find funding for indirect costs. Government contracts rarely cover their full indirect costs associated with managing program operation. For example, a LAHSA contract provides 12 percent for indirect or overhead costs. However, service providers reported that their indirect costs usually fall between 18 and 20 percent. As a result, service providers have to secure additional non-agency, flexible funding to cover the gap. ***Unfortunately, the sources providers have traditionally leveraged to fund the gap, such as fundraising, did not scale at the same level as the public resources.*** One provider described the situation:

*At a direct cost level, most of our new contracts cover direct cost expenditures. It requires that we also add capacity in indirect and admin, but it doesn't cover that. Every new contract adds a fundraising need, and that's not indefinitely sustainable. We are lucky to have a little money in the bank, but we're starting to dip into the principal, which isn't a good thing.*

The gaps between funded amounts and actual costs force hundreds of service providers across Los Angeles County to compete for the same philanthropic and private funds to meet substantially higher needs. Some providers are successful at securing funds, others are not. As the system continues to grow in order to meet the demand for homeless services, providers cannot sustain their organizations' financial health while operating with funding deficits. Addressing this capacity challenge may require a concerted

community strategy, since the need for additional funds for indirect costs outpaces what individual agencies and philanthropic funders can meet in an ongoing way.

Additionally, for some providers, Measure H fundamentally shifted the funding structure of their organizations. These providers reported that, prior to Measure H funding, their organizations operated with as much as 70 percent from private funding and 30 percent from public funding. During the past few years, those percentages have flipped. Public funding often comes with heightened accountability requirements and contract monitoring, as well as demands that providers increase their own compliance, monitoring, and reporting efforts. One service provider explained:

*[Our board members are] having a hard time trying to understand who we are as an organization.... We've moved from this origination that had one model for 39 years, and in the last six years we've switched dramatically in terms of how we operate and are funded. About six years ago we were 25-30 percent public funded and the rest private, and now we're 80-85 percent public. That's a completely different organization in terms of how we operate and what our needs are.*

