



Creating and Administering a Flexible Contract

Lessons from the Flexible Housing Subsidy Pool in Los Angeles County



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About This Report

The Los Angeles County Department of Health Services administers the Flexible Housing Subsidy Pool (FHSP), a permanent rental subsidy program for people experiencing homelessness who have complex physical and behavioral health conditions. At the request of the Conrad N. Hilton Foundation, as a part of the Foundation’s Homelessness Initiative, this report provides details about flexible contracting and financial relationships that govern the FHSP.

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1. Introduction

The Los Angeles County Department of Health Services (DHS) administers the Flexible Housing Subsidy Pool (FHSP), a rental subsidy program for people experiencing homelessness. “DHS leadership and its partners conceptualized the FHSP as a permanent rental subsidy from a nimble, responsive pool of funding paired with Intensive Case Management Services funded by DHS to assist clients with achieving and maintaining health and housing stability.”¹ DHS and its contractors use a “whatever it takes” approach to providing housing, tenancy supports, and case management services to the FHSP participants. This flexible approach gives DHS and its contractors the ability to be nimble and adjust to the changing needs of clients and the housing market in Los Angeles County.

At the request of the Conrad N. Hilton Foundation, as a part of the Foundation’s Homelessness Initiative, this report provides details about flexible contracting and financial relationships that govern the FHSP. Further information on the history and operation of the FHSP can be found in Abt Associates’ earlier publications; *Implementing the Los Angeles County Flexible Housing Subsidy Pool: Strategies and Lessons Learned* and *Flexible Housing Subsidy Pool Brief Evaluation of the Conrad N. Hilton Foundation Chronic Homelessness Initiative*.² A detailed guide for communities hoping to learn from Los Angeles’ experiences and create a FHSP, or similar program, can be found in Wildkress and Lawrence’s *Flexible Housing Subsidy Pool Guide*.³

1.1 Operating the Flexible Housing Subsidy Pool

Before the start of the FHSP, DHS’s Housing for Health Division (HFH) had already been administering permanent supportive housing (PSH) for its clients. In 2014, the Housing for Health Division created the FHSP, to meet the growing need for PSH. The goal was to create a program that could be implemented quickly and nimbly and serve more individuals experiencing homelessness with complex physical and behavioral health conditions.

The two main components of the FHSP are: (1) housing and tenancy supports, and (2) intensive case management services (ICMS). The FHSP housing subsidies and tenancy support services are operated by a non-profit housing provider, Brilliant Corners, under contract with DHS. ICMS are operated by homeless service providers across Los Angeles County. ***This report only focuses on the housing and tenancy support component of the FHSP and the relationship between DHS and Brilliant Corners that supports successful implementation of the FHSP.***

¹ Abt Associates. [“Implementing the Los Angeles County Flexible Housing Subsidy Pool: Strategies and Lessons Learned.”](#) 2020.

² For more information about the Flexible Housing Subsidy Pool, its implementation, and partnerships, please refer to the following reports. Abt Associates. [“Flexible Housing Subsidy Pool Brief: Evaluation of the Conrad N. Hilton Foundation’s Chronic Homelessness Initiative.”](#) 2017. Abt Associates. [“Implementing the Los Angeles County Flexible Housing Subsidy Pool: Strategies and Lessons Learned.”](#) 2020.

³ Wildkress, D. and W. Lawrence. [“Flexible Housing Subsidy Pool Guide.”](#) 2022.

1.2 Flexible Housing Subsidy Pool Housing and Tenancy Supports

The FHSP includes rental subsidies along with a variety of supports for securing the housing and maintaining tenancy that are traditionally not found in other governmentally funded housing programs. Brilliant Corners delivers the following services and supports on behalf of clients who need permanent supportive housing. They include:

- Recruitment of landlords
- Rental unit acquisition and inspection
- Participant housing search assistance
- Rental application support
- Securing furniture and other client necessities
- Participant support for maintaining tenancy
- Landlord support for maintaining tenancy
- Administering monthly rental unit payments, security deposits, holding fees, and damage mitigation fees

Operating the FHSP and delivering these services and supports to participants and landlords requires a flexible contract to meet the changing needs of participants and the Los Angeles County housing market. Over the past decade, DHS and Brilliant Corners have worked together to create a trusting and collaborative partnership to administer and operate the FHSP. A significant reason for the success of the FHSP and the relationship between the two entities lies in the contractual and financial agreements on which the FHSP was built. The following sections of this report explain the specifics in the contracting and financial arrangements and the culture of innovation and flexibility at each of the two entities, DHS and Brilliant Corners.

2. Creating Flexibility in Contracting

Flexibility is built into the contractual relationship through a broad contracting approach that covers a range of potential activities. Los Angeles County uses a Master Services Agreement (MSA) to approve contractors and then issues specific work orders to invite approved contractors to apply to carry out proposed work.