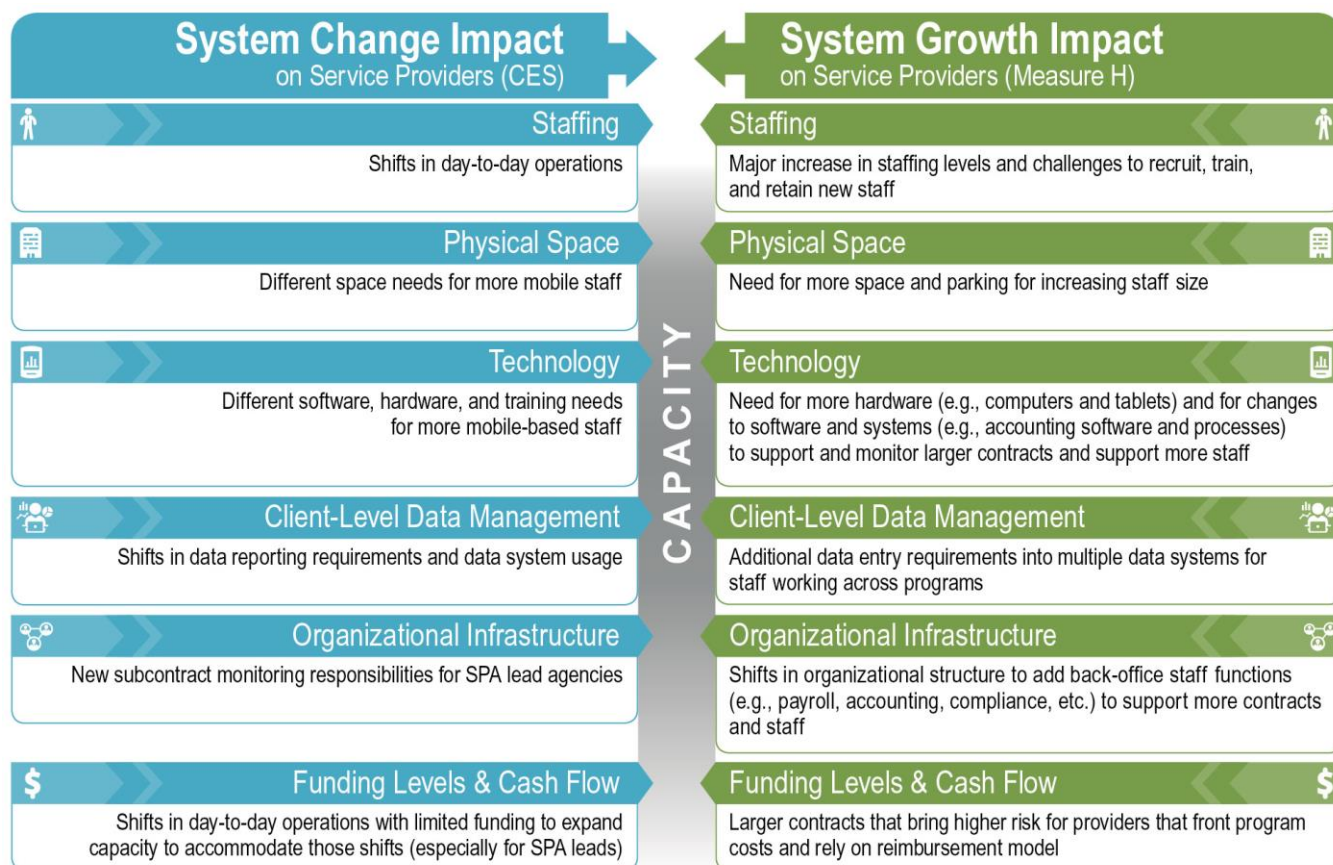
Providers also reported delays in program cost reimbursement from public funders, which impose additional costs and stress on providers. Providers explained that they found it helpful when a portion of their funding for new contracts was provided up front. Some providers reported waiting as long as four months to be reimbursed for program costs already incurred. On the other hand, responsibility for delays in contract reimbursement do not lay solely with public funders. Public agencies reported the difficulties with getting providers to submit invoices properly. Given the financial controls that apply to public funding and the intense “watchdog” scrutiny on use of Measure H funding, public agencies noted the importance of making sure costs were eligible and properly supported before being paid. One staff member at a public agency described sending an invoice back to the provider seven or eight times before the organization submitted it correctly. This is one illustration of the administrative capacity challenges plaguing service providers.

Service providers traditionally lack substantial cash reserves, so the reimbursement period introduces significant financial risk, even threatening some providers' sustainability. One provider stated:

*I would say this is more of a capacity issue for [public funders] in the system, but as these contracts grow, lead providers carry more and more receivables from a cash flow standpoint, and that's really, really challenging... We carry about \$9 million a month, and you can't operate like that from a cash flow standpoint. That's something that absolutely has to be addressed and it's not unique to us. We have to fundamentally fix this in the system or it will collapse.*

Service providers praised private funders, including the Home For Good Funders Collaborative, the Conrad N. Hilton Foundation, and the Weingart Foundation, for providing them with unrestricted flexible funds and for listening to and understanding their needs. According to many service providers, access to unrestricted funds to fill financial gaps is crucial to conducting daily operations. Service providers turn to the philanthropic community to cover these short-term deficits.

## Exhibit 1: Impact on System Change and Growth on Capacity for Homeless Service Providers



Source: Abt Associates

### 2.2. Community Capacity-Building Support

Since the passage and implementation of Measure H, LAHSA, the Home For Good Funders Collaborative, and philanthropic partners have offered a variety of capacity-building supports including flexible funding and technical assistance to service providers. These efforts, which are described below, continue to address providers' most pressing capacity-building challenges as they continue to scale programs and deliver services to clients. Overall, service providers expressed gratitude that such attention on and support for capacity-building needs exist within the community. **However, some providers reported not having the bandwidth or organizational capacity to pursue funding or other capacity-building opportunities when they are made available.** Some providers do not have experience pursuing flexible funding because it has often not been available. Other providers do not have dedicated staff to think about how they would use the flexible funding, write a grant application, and then comply with grant reporting requirements. These challenges add an additional layer to acknowledge when providing capacity-building support to homeless service providers.