2.1 Master Services Agreement

To implement the Flexible Housing Subsidy Pool (FHSP), Los Angeles County Department of Health Services (DHS) uses a Supportive Housing Master Services Agreement (SHMSA) for its contractual arrangement with Brilliant Corners and other homeless service providers who deliver intensive case management services to participants. ***The SHMSA allows the County to create a ready pool of contractors to carry out work in support of the FHSP.*** To become an approved contractor under the SHMSA, an organization submits its statement of qualifications and other requested documents in response to an initial request from the County. Once the organization is screened and the SHMSA is fully executed, organizations become ‘qualified contractors’ and can respond to County-issued work orders. ***This structure eliminates the need for contractors to resubmit documents each time they reply to a workorder for DHS, which is timesaving for both DHS and the contractors.*** This process allows DHS to act quickly if a supportive housing need emerges by having a ready-list of approved contractors that can provide housing and supportive services.

The SHMSA under which Brilliant Corners works is tailored to the provision of supportive housing services including FHSP tasks but contains standard contractual language used in the master service agreements (MSAs) with a variety of entities. It outlines the terms and conditions that govern the services provided, administration of the contract, the duration of the agreement, compliance with rules and laws, payment for services, employment practices, insurance coverages, and termination of the contract. It also covers terms and conditions unique to Los Angeles County such as special consideration given to local small businesses and social enterprises. Whereas the SHMSA contains standard contracting language, specific work orders contain more information about the work to be conducted by the approved contractor.

2.2 Flexible Housing Subsidy Pool Work Orders

The specific activities necessary to operate the FHSP are covered by work orders that can be thought of as individual contracts. The executive authority granted by the Los Angeles County Board of Supervisors (BoS) allows the Director of DHS to issue, amend, and approve work orders under the SHMSA and to provide cash advances up to a specified ceiling without new BoS approval. Over time, the BoS gave additional authority to the Director of DHS by expanding the types of activities that fell under the work orders. This additional authority helped DHS and Brilliant Corners address new issues such as adding new expense items, addressing rising rental costs in Los Angeles, or working together on a new funding opportunities.

2.2.1 Contract Term

The contract between DHS and Brilliant Corners is for up to 15 years, a first 5-year term plus two renewals. ***This long contract has allowed Brilliant Corners to make long-term investments in the capacity of the organization and scale-up efforts to meet the growing needs of the FHSP and its***

participants. A multi-year contract has permitted Brilliant Corners to build relationships with landlords and service providers and to partner with affordable housing developers to develop new housing despite the lengthy housing development and financing process.

2.2.2 Contract Scope

The contract with Brilliant Corners is broadly written to include a range of activities and responsibilities. Brilliant Corners is charged with developing a pool of units, providing goods and services to clients, managing FHSP funds, and collaborating with DHS and homeless service providers that deliver intensive case management services. DHS administers the contract, monitors Brilliant Corners' performance, and develops program eligibility and policy guidelines. The contract also includes quality control and quality assurance plans, requirements for employee compensation, and required insurance coverage.

2.3 Financial Workflow

The financial workflow under the contract between DHS and Brilliant Corners provides additional flexibility to support the implementation of the FHSP. ***Much of the financial workflow is not specifically outlined in the SHMSA or the work order but instead is a set of practices that developed and evolved over the FHSP's life.***

2.3.1 Three-part Invoicing System

To maintain flexibility and provide payments in real time, DHS and Brilliant Corners created a three-part invoicing system. The first invoice is for the upcoming month's rent payments to landlords. DHS' finance team processes this invoice immediately so there is no delay in the payment of rents on behalf of FHSP participants. The second invoice covers payment for Brilliant Corners' salaries and staffing costs as well as goods and services. The third invoice itemizes Brilliant Corners' actual expenses for the month and summarizes the "Net 30," or the difference between what DHS paid Brilliant Corners in response to the first two invoices and the total spent during that month. ***This three-part invoice system allows for on-time monthly rental payments to landlords and Brilliant Corners' salaries to be quickly paid by DHS but allows for additional expenses to be invoiced at the end of the month.***

2.3.2 Rental Payments to Landlords

Monthly rental payments to FHSP landlords are a significant cost that many community organizations cannot cover while waiting for reimbursements. Instead, at the beginning of each month, DHS provides a cash advance to Brilliant Corners to make rental payments to FHSP landlords. This is a critical aspect of the FHSP financial workflow agreement between DHS and Brilliant Corners. ***Making payments to landlords consistently and on time helps the FHSP maintain its pool of current landlords and recruit new landlords.*** The rental payment advance also allows Brilliant Corners to use its financial reserves to fund time-sensitive needs and new unit acquisition to add to the pool. During the FHSP pilot phase (2014), Brilliant Corners received a six-month cash advance to help build the pool of available units and create the infrastructure necessary to manage both housing units and tenancy supports.

2.3.3 Administrative Fee

Brilliant Corners also receives an ongoing monthly administrative fee to support staffing and organizational infrastructure for computers, staff training, and other administrative needs. This administrative fee is a percentage of staff and operating expenses rather than a percentage of total expenses such as rents. The administrative fee helps build new infrastructure as the FHSP grows,

encourages innovation, and supports staff development. The administrative fee is paid each month in the second invoice.

2.3.4 Real-time Budgeting Process

The budgeting process between DHS and Brilliant Corners exemplifies the collaborative nature of the administration and operation of the FHSP. The contract specifies that Brilliant Corners and DHS meet quarterly to review the budget. In practice, however, the budget is reviewed more frequently. Each month, Brilliant Corners sends DHS a variance report showing actual expenses versus budgeted expenses. This gives both entities the information needed to adjust the budget when they meet quarterly.

The line items within the budget were also designed to provide flexibility and respond to the changing needs of FHSP participants. Budgeted line items include personnel costs, operating costs, client costs, and an administrative fee. Personnel costs cover staff salaries. Operating costs include computers, software, staff training, printing, and other administrative support costs. Client costs include rent payments on behalf of clients, specialized goods and services, moving costs, and other items needed for tenancy support. These line items are sufficiently broad to cover new goods and services for clients and new administrative needs—for example, more complex financial management software or new accounting positions as the FHSP scales up and operating the program becomes more complex.

2.4 Other Features of the Contract

The flexibility created through the contracting process and financial workflows is counterbalanced by quality assurance and quality control processes and clearly outlined responsibilities between Brilliant Corners and DHS.

2.4.1 Contractor Qualifications and Duties

The contract specifies the following responsibilities for Brilliant Corners:

1. Develop relationships with landlords who will participate in the FHSP and create a pool of units ready to rent to incoming participants;
2. Assist clients with their housing search; and,
3. Support clients throughout their tenancy to maintain stable housing.

In addition to these responsibilities, the contract also specifies that Brilliant Corners must have the capacity to manage FHSP funds and have administrative staff in place, including a project manager. The contract details the specific qualifications and experiences of the project manager and provides that training and skill development opportunities must be available for staff. Finally, Brilliant Corners must maintain a physical office.

2.4.2 Implementation Planning

The contract specifies that an implementation plan needs to be developed collaboratively by Brilliant Corners and DHS. The plan must outline steps towards achieving goals, including processes for acquiring and developing units and pathways for identifying and selecting participants. The plan provides a guideline for FHSP activities and serves as a benchmarking tool for DHS to assess the Brilliant Corners' performance.

2.4.3 Quality Assurance and Quality Control

The contract describes a quality control plan to be developed by Brilliant Corners to ensure compliance with the SHMSA and the contract. This plan outlines how Brilliant Corners monitors staff and subcontractor compliance, ensures the quality of services provided, and tracks performance. Under a separate quality assurance plan, DHS provides oversight of Brilliant Corners' performance. This oversight includes regular meetings, reports on contractor deficiencies, and in-person observations. The full quality assurance plan is outlined in the SHMSA and includes a yearly program audit by DHS.

3. Building an Organizational Culture that Supports Flexibility

The organizational culture of the collaboration between Los Angeles County’s Department of Health Services (DHS) and Brilliant Corners provides important support to the flexibility of LA County’s Flexible Housing Subsidy Pool (FHSP). ***The culture is based on frequent interaction between DHS and Brilliant Corners staff and is underscored by organizational trust and a culture of innovation.***

3.1 Frequent Interaction

Frequent collaboration provides DHS with a deep understanding of the work and provides Brilliant Corners with the ability to influence DHS decisions on program design and elements of operation. ***Frequent communication and sharing of information also contribute to the flexibility of the FHSP, allowing DHS and Brilliant Corners to adapt to challenges together and share responsibility for the success of the FHSP.*** Collaboration also provides an avenue for informal financial oversight, avoiding budgetary surprises, and allowing course corrections midstream. DHS works with Brilliant Corners almost weekly to review invoices, respond to questions, and do any planning needed immediately. As a result, DHS is continuously aware of FHSP expenses and emerging needs. The frequent contact between Brilliant Corners and DHS and the resulting level of involvement is not specifically outlined in the contract and instead has arisen as the work evolved. Both entities have been and continue to be committed to this ongoing collaboration to ensure the FHSP’s success.