## 2.2.1 Joint Funders Collaborative-LAHSA and Philanthropic Partners Capacity-Building Support

In 2018, the Home For Good Funders Collaborative (Funders Collaborative)<sup>5</sup> and LAHSA issued a joint request for proposals (RFP), focusing on service providers' capacity-building needs. Any providers across Los Angeles County that provide services to people experiencing homelessness were, and still are, eligible to apply. The RFP allows for two funding options: (1) a grant to support providers to assess their capacity-building needs, or (2) a grant to support providers to implement capacity-building activities. In an effort to ensure thoughtful and strategic use of implementation funding, providers can access implementation funding only if they have completed an approved capacity-building needs assessment in the past three years or if they have completed the assessment phase using this grant funding.

The RFP identified six common areas of focus related to capacity development: operational management, leadership, program administration, information technology, office space, and professional services. Within each of these areas, the RFP also listed suggested sub-topics grantees might consider focusing their funding on improving. For example, "office space" included space reconfiguration, security systems, facility renovation, and office furnishings as eligible costs that providers could consider funding. The RFP also noted that providers "may also submit other justified technical assistance services and infrastructure investment requests through this application," conveying that the grant programs are intended to be helpful where providers identified a need for assistance. None of the funds allocated through this grant-making process can be used for direct-service costs or capital costs.

Homeless service providers from across Los Angeles County submitted applications for this funding. As of March 2019, the Funders Collaborative and LAHSA made 32 awards for funding totaling more than \$5 million<sup>6</sup>. Nineteen providers were funded to conduct assessments and 13 providers were funded to support implementation. Of the latter, providers are using the implementation funding for items such as supporting organizational leadership and board development, creating policies and system guidance, enhancing IT systems and software, and redesigning physical office space for employees. Providers reported that they appreciate the relative flexibility in this RFP, and they feel the RFP is responsive to their most pressing capacity needs. Some providers stated that the RFP application process was confusing at first, or they are disappointed that they could not receive funding for capital investments. But most providers felt supported in completing their proposals and receiving funding.

A number of private philanthropies that participate in the Home For Good Funders Collaborative, including the Ahmanson Foundation, the Conrad N. Hilton Foundation, the UniHealth Foundation, and the Weingart Foundation aligned to provide additional support to applicants that responded to the Home For Good Capacity Building RFP and funded homeless service providers to support capacity-building activities. Activities using such private funding include expanding employee benefits, supporting board development, and redesigning physical office spaces. Though private funding cannot match public funding in scale, private resources are often unrestricted and thus more responsive to providers' self-identified needs. Providers appreciate the flexibility of philanthropic funding and have been able to

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<sup>5</sup> For more information on the Home For Good Funders Collaborative's work, see the following reports: [Home For Good Funders Collaborative: Lessons Learned From Implementation and Year One Funding](#) (2013) and [Home For Good Funders Collaborative: Updated Lessons Learned From Five Years of Coordinated Funding](#) (2017).

<sup>6</sup> This funding also includes aligned investments from private funders through the Funders Collaborative.

leverage private funding to better utilize public funding. Multiple service providers noted that they value highly the support of philanthropic partners in the community.

To further support the capacity-building efforts by the Home For Good Funders Collaborative and other philanthropic partners, in 2018, the Conrad N. Hilton Foundation and the Weingart Foundation provided funding to the Nonprofit Finance Fund (NFF), an organization that provides strategic financial consulting and capacity-building services to non-profit organizations. NFF carried out a number of capacity-building activities during 2018, focused on identifying and closing service providers' financing gaps so they could more effectively scale up. NFF hosted four 2-day convenings for an array of homeless service providers across Los Angeles County. At these convenings, NFF staff discussed ways in which providers could manage their finances during periods of growth or change, as well as how to identify the full cost of operating and close the capital gaps when funding does not cover that full cost. After the convenings, NFF provided light coaching to support service providers' applications to LAHSA for technical assistance.