3.2 Organizational Trust

The informal mechanisms for shared problem-solving, and operational best practices that have evolved between DHS and Brilliant Corners have created a strong level of organizational trust. Organizational trust allowed the three-part invoicing system and the cash advance to take shape. ***This organizational trust means that DHS leadership prioritizes FHSP activities, getting quick approvals for invoices and supporting Brilliant Corner’s work in the press or among political stakeholders. The level of trust also has helped staff at Brilliant Corners meet new challenges and coordinate with DHS for additional financial or programmatic support.***

3.3 Culture of Innovation

The FHSP’s design and the short timeframe for implementation required rapid thinking and problem-solving by DHS and Brilliant Corners leadership and staff. ***This sense of urgency and the need to frequently troubleshoot helped develop a culture of innovation.*** Staff from both entities described working together to create best practices and develop new strategies to engage in their work. They also described the satisfaction they derived from finding creative solutions to advance the FHSP. This type of problem-solving and development of out-of-the-box solutions became an organizational norm. This culture was also exemplified by the leaders of DHS and Brilliant Corners. ***As the FHSP grows, the partners may need to take direct steps to preserve the organizational culture. A larger staff requires more intentional attempts to share cultural norms and best practices. The organizational norms developed over time may need to be codified or formally passed on through staff training to maintain the informal staff networks and support the culture of innovation.***

4. Considerations for Other Communities

For communities across the country who may be interested in creating a Flexible Housing Subsidy Pool (FHSP) or a program that is similar, below are some key considerations based on the Los Angeles County implementation.⁴

- **Select a public agency or department responsible for administering the program, contracting with local organizations, and ensuring the program has clear policies and procedures.** The choice of public agency responsible for administering a program largely depends on the program’s source of funding and the culture of the agency. In Los Angeles County, at its inception, funding for FSHP is largely from the County’s health system, so the Department of Health Services (DHS) administers the program.
- **Select a contractor for program implementation.** In addition to the typical requirements in a solicitation for a contractor to operate a program (i.e., quality assurance, compliance, financial management, staffing capacity), the solicitation should ask for expertise with working with the target population, capacity for program implementation and program scaling, and experience working with governmental entities to design and implement a program. Brilliant Corners had a successful record of acquiring rental units, providing tenancy services, and working with landlords for programs for people experiencing homelessness. Brilliant Corners also had a record of successfully implementing new programs with governmental partners.
- **Designing a flexible contract.** The contracts that govern a program such as FHSP should allow for flexibility, innovation, trust, and collaboration between the community’s elected governing body, the administrative entity overseeing the program, and the operating entity implementing the program to ensure that the program can be responsive to participants’ needs. The contract should have a scope of work broad enough to cover a variety of activities relevant to the objectives of the program. The LA County Board of Supervisors provided DHS leadership authority to administer the program as needed without having to come back for approvals for each work order. The contract between DHS and Brilliant Corners clearly defines key roles and responsibilities, but they are worded broadly enough to allow for flexibility and responsiveness to program participants’ needs.
- **Invest in a multi-year contract.** When a program is designed, the program administrator should think about what is needed to build the program’s infrastructure and support the program operator. In most cases, organizations find it very difficult for planning purposes to receive one-year contracts when operating a program. The timeframe of the contract should be long enough for the program operator to invest in infrastructure and build the organization’s capacity to successfully operate the program. This includes hiring and training new staff, developing program protocols and procedures, and ensuring the appropriate technology is on-hand. To launch the

⁴ For more information about the Flexible Housing Subsidy Pool, its implementation, and partnerships, please refer to the following reports. Abt Associates. “[Flexible Housing Subsidy Pool Brief: Evaluation of the Conrad N. Hilton Foundation’s Chronic Homelessness Initiative.](#)” 2017. Abt Associates. “[Implementing the Los Angeles County Flexible Housing Subsidy Pool: Strategies and Lessons Learned.](#)” 2020. Wildkress, D. and W. Lawrence. “[Flexible Housing Subsidy Pool Guide.](#)” 2022.

FHSP, Brilliant Corners needed to build relationships with landlords and build the pool of available rental units. In Los Angeles, the FHSP work order covers five years and is renewable for two additional five-year terms.

- ***Create a nimble, responsive invoicing and payment process.*** A financial workflow process should be designed to meet the needs of the program participants and program operators. Traditionally, governmental programs operate through an invoice reimbursement process where it can take months for the program to receive cost reimbursement. This practice leaves the program operator (most times a community organization) in financial risk until reimbursement occurs. Creating a financial process that considers the needs of the program operator and the program's participants is critical for establishing a collaborative and trusting relationship between entities. In Los Angeles County, the three-part invoice process allows Brilliant Corners to operate without financial risk and avoid having to rely on its financial reserves because of delays in processing an invoice.