Some service providers reported that NFF's convenings had helped them understand their capital flow and what their organization needed in financial reserves to have the capacity to support their work in the community. NFF's support also enhanced providers' abilities to strategically plan for their capacity-building efforts.

Service provider attendees at these convenings also expressed an appreciation for the space created to allow them to feel heard and to troubleshoot with other service providers. One stakeholder noted:

*The convening was great to get in a room with someone who wasn't a funder and share best practices, but also share the challenges. NFF is a great resource for us to use throughout the year and be that in-between, between funders and [service] providers.*

### 3. Challenges Facing Public Agencies, and Efforts to Support Capacity Building

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While homeless service providers have been navigating challenges in their efforts to grow to meet the community’s need in addressing homelessness, the public agencies managing and allocating Measure H funding have also faced capacity challenges. In the Los Angeles region, three public agencies allocate the vast majority of funding to homeless service providers: (1) the Los Angeles Homeless Services Authority (LAHSA), a joint powers authority governed by both the City and County of Los Angeles; (2) the Los Angeles County Department of Health Services (DHS); and (3) the Los Angeles County Department of Mental Health (DMH), both part of the larger Los Angeles County Health Agency.

#### 3.1. Capacity Challenges

During interviews with the evaluation team, representatives from these agencies reported some of the same concerns for their own organizations that the homeless service providers described. These agencies, too, are struggling with staff recruitment, training, and retention and with physical office space constraints. A staff member stated:

*I have a new program with 20 staff, but I don’t have even one cubicle, so I can’t implement the program without space to hire new staff.*

A representative from DHS said that the department outgrew its headquarters several years ago, and, as a result, rents additional office space nearby. For its part, DMH faces challenges related to the agency’s formalized procedures, and the agency struggles to act quickly on new programs and contracts. Some challenges result from system regulations such as requirements associated with provider qualifications and procedures to bill Medi-Cal for client services; some are a result of how the agency approves new contracts.

LAHSA’s internal staffing growth has been even steeper than at DMH and DHS. Over the past two years, LAHSA has more than doubled in size, creating new departments and staff positions to oversee and manage the agency’s work. Its annual operating and contracting budgets also increased significantly over the same period (Exhibit 2).

#### Exhibit 2: LAHSA’s Organizational Growth from FY 2016 to FY 2018

	FY 2016	FY 2018	% change from FY 2016 to FY 2018
# Staff	133	360*	171%
Operating Budget (annual)	\$11.8 million	\$18.4 million	56%
Contracting Budget (annual)	\$132.5 million	\$224.9 million	70%

\*number of staff budgeted for FY 2018, including 82 vacancies at the time these numbers were reported.

Similar to homeless service providers, and in addition to growing extensively and quickly, LAHSA has experienced high staff turnover. The growth has necessitated reorganization to better manage and align larger groups of staff within the agency. The inherent challenges associated with reorganization and regular staff turnover have affected both the internal functioning of the agency and its interactions with service providers. Many service providers struggle to keep abreast of whom to contact at LAHSA when questions about policies, contracts, payment, and reporting arise.

LAHSA staff are aware of the burden its internal operational limitations pass on to the community's service providers. One representative explained:

*We recognize that providers are experiencing process fatigue and burnout. It's constantly changing—never ending. We're confronted with [the question of]: How do you roll out all of these changes, knowing that providers are process fatigued?*

The majority of providers expressed empathy for LAHSA's internal capacity issues, noting that they understood that administering Measure H funding would be cumbersome for any agency. Several service providers recognized and appreciated LAHSA's efforts to communicate changes and scale services across the community:

*[Coordination between funders and us has] improved in my experience. We're in it together. We were struggling together. LAHSA was responsive anytime we had questions about policies, programs, protocols, Scope of Required Services (SRS), etc. To do that while they were going through their own growth was impressive. I can't help but respect the work that they did. The monitoring/reporting [process] is different, but it's what we expected. It's taxpayers' money. They took a risk voting for it, so there are high expectations, but we knew it was coming.*

Other providers were less empathetic, stating that the need for everyone, both service providers and public agencies growing at the same time has generated confusion, frustration, and inefficiencies.

Similar to their service provider counterparts, staff at public agencies also feel pressure and increased public scrutiny regarding their work toward ending homelessness in the community. Staff noted that they receive one-time, time sensitive requests from elected officials that are burdensome and take away their attention from other critical tasks. One public agency staff member stated,

*If we could quit getting one-off assignments that bog us down, we could prepare to organize ourselves and to sustain the work we are doing, but it feels like we constantly have new things coming at us because homelessness is such a big issue. It's constantly overstretching! I don't know what to do or how to get ahead of it—but I don't see that.*

Because service providers rely on funding and program guidance from public agencies, the latter's capacity issues directly affect how service providers are able to scale and provide services to people experiencing homelessness.

### **3.2. Public Agency Efforts to Support Providers**

Leading up to and since the implementation of Measure H, public agencies have provided support, funding, and technical assistance with the goal of strengthening organizations as they scale their efforts to serve people experiencing homelessness across the community.

DHS and DMH offer various trainings to staff at service providers, including topics such as motivational interviewing, harm reduction, and trauma. In contracts with DMH and DHS, funding for staff training often is included in the scope of work. A representative from DHS explained that DHS staff host weekly calls and monthly in-person meetings with service providers. Staff provide coaching and address questions and challenges related to service delivery, reporting, contract invoicing, or other issues that may arise:



*The support for service providers had always been important for us. We talk to them every week and hear from them what is working (or not working) and what they need.*

DHS contracting is flexible and allows incremental increases to a contract, so as to not overwhelm the provider. For example, DHS will add funding for a certain number of case managers to a provider's contract to allow it to hire one case manager at a time. Then, once the provider has demonstrated capacity, DHS can add funding for additional case management positions, so the provider can hire another case manager.

LAHSA supported providers with one-time start-up costs at a flat rate of up to \$6,000 per new full-time employee hired under Measure H contracts issued between March 7, 2017 and June 30, 2018.<sup>7</sup> Under some new contracts public agencies were able to provide advance funding to service providers to help scale or implement new services. Many service providers reported that this was very helpful, because providers did not have to search for or borrow funding while they waited to get reimbursed by the public providers.

LAHSA undertook several initiatives to support providers in building their internal capacity, including offering staff recruitment support services, administering training, and providing technical assistance.<sup>8</sup>

**Staff Recruitment Support Services:** Recognizing that providers needed to scale programs and hire new staff quickly, LAHSA launched a series of recruitment support services that providers could access for free. Between July 2018 and February 2019, LAHSA hired five temporary recruiters who screened and referred potential job candidates to providers with staff vacancies. Recruiters covered specific geographic areas across the County, so the same recruiter could work with a specific cohort of providers. If a provider was interested in using this service, it signed a Memorandum of Understanding with LAHSA. Once a recruiter screened and referred an applicant to a provider, provider staff had 48 hours to decide whether they wanted to interview the applicant. Because applicants were referred to only one provider at a time, this policy ensured that multiple providers did not compete for the same applicant, and applicants did not wait too long for a response from a provider. This service was intended to streamline applicants' pathways to employment, alleviate some of the providers' staff recruitment burdens, and reduce the "poaching" and side effects associated with providers competing for applicants. Overall, 26 providers used this service. Recruiters referred more than 1,400 applicants to service providers. Through this referral method, approximately 250 positions were filled.

As a part of this recruitment service, LAHSA also hosted four job fairs in partnership with the Los Angeles County and City Workforce Development Office and several local colleges and universities. Cumulatively, 96 providers participated in these job fairs in an effort to fill more than 2,800 staff vacancies. Through the job fairs, recruiters were able to refer 2,586 applicants to providers across the County.

Providers provided mixed feedback to the evaluation team about the recruitment services. A few providers reported that these services were somewhat helpful; other providers reported that they were not. One provider commented that the policy of having only 48 hours to make a decision about an applicant

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<sup>7</sup> "Request to Allocate and Seek Reimbursement for Measure H Expansion Start-Up Costs." LAHSA. June 2018.

<sup>8</sup> For more information about the following initiatives at LAHSA, visit its capacity-building website: <https://www.lahsa.org/capacity-building>

was not feasible, given its internal hiring processes. Even if the recruiting efforts were imperfect, it was unclear what would have lessened the recruiting challenge, and 250 placements plus those that resulted from the job fairs seem a reasonable rate of return for the six-month investment in five temporary recruiters.

**Centralized Training Academy (CTA):** Funded with Measure H, the CTA offers both web-based and in-person trainings to staff at homeless service providers across Los Angeles County. The Home For Good Funders Collaborative piloted the CTA using pooled philanthropic funding, then transitioned the training platform to LAHSA in late 2017. Going forward the CTA will be sustained with Measure H funding. All providers with LAHSA contracts are required to send their staff to the 35-hour, weeklong core curriculum training, which covers the basics of housing interventions, trauma-informed care, and service provision. Following the core curriculum training, the CTA also offers an advanced curriculum training and supervisory training. These other trainings also require 35 hours, but the hours are spread over two months. LAHSA administers 72 cohorts of these trainings per year—24 cohorts per level (core, advanced, supervisory)—which rotate around the County in each of the eight Service Planning Areas. The goals of the CTA are to standardize high-quality services across providers in Los Angeles County while also better adhering to evidence-based practices. LAHSA continues to increase the availability and topics of the trainings offered to service provider staff, including rapid re-housing, outreach, and immigration and law enforcement.

When asked about the CTA, many providers said they were unaware that it existed. Of those that were aware, some knew colleagues who attended CTA trainings. Others believed the CTA served a purpose primarily for staff who were new to working within the homeless service system. *Some provider staff may be truly unaware of the CTA, but more likely they don't recognize it by name.* All service provider staff are required to participate in CTA trainings, so providers are inherently connected to it. In fiscal year 2017-18, some 1,147 staff participated in a CTA training, representing 83 organizations.

LAHSA has conducted several surveys, asking providers for feedback and suggestions for future training topics. Moving forward, LAHSA plans to continue to enhance its CTA messaging to the community through emails, flyers, and an updated website with improved navigation features—including the option for anyone County-wide to request specific training topics relevant to their work.

**Technical Assistance:** LAHSA has begun to standardize its approach to offering technical assistance for capacity building directly to service providers. To determine each provider's needs, LAHSA purchased a number of licenses for the Core Capacity Assessment Tool® (CCAT®). This online tool assesses the provider's organizational leadership, management, adaptability, and technical capacity. To generate results, the tool requires that three people within the organization, including a board member, complete it. Upon completion, the tool offers a score and real-time recommendations about where the organization should focus its capacity-building efforts. As of March 2019, some 42 providers in Los Angeles County had completed the assessment. An additional 56 providers are scheduled for the CCAT orientation session that begins the assessment process. LAHSA has heard mostly positive feedback from providers about the CCAT.

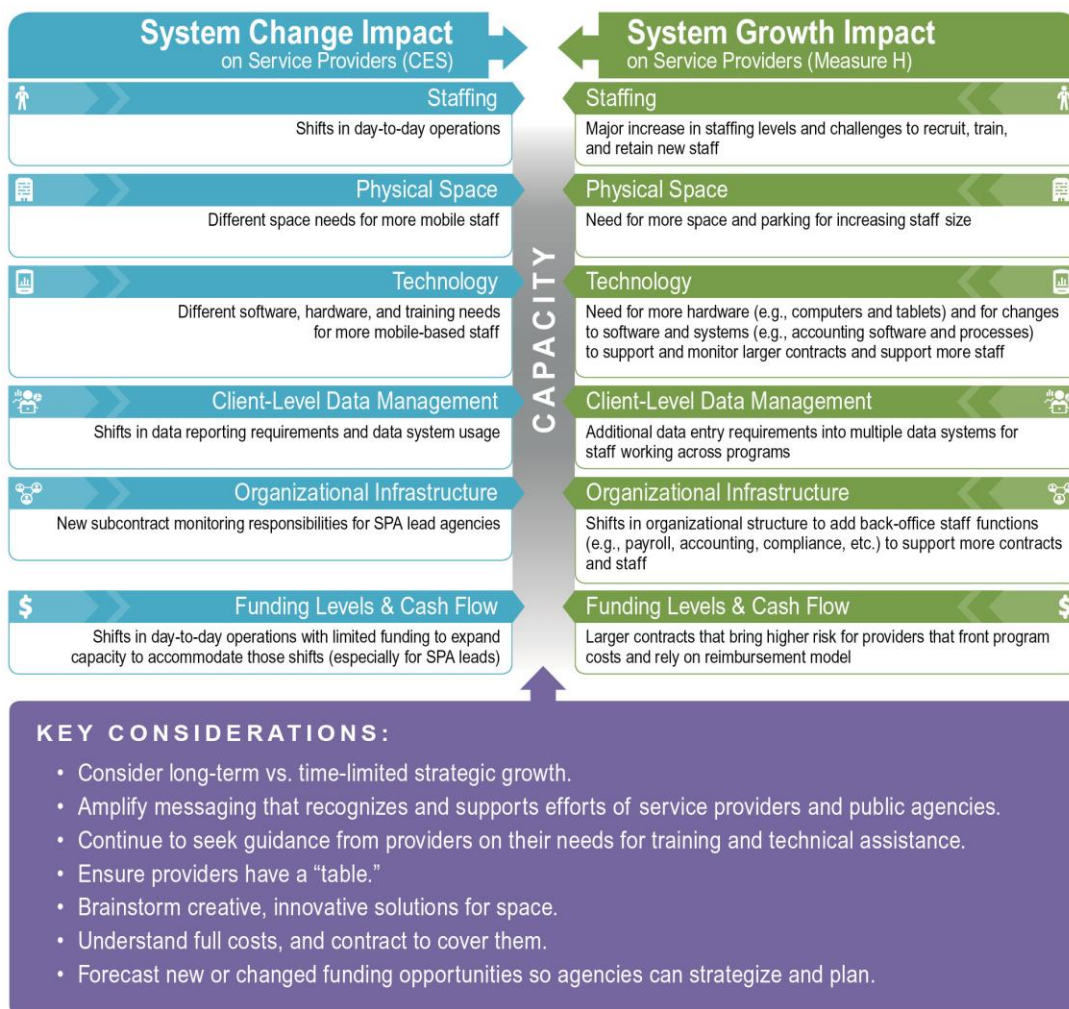
LAHSA also supports TA focused on the Coordinated Entry System, the Homeless Management Information System, and specific components that fall within the system of care. Currently, these efforts are administered from different departments within LAHSA, which providers shared can make the support feel siloed and uncoordinated. LAHSA's staff acknowledge this challenge and are working to improve internal coordination and how the agency offers TA to service providers.

## 4. Key Considerations and Planning for the Future

Los Angeles faces a homelessness crisis, but the efforts, investment, innovation, and partnerships created over the past decade demonstrate the commitment and progress that community stakeholders have made in addressing that crisis. Los Angeles County voters passed Measure H. Public agencies, homeless service providers, community organizations, and philanthropic partners worked together to grow the homeless service system and coordinate its resources. As a result of Measure H’s landmark infusion of funds, the public agencies and the homeless service providers both have grown exponentially.

This large-scale growth, coupled with five years of systems-change work, has yielded capacity challenges for both public agencies and homeless service providers. Significant efforts are underway across Los Angeles County to expand that capacity. In light of feedback offered during interviews with the evaluation team, we offer several suggestions for the Los Angeles’ community to consider as the system continues to grow. Additionally, the experience of Los Angeles may be a helpful example for other communities exploring system growth and resource investment; the considerations below can support those efforts.

### Exhibit 3: Key Considerations to Support Capacity Building



**Consider long-term vs. time-limited strategic growth.** *Community stakeholders, including public agencies, homeless service providers, community organizations, and philanthropic partners should think about the **growth** in the homeless service system and what is **best and sustainable for each entity**.*

- ❖ Every organization is different, with a distinct mission, culture, and identity. All organizations should not be expected to grow in the same way or at the same pace. **However, adopting either a long-term or time-limited growth model can affect the decisions made by an organization's leadership** (e.g., where and how to invest, whether to staff just for the surge in resources or to develop a comprehensive infrastructure to sustain a larger organization over time), and the decisions that leadership make can affect the type of growth that organization can achieve.
- ❖ In **Los Angeles County**, Measure H brings immense financial resources into the homeless service system. However, these resources are authorized (by the terms approved by voters) for only a decade, and are currently set to expire in 2026. Another ballot measure may be passed or other funding secured, but what resources across the County will look like then is uncertain now. This uncertainty leaves homeless service providers and public agencies questioning how they should be growing.

**Forecast funding opportunities so agencies can strategize and plan for growth.** *Funders should consider announcing funding shifts **several months to a year in advance**, allowing providers to take time to identify whether or not their **organizations have the capacity and strategic interest** to pursue these new funding opportunities and **plan for program implementation more intentionally**.*

- ❖ Public officials and funders should commit **upfront funding** to support capacity building and planning across funders and providers.
- ❖ In **Los Angeles County**, service providers reported that it would be helpful to have more time to consider and plan for future funding streams – both those that launch brand new program models and those that change or enhance existing program models. Providers would also be able to plan program implementation more intentionally with this additional time.

**Amplify messaging that recognizes and supports efforts of service providers and public agencies across the community.** *Community entities involved in creating communication should increase messaging that **recognizes the work being done by public agencies and service providers** and set **expectations** for when visible results will be seen.*

- ❖ In **Los Angeles County**, during 2018, there were several efforts to communicate and highlight the need for housing solutions across the community. However, providers and public agencies described feeling scrutinized by the public and by public officials regarding the number of people still experiencing unsheltered homelessness. Service providers and public agencies are working hard across Los Angeles to address homelessness issues, but they expect it will take years to see a visible impact. Meanwhile, it is important to **acknowledge that work publicly** while also **recognizing the challenges service providers and public agencies face**. Many providers worry that lack of messaging around what is appropriate and feasible to expect could have negative consequences. Not only might it reflect poorly on the work that service providers and public agencies do and the progress the system is making; it also might erode voters' willingness to continue funding homelessness solutions.

**Continue to seek guidance from providers on their needs for training and technical assistance.** *It is important to seek providers' guidance and input on what types of assistance and resources are most useful to help develop their internal capacities.*

- ❖ Public and private funders need to be attuned to the ***different needs of service providers*** and recognize that a one-size-fits-all approach does not work.
- ❖ Many provider organizations are led by people who have worked within the homeless service system for ***decades***. Their ***expertise and experience*** should be exploited when thinking about how to structure and provide capacity-building resources.
- ❖ In ***Los Angeles County***, public agencies, the philanthropic community, and community organizations have provided—and continue to provide—assistance to service providers through funding, engagement, training, and technical assistance.

**Ensure providers have a “table.”** Providers should work with public funders, philanthropic partners, and each other to ***ensure that they have a place to collectively address capacity issues and develop solutions together.***

- ❖ In ***Los Angeles County***, providers expressed ***great appreciation*** for venues to convene, troubleshoot, discuss challenges, and support one another. Various venues currently exist across the community where providers are convened by funders, community organizations, or themselves. Providers value places where they feel their ***voices are sought after and heard.***

**Brainstorm creative, innovative solutions for space.** *Providers and public agencies should look for opportunities to support new workspace models such as teleworking or touchdown hubs where several service providers could come together to share office space.*

- ❖ In ***Los Angeles County***, service providers and public agencies reported inadequate physical office space for employees to be a challenge. Providers explained that many direct-service staff are often in the field meeting with clients. For those staff, ensuring that they have mobile devices to connect with colleagues and clients is imperative.

**Understand full costs, and contract to cover them.** *Providers should work to understand their “full” costs and strategize ways to ask for funding to support those costs.*

- ❖ Public and private funders should ***support financial consultants and strategists*** who can assist providers in conducting financial analysis and creating plans for ***organizational growth*** and ***sustainability.***
- ❖ In ***Los Angeles County***, providers reported experiencing ***funding gaps*** between what their contracts cover and what it cost them to sustainably operate and deliver services